

Topic:  
CAD & Price

## Choosing a CAD/CAM supplier – the price factor

**What are the factors that influence CAD/CAM users' choice of suppliers? How easily swayed are they by discounts? We interviewed 300 end users to gain a snapshot of current attitudes.**

*iCAD is produced by Business Advantage, a B2B research, business development and marketing consulting practice operating in the global IT, Digital and Telecommunication sectors.*

### Background

In the first issue of *iCAD*, we reported on our research findings that nine out of ten CAD/CAM users are not currently considering changing their supplier ([How loyal do CAD/CAM users feel towards their supplier?](#)) – This research revealed that once a good relationship with a supplier has been established, the cost of their products and services is not viewed by the majority of users as a key reason for remaining loyal. Only one in five quoted price as a factor behind their decision to stick with their existing supplier(s), compared to the half who cited a good overall standard of service.

### Selection Criteria

So what criteria do CAD/CAM users use when they do decide to choose a **new** supplier? The table below summarises the responses of this sample when asked to name the two most important factors they would look for when choosing a new supplier.

	Most important	Second most important	% of respondents rating this among their top 2 factors
Price	29%	18%	<b>47%</b>
Technical ability of reseller/vendor	23%	24%	<b>47%</b>
Availability of support/service	17%	23%	<b>40%</b>
Knowledge of applications/market	10%	10%	<b>20%</b>
Reputation of reseller/vendor	8%	5%	<b>15%</b>
Location/where reseller/vendor is	6%	5%	<b>12%</b>
Other factors	5%	4%	<b>9%</b>
Delivery times	2%	8%	<b>10%</b>

BASE TOTAL = 276 (representing the nine out of ten who are not considering a change in supplier)

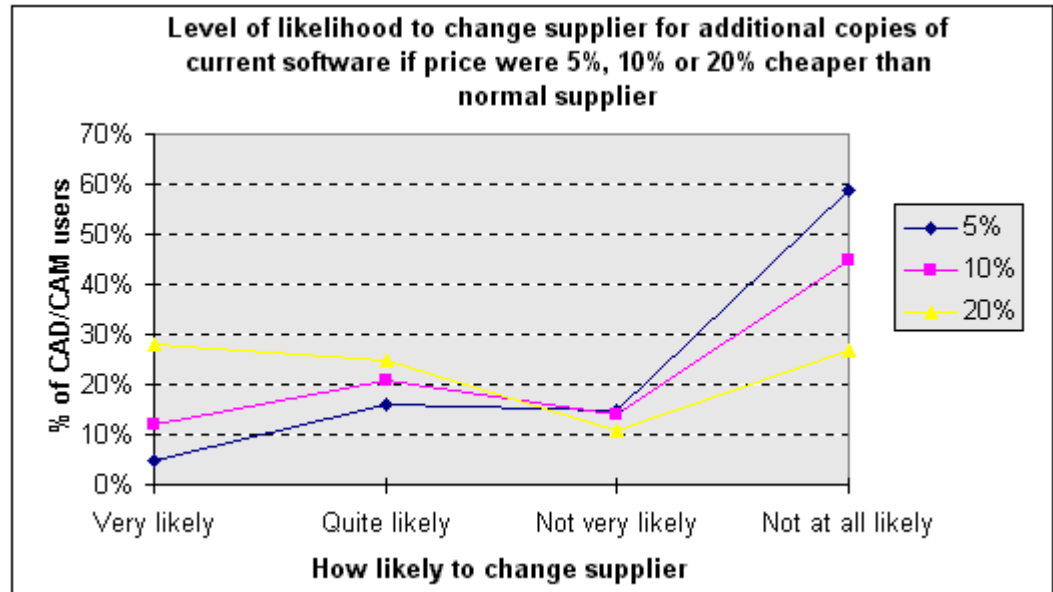
The interesting point here is the proportion of users that now cite price as a key factor - nearly half of them. This represents nearly a 30% increase on the proportion who named price as a factor for staying loyal to their **current** supplier. Clearly when the quality of service from a potential new supplier is unproven, the importance of price is increased.

### Methodology

Telephone interviews were conducted with 301 UK-based CAD/CAM users, representing a range of industry sectors and company sizes. The term 'supplier' was defined as the company that provides goods and support services to the end user. For the vast majority of companies in our sample, this meant a **reseller** or a **dealer**.

**Money Talks**

How willing are CAD/CAM users to risk a drop in service quality for a price discount? We asked our full sample of 301 users how likely they would be to purchase products (such as additional software licences) which would *probably* require little technical support from a new supplier at varying discounts, but in the knowledge that they would be likely to receive an inferior overall service than they do currently. The table below shows their reactions to being offered a 5%, 10% and a 20% discount by a new supplier.



