

Pricing Strategies For Profits+Plus!

presented
by

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**The five components of a pricing strategy:
Blind price items**

- A. Defining blind price items

- B. Examples of blind price items in everyday life

- C. Ten point evaluation of blind price items
 - 1. Extra time to price
 - 2. Extra handling for customer
 - 3. Natural add on item
 - 4. Seldom used
 - 5. Repair or replacement item
 - 6. Luxury or status appeal
 - 7. Seldom promoted
 - 8. Not seasonal
 - 9. Recreational item
 - 10. Not sold in a mass merchant

If your current margin is (read across top) and you raise your price by (read down left), then you can sell this percentage fewer and maintain the same profit.

	10%	15%	20%	25%	30%	35%	40%	50%
5%	33.3	30	25%	17%	14%	12.5	11.1	9.1
6%	37.5	28.6	23.1	19.4	16.7	14.6	13	10.7
7%	41.2	31.8	25.9	21.9	18.9	16.7	14.9	12.3
8%	44.4	34.8	28.6	24.2	21.1	18.6	16.7	13.8
10%	50	40	33.3	28.6	25	22.2	20	16.7
11%	52.4	42.3	35.5	30.6	26.8	23.9	21.6	18
12%	54.5	44.4	37.5	32.4	28.6	25.5	23.1	19.4
15%	60	50	42.9	37.5	33.3	30	27.3	23.1
16%	61.5	51.6	44.4	39.9	34.8	31.4	28.6	24.4
18%	64.3	54.5	47.4	41.9	37.5	34	31	26.5
20%	66.6	57.1	50	44.4	40	36.4	33.3	28.6

D. Scoring with margins

1 - 3 _____%

4 - 5 _____%

6 _____%

7 _____%

8 - 10 _____%

Everyday Sale Price

A. Defining items that deserve an everyday sale price

B. Finding the everyday sale price items

C. Promoting your everyday sale prices

Promotional Price Items

A. Deciding to advertise

B. Education as a key ingredient

C. Advertising and promotional budget

Price Sensitive Items

A. Defining items that are price sensitive

1. Has a "sister" product that can be an everyday sale price item
2. The same item, but in a different size/color, is an everyday sale price item
3. Has additional benefits/features that can be easily demonstrated or explained
4. Not sold in mass merchants
5. Not advertised by competition
6. Solves a problem/need better than the product asked for
7. Scores 3 or less on the 8 remaining blind price item list
8. Quality is immediately proven by way of manufacturer name

B. Examples of price sensitive items

C. How much can you charge?

D. Reasoning the additional charges

1.

2.

3.

4.

Variable Price Items

A. 3 ways of increasing your margins

1. Departmental review -

2. Fineline review -

3. Rounding prices -

B. The Putney Pricing System (adding 24 cents)

C. Rounding your prices

1. \$2.00 to \$9.99

.29 .49 .79 .99

2. \$10.00 to \$19.99

.99

3. \$20.00 to \$49.99

_1.99 _2.99 _4.99 _6.99 _7.99 _9.99

4. \$50.00 and above

_2.99 _4.99 _7.99 _9.99

D. Pricing for Profit by Bob Aiken 603-859-6557

6 South Main Street Farmington, NH 03835

Putney Pricing Strategy

Cost Minimum	You add	Old Retail	Add 24 cents	Round Up	Margin
.01 - .10	\$0.10	\$0.20	\$0.24	\$0.49	80.00%
.11 - .15	\$0.15	\$0.30	\$0.24	\$0.59	75.00%
.16 - .20	\$0.20	\$0.40	\$0.24	\$0.69	71.00%
.21 - .25	\$0.25	\$0.50	\$0.24	\$0.79	68.00%
.26 - .30	\$0.30	\$0.60	\$0.24	\$0.89	66.00%
.31 - .35	\$0.35	\$0.70	\$0.24	\$0.99	65.00%
.36 - .40	\$0.40	\$0.80	\$0.24	\$1.09	63.00%
.41 - .45	\$0.45	\$0.90	\$0.24	\$1.19	62.00%
.46 - .50	\$0.50	\$1.00	\$0.24	\$1.29	61.00%
.51 - .55	\$0.55	\$1.10	\$0.24	\$1.39	60.00%
.56 - .60	\$0.60	\$1.20	\$0.24	\$1.49	60.00%
.61 - .65	\$0.65	\$1.30	\$0.24	\$1.59	59.00%
.66 - .70	\$0.70	\$1.40	\$0.24	\$1.69	58.00%
.71 - .75	\$0.75	\$1.50	\$0.24	\$1.79	58.00%
.76 - .80	\$0.80	\$1.60	\$0.24	\$1.89	58.00%
.81 - .85	\$0.85	\$1.70	\$0.24	\$2.09	59.00%
.86 - .90	\$0.90	\$1.80	\$0.24	\$2.19	59.00%
.91 - .95	\$0.95	\$1.90	\$0.24	\$2.29	58.00%
.96 - 99	\$0.99	\$1.98	\$0.24	\$2.39	58.00%

Putting it all together with a sequence for implementation

A. Everyday Sale Price

1. Start watching ads
2. Change items as you find them
3. Never be the lowest price in town
4. If you will lose more money than you are comfortable with, do not stock the item. BUT,

B. Promotional Price Items

1. Create a budget
2. Don't forget education
3. Stretch your risks over a period of time
4. Measure your results
5. Have a newsletter

C. Price Sensitive Items

1. Harder to determine the items
2. Represents extra dollars for you
3. Low maintenance of this program

D. Variable Pricing

1. Review your margins by department and fineline
2. Implement the Putney pricing system
3. Start rounding prices
4. Buy Aiken's book

E. Blind Price Items

1. Identify items in the other categories
2. Apply Aiken's rule to blind price items
3. Always look for items to add to list

Closing reminders

RESOURCE ORDER FORM

Save your time when you visit Tom Shay's Profits+Plus table of tools today.

Check the items you need for your business, and complete the order form below.

Each of the items on this order form has a special "**today only**" price which is my way of saying thanks for attending this presentation. Prices are approximately 20% higher on the Profits+Plus website.

- 100 Profits+Plus Ideas for Power Promoting**
- 100 More Profits+Plus Ideas for Power Promoting**
Advertising and promotional ideas that have been proven to work at little or no cost.
- 100 Profits+Plus Ideas for Power Managing**
- 100 New Profits+Plus Ideas for Power Managing**
Business building and managing ideas that have been proven to work for businesses to increase profits and eliminate expenses.
- EZ Cashflow™**
Accurately create and see each of your next 12 financial statements today. The book includes a computer disk which has the formats for installation on your computer.
- What does Tom say?**
- What *else* does Tom say?**
Each is a collection of 50 of the best of Tom Shay's columns from 40+ trade journals and magazines. A CD created in Adobe pdf format, this book is readable with any computer.
- Power Promoting Screen Savers**
A collection of 100 photos of store displays along with the advertising and promotional ideas from the first Power Promoting book. Your pc can be a great learning tool, even when you are not using it.
- Power Posters Collection**
26 posters in the series, providing inspiration, education, and motivation.
- Relationship Selling Skills Big Deal!**
The deck of cards to be used to create an interactive educational event for your employees for their learning how to work better with customers.

RESOURCE ORDER FORM

- AMP Calculator** (An online service product)
Looking for an easy way to develop your annual advertising plan? This online format will walk you through selecting the media, dollar amounts, sales events, as well as promotional and contingency spending. Print the month to month plan, make changes, and save it online.

- How to Become the Preferred Vendor - 251 Strategies for doing more business with retailers!**
Want to know how other retailers are finding the best deals? What special treatment another store may be getting? This book was written for vendors, but many retailers use it to gain information so that they can more successfully negotiate with their suppliers.

- Get the complete set of Profits+Plus Tools for \$170.00**
(Online price \$215.20)

EZ Cashflow™ is \$25.00 (Usually \$28.95)

Power Posters Collection is \$10.00

Each Ideas book is \$8.00 or get all four for \$30.00
(Usually \$9.95 each)

Big Deal Cards, What does Tom say?, What *else* does Tom say?
\$15.00 (Usually \$18.00 each)

Amp Calculator is \$30.00 (Usually \$40.00)

Power Promoting Screen Savers! is \$15.00 (Usually \$18.00)

How to Become the Preferred Vendor is \$15.00 (Usually \$19.95)

EACH ITEM SOLD WITH A GUARANTEE TO MAKE YOU MONEY!

Name _____

Address _____

City, State, Zip _____

Charge card# _____ Expiration _____

Signature _____

E - mail address _____

SHAY'S WAY



Is the Price Right? by Tom Shay

Television has a long running game show where contestants win prizes by correctly guessing the prices of household items. You might expect people to have a good idea what these everyday items cost, but that is not always the case.

A different version of this game is being played every day as customers shop all types of businesses for the products you sell. The advantage many of your competitors have is the ability to use one or more employees to study, create and implement their pricing strategies.

How do you feel the effects of this? It comes when you have a customer tell you how much higher your prices are than a competitor's. Equally bad is when your customer tells you your price is lower than any store in town.

What about the time when you visit the big box store and realize they are selling an item for less than you pay for it. While that may be true, the reality is they are probably selling the product for less than they pay for it, too.

These situations can be resolved for any dealer, and the solution, while not easy to implement, is simple. Many of the products you sell can be categorized into one of four categories. In addition, a strategy for pricing products can be implemented to improve your margins. The key is to identify the category a product belongs to. Let's take a look.

Everyday Sale Price Items—For most businesses, you will find about 100 items with known prices because your competitors advertise them so often. If you were a grocery store, these items would be a gallon of milk, a pound of hamburger meat, a loaf of bread and most of the other items you see in large displays as you come into their store.

While these may be items on which you will make little or no profit, they are necessary because they are the means by which you tell your customer you are competitive. If your competition is selling the item for \$1.00 and you have the identical item for \$1.79, what does that tell the customer about your business? And what will the customer think about all the other items in your store?

Price Sensitive Items—These become your secondary tier of items. They are ones that your

customer has somewhat of an idea what the price should be, but are not certain. The scenario can occur as a customer comes in asking for a product, often an everyday sale price item, but upon our asking questions we find the product they want is not the product they need.

Sometimes the price sensitive item is merely a different size from what the customer has asked. With items in this category, we can be charging as much as 10% more for the item because in speaking with the customer we have added additional value to the transaction.

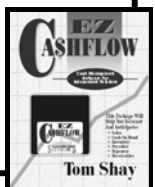
Promotional Price Items— These are the items that you advertise, and they do not necessarily have to be all the same items your competition advertises. As you are expecting your customers to respond to this advertising, it is crucial your employees are knowledgeable about the products.

Blind Price Items— Read the annual reports of your chain store competitors. When you see their overall margin, and then look at how many items they are selling at or below their cost, it is easy to see they are making up the difference on the thousands of items that are not in the three other categories we have discussed. These are often the items that a small business is selling for far less than a chain store. These items tend to be the products that are unique and are not sold in every store.

Variable Pricing— Variable pricing is a technique that allows you to boost your profits by rounding prices. For example, look at all the items you sell between \$17.00 and \$17.99. Why are some items at \$17.09, others at \$17.38 and some at \$17.95? Why not price all of them at \$17.99? If you count the number of items that fall into this category, you would be surprised by the additional profit. Starting with items as low as \$2.00, you are selecting certain price points that you want to hit.

Many businesses have items in the range of \$2.00 to \$10.00, structured so that the ending two digits are .29, .49, .79 and .99. As prices on products continue from here to hundreds of dollars, a similar strategy is used so that the business maximizes the potential profit.

Research has shown that you can increase your net profits by \$25,000 for every \$750,000 in sales by





Is the Price Right? by Tom Shay *(continued)*

implementing such a practice.

Creating a pricing strategy is not an easy task. It takes a considerable amount of time initially and maintenance every few months to make sure you are on top of the categories and the items they contain. But you will surely notice the difference on your bottom line as you get the prices right.

Business Advice