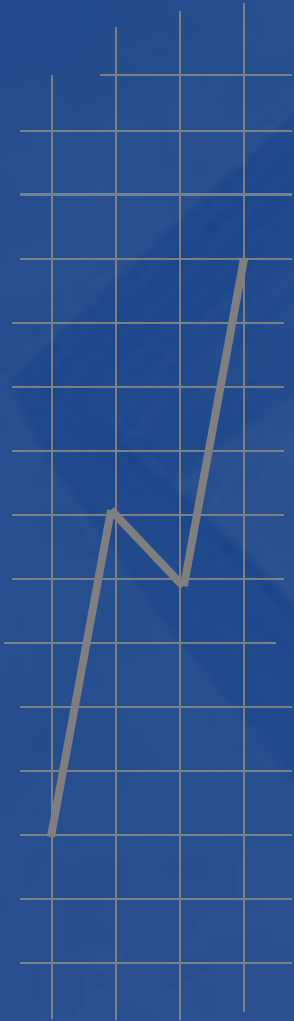


Pricing Strategies

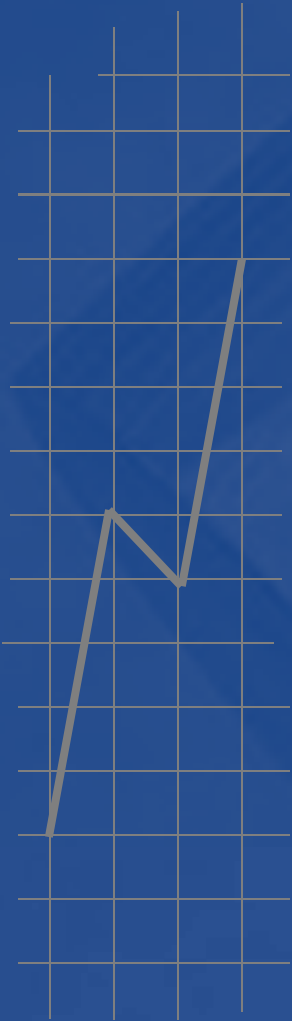
BUSINESS STRATEGY SKILLS TRACK

for ProfitsPlus!

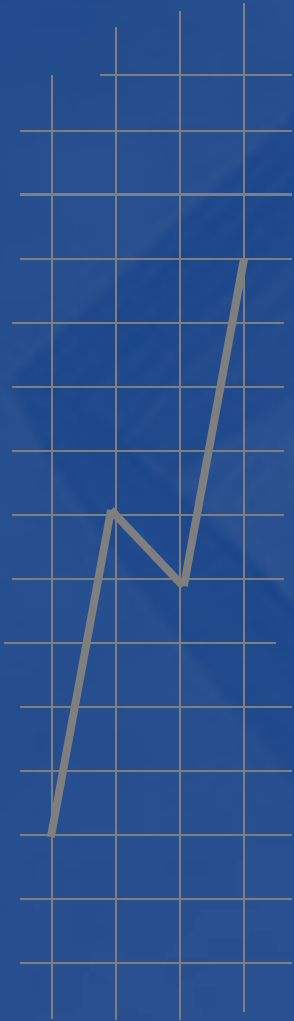




