

Price variability for double glazing products: case studies

Annexe H of the doorstep selling report

May 2004

Introduction

- H.1 The research, organised as a series of five small case studies, was conducted by an external contractor, experienced in market research and mystery shopping techniques. In order to avoid unfairly wasting the time of sales representatives, the researchers were recruited from a group with the necessary interview skills who also owned a property that was not double glazed and for which they were considering purchasing the product. They therefore had a legitimate interest in exploring the price for double glazing for their property and were potential customers.
- H.2 Since it is impossible to eliminate all differences in quality of construction and installation services, some degree of price variation is to be expected. The research therefore only attempted a limited examination of actual prices for double-glazing, and did not set out to collect large amounts of data. The aim was to see if, in a limited number of circumstances, the variation in price seems compatible or incompatible with a properly competitive market.

Methodology

- H.3 The contractor organised to collect three comparable quotes for each of five properties scattered around the country, each quote from sales staff visiting the home. The three quotes included one each from a supplier with nation-wide distribution, one from a medium-sized supplier with a strong regional presence but not operating nation-wide, and one from a small local supplier. The suppliers were selected to vary from case to case, a feature that arises naturally for the regional and local suppliers but by choice for the larger suppliers with nation-wide presence.
- H.4 In order to provide as high a degree of comparability as possible, the quote was fixed for the same number of windows with the same specification for fixed and opening panes. Minor technical details were also consistent, for example with hinges in the same locations, and where there are necessarily variations from normal standards (e.g. obscured glass for bathrooms) this again was made consistent for each quote. In addition, as far as was reasonably possible the requirement followed the following fixed technical specification.

- Windows were to be uPVC replacement windows with hot rolled galvanised steel internal construction.
- All the uPVC was to be new and include no recycled material.
- Windows are to be white throughout with white handles.
- All double-glazed units to be hermetically sealed and incorporate 'Pilkington K' glass, and installed with weatherproof beading and to carry BS 7413.
- Security features should include five or six locking points and some form of anti-jemmy hinge protectors and meet security standard BS 7590.
- The product should carry a minimum 10 year guarantee.
- Costs should include fitting and removal and disposal of existing windows.

H.5 While this specification still allows for some quality differences, the tightly constrained technical specification was expected to go a considerable way to eliminating the scope for major price variation.

Results

Case study 1: North East London

- H.6 In this case, the quotes were able to achieve a high degree of technical compliance with the specification in all cases, except that the regional company could only provide three point locking.
- H.7 Some of the quotes exhibited features already identified as common in the selling of double glazing, including one instance where a very high initial quote was in due course followed by a further quote considerably lower than the original, and one case where the researcher felt that the sales person had applied pressure selling. Some discounting from the first quote was also a feature of the regional company quote, and both the national and regional company both applied some degree of additional sales pressure by indicating that the lowest quoted price was only available if the customer agreed the purchase on that evening.

H.8 Final quoted prices for the set of seven windows varied between £5,128 and £3,520. The highest price was given by the national company, and was 46 per cent more than the lowest price from the local supplier.

Case study 2: Berkshire

H.9 Again, the quotes in this case study were able to achieve a high degree of technical compliance, exactly meeting the specification in all cases except that the quote provided by the local company could not meet the requirement to provide windows white throughout with white handles - (metallic or brushed silver handles being quoted).

H.10 Again the national company quoted a very high initial price followed up in due course by a further quote considerably lower than the original. The researcher also reported that the national company sales person was the only one of the three to apply pressure selling, and was also the only one of the three to quote a price that was only available if the customer agreed the purchase that evening.

H.11 Final quoted prices for the set of eight windows varied between £5,993 and £4,200. The highest price was given by the national company and was 43 per cent more than the lowest price given by the local supplier.

Case study 3: Kilmarnock

H.12 The quotes from the national and regional supplier both achieved the required technical specification, with the exception that the regional supplier proposed glazing units using a low 'emissivity' glass, reportedly to comply with new Scottish regulations. Unfortunately despite several contacts, the local supplier did not submit a quote for the work so the comparison here is based on just two quotes.

H.13 In neither case did the researcher consider there had been any pressure selling nor was there any indication that the price was only available for purchases agreed that evening.

H.14 Final quoted prices for the set of nine windows ranged between £8,223 and £5,185. The higher price was given by the national company, and was 59 per cent more than the lower price from the regional supplier.

Case study 4: Derbyshire

- H.15 In this case, all the quotes complied exactly with the suggested technical specification.
- H.16 The researcher considered that the sales person from the national company had applied sales pressure to secure the sale, but this was not present in the other two visits. The local company had indicated that it would provide a quote subsequent to the visit, but failed to do so, even after reminders. The national company provided a quoted price that was only available if the customer agreed the purchase on that evening.
- H.17 On a like for like basis – that is quotes that were not conditional on the consumer making an immediate decision - final quoted prices for the set of four windows varied between £2,229 and £1,778. The higher price was given by the national company, and was 25 per cent more than the lower price from the local supplier. The national company also made an offer of £1,889 (or six per cent more than the lower price) conditional on agreeing the sale that evening.