Two-fifths of CAD/CAM users say they are not very or not at all likely to accept even the offer of a 20% discount. This group corresponds to the same companies we identified in our research into user loyalty to suppliers ([issue 1 of iCAD](#)) who feel their supplier is the best available.

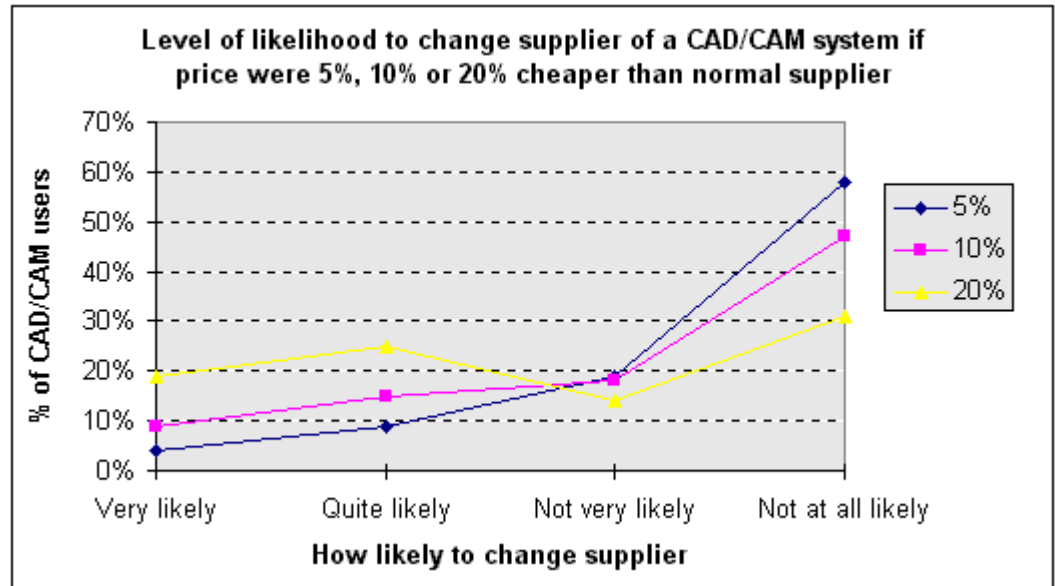
The findings indicate that for a supplier to compete on price alone, a discount of at least 10% is needed. A third of potential new customers are quite or very likely to be swayed by this type of saving.

### Raising the stakes

How receptive are CAD/CAM users to price discounts for purchases that are likely to require greater reliance on the technical ability and overall support from a supplier? We asked our sample how likely they would be to purchase a new CAD/CAM solution from a new supplier, but in the knowledge that they would be likely to receive an inferior overall service than they do currently.

In responding to this question our sample assumed that the same new CAD/CAM solution was available from their existing supplier and the new one offered discounted prices.

Again the table shows the reactions of our sample to being offered a 5%, 10% and a 20% discount by a new supplier.



Surprisingly nearly a quarter said they would be very or quite likely to consider changing supplier for a 10% discount. Just over two-fifths seem to be receptive to the prospect of the (initially at least) substantial savings from a 20% discount. However once again the presence of those users who declare themselves to be wholly satisfied by their current suppliers shows up in the just over two-fifths of those who said that they would be not very or not at all likely to consider a 20% discount.

## Conclusion

We recognise that the users in our sample have given their responses to hypothetical situations and that their actual behaviour may change when confronted with the practicalities of purchasing new products/services. However:

- These findings do provide an insight into the proportions of users who are at least *willing* to consider changing suppliers for immediate financial savings at the risk of an inferior service. The proportion willing to take this gamble seems high at first glance, but bear in mind our findings in ([issue 1 of iCAD](#)) that nearly half of CAD/CAM users do not think they have the best available supplier; they simply do not feel it is worth the effort to seek a better one. The offer of discounts might be able to shake this inertia.
- While the discounts we asked our sample to consider would be unsustainable at the higher levels, they do provide a pointer to the size of discounts needed to attract new business, perhaps for a short-term campaign.
- There are implications here too for the different approaches that suppliers can take to market to different segments of their customers. Our findings show that around two in five CAD/CAM users think that their suppliers are the best available; we also know that good overall service is their prime reason for staying loyal. Suppliers could identify who these customers are, and divert more resources to selling additional value added services to them.

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