MAGAZINE ARTICLE – MARKETING AND YOUR PRICE

One of the most important most difficult strategies in marketing is determining a fair price for your goods and services that represents value but is attractive enough to create volume.

Price is an emotive issue.

Price is understanding by the customer of the benefits of the product or service that create value and the pricing of that product.

There is no such thing as an overpriced product or service, rather the pricing structure in place represents poor value and the customer makes up their mind on the benefits that they perceive and in doing so, believe that they do not get enough benefits for the price, so therefore will not make the purchase.

And even worse, they will tell their friends about the poor value and perceived benefits and volume demand will decrease rapidly.

Some strategies for pricing your products or services;

Quality strategy –
Complete your price ending in zeros (00) eg. $20.00, $30.00, $300.00, as the zeros on the end of the price is a psychological concept for top quality.

Discount strategy (.99) –
Less than $1, the .99c strategy is very popular for attracting customers to examine the product or service because of the appeal of the 9's. e.g. $5.99, $9.99, $29.99, $99.99 are all attractive pricing strategies.

Traditional price (.95) –
Again, this strategy uses the attractiveness of the 9 but also uses half of the 10 in a standard pricing structure that gives us prices such as $5.95, $19.95, $29.95.

Service Hourly Rates –
Should always be quoted in the quality strategy, e.g. $80.00 per hour, $100.00 per hour, $40.00 per hour, $150.00 per hour.

When it comes to passing on price cost increases always do it immediately that you receive the cost increase, a series of strategies aimed at regular small increases is more profitable than holding off for an annual increase and with the current NZ economy fluctuating every 90 days if required, review your costs for price adjustment every 90 days.

When implementing a price increase always explain to your customers the reason why so that they understand the new value that is built into your pricing.

Setting your price strategy –
If you have existing products or services and you wish to set a price that is fair value to the customers in the market place you might first make a list of the benefits of your product or service and your company that the customer will be gaining. Then do a similar list of benefits of which the customer would gain from any alternative products or services from other suppliers in the market place and then establish the other supplier's selling price structure, look particularly at the margins allowed to distributors or wholesalers, and/or methods of payment and trading terms discounts.

Look for the psychological pricing – is there a price barrier at which the customers cease to buy? Is there a value equation that customers query the purchase? Then set yourself three prices in the market place. A high value, high benefit price – a medium value, medium benefit price – and a low price with low benefits.

Now do a positioning of the prices of all the other suppliers and competitors in the market place and then determine where the gaps are open for you to represent your price and your value.

There are a number of strategies you can employ to enter a market place.

The Mercedes Strategy – high price, high quality - this pricing means you actually go above most others in the market place and set yourself as a prestige product that people aspire to.

Penetration Pricing – with this strategy you sit approximately 10% below the market leader and offer the same value as the market leader but for same value, service or product but for a slightly less price penetrating the market place.

Super Bargain Strategy – this is where you offer a low price but high quality with the aim of getting in and securing market share over a short period of time and then hopefully you can retain the customers because of the super bargain to your brand.

Overpricing Strategy – this is where you charge a high price for medium quality as a way of maximising return in a market where the consumer demand is very high – usually used at the introduction of various products or services at the very beginning.

Average Quality Strategy – this is medium prices for medium quality and is what a lot of NZ businesses rely on where they priced to be the same as others.

Bargain Strategy – a low price on medium quality. This is when you are not offering the best in the market place but you are offering as low as possible a price as what you can to attract customers to your particular brand or your location.

Hit and Run Strategy – high price, very low quality, designed to sell at once and never ever hear from the customer again. Usually used by fraudsters and people who have no investment in a brand.

Shoddy Goods Strategy – medium price with low quality. A very good way to run yourself out of the market but quite often used in third world countries who have no idea of brand names and registrations, etc, where they make copies of well-known brand names.

Cheap Goods Strategy – low price, low quality, designed with the lowest possible price and the lowest possible quality services in mind to appeal to a segment of the market that wants to be able to have products that look like the real thing but certainly are nowhere near in pricing.

Price is about perceived value and the more value you can build into your pricing value equation for the customer the more likely they are to respect your brand, make a purchase, and most of all have the confidence to come back and repurchase.

Pricing as a marketing strategy is very important to attract customers to try your product or your service, but it must deliver value at the time of the sales negotiation.

Richard P Gee
0800GEEWIZ
richard@geewiz.co.nz
www.geewiz.co.nz