Case study 5: Carlisle

- H.18 In this case study there were a number of departures from the technical specification. While the quote from the national company met all the specification requirements, that provided by the regional company was based on aluminium internal construction rather than hot dipped galvanised steel. Moreover it also departed from specification on the security features where the locking system was based on four points and did not include anti-jemmy hinge protection. In addition the quote from the local company also departed from specification on security features using a system described as 'Espagoletti' four point locking system.
- H.19 In this study only the regional company offered any discount from its initial starting price. Both the national and local companies provide just a single price and without any subsequent revisions. The researcher did not feel any of the sales visits had employed pressure selling and none of the companies imposed any 'price only available tonight' conditions on the offer.
- H.20 Final quoted prices for the set of eight windows varied between £4,510 and £3,114. In this case the highest price was provided by the regional

company, with the national company next lowest and the local company cheapest. The highest price quoted was 45 per cent above the lowest.

Summary results: general observations about the sale

- H.21 Certain tactics used by sales people selling high value goods on the doorstep or in the home have been identified in other parts of the research. Such tactics include using:
- a high initial price followed in due course by quotes at a lower price, arriving at a final price considerably lower than the original
 - the use of pressure selling, and
 - making offers that are only available if the customer agrees the purchase immediately.
- H.22 In these case studies, all these features seemed to be more commonly employed by national companies than others, and to be least used by local companies.
- H.23 Given the limited number of cases, such conclusions need to be tentative. The picture that the above features are an important part of sales tactics is reinforced by the evidence concerning the sizes of the discount offered by the national companies. On average, such discounts were substantially greater than those offered by regional or local companies.
- H.24 The size of the discount is not a good guide to best value. In each case study the quote offering the highest discount was, in fact, the highest priced final quote. While discounts around 50 per cent of the initial price may look very attractive, they clearly offer no guarantee that the final price will be low in absolute terms. Summary information about the main features of the sales visit is shown in table 1 below, with further detail in the attached annexe.

TABLE 1: MAIN FEATURES OF THE SALES VISITS - Cases observed/All cases

Company base	Pressure selling	Discount from original price	Price only available that night	Highest discount ¹	Average discount where offered
National	2/5	3/5	3/5	59%	45%
Regional	1/5	2/5	1/5	20%	19%
Local	0/5	1/3	0/3	5%	5%

¹ Expressed as a percentage of the original

Summary results: Price variability

H.25 Turning to the range in quoted prices, it will be observed that, on a strictly like for like basis, the highest prices ranged from 25 per cent above lowest to 59 per cent above lowest, and overall averaged about 43 per cent more, as shown in table 2.

TABLE 2: QUOTED PRICES BY CASE STUDY: HIGHEST, LOWEST AND RANGE

Case study	Highest	Lowest	Price range as % of lowest price
1	£5,128	£3,520	46%
2	£5,993	£4,200	43%
3	£8,223	£5,185	59%
4	£2,229	£1,778	25% (6% ¹)
5	£4,510	£3,114	45%

¹ The bracketed six per cent figure refers to the situation where a quote was only available that evening compared to a quote offered without time limit.

Conclusions

H.26 Given the constraints placed on the required goods, the observed price range of 45 per cent of the lowest available price looks high and arguably greater than could be explained by any residual differences in quality and service standards that could not be controlled for in the case studies.

H.27 Almost all markets have differentiation in quality and service standards that are reflected in price differences. Where consumers have clear information on prices and quality, premium products sell according to their merits.

H.28 Perhaps the most worrying feature of these case studies was the observation that the highest prices were most strongly associated with pressure selling, dubious sales tactics, and discounting that might distract the consumer from a proper evaluation of value for money.

ANNEXE

Sales visits and prices: case study detail

Company type	Specification	1st price inc VAT	Final price inc VAT	Pressure selling?	Time limit on price?
North East London		Quote for 7 windows			
National	1, 2 3, 4, 5, 6, 7	£7,500	£5,128	No	On the night
Regional	1, 2, 3, 4, 6, 7	£5,500	£4,500	Yes	On the night
Local	1, 2 3, 4, 5, 6, 7	£3,520	£3,520	No	No time limit
Berkshire		Quote for 8 windows			
National	1, 2 3, 4, 5, 6, 7	£14,582	£5,993	Yes	On the night
Regional	1, 2 3, 4, 5, 6, 7	£5,605	£5,605	No	No time limit
Local	1, 2, 4, 5, 6, 7	£4,405	£4,200	No	No time limit
Kilmarnock		Quote for 9 windows			
National	1,2,3,4,5,6,7	Computer down - no initial price	£8,223	No	No time limit
Regional	1,2,3,5,6,7	-	£5,185	No	No time limit
Local	-	-	-	-	-
Derbyshire		Quote for 4 windows			
National	1,2,3,4,5,6,7	£3,374	£2, 229 (£1, 889 if agreed on night)	Yes	On the night
Regional	1,2,3,4,5,6,7	£1, 778	£1, 778	No	No time limit
Local	1,2,3,4,5,6,7	Not given	Not given	No	No time limit
Carlisle		Quote for 8 windows			
National	1,2,3,4,5,6,7	£4, 113	Not revised	No	No time limit
Regional	2,3,4,6,7	£5, 637	£4, 510	No	No time limit
Local	1,2,3,4,6,7,	£3, 114	Not revised	No	No time limit

Quotes are given to the nearest pound

Specification details overleaf.

Specification details

- UPVC replacement windows with hot rolled galvanised steel internal construction
- all UPVC to be new and include no re-cycled materials
Windows to be white throughout with white handles
- double glazed units to be hermetically sealed, incorporate Pilkington K glass and to be installed with weatherproof beading and to carry BS 7413
- security to include five or six locking points and some form of anti-jemmy hinge protection and to meet BS 7590
- products to carry a 10 year guarantee
- costs to include fitting, removal and disposal of existing windows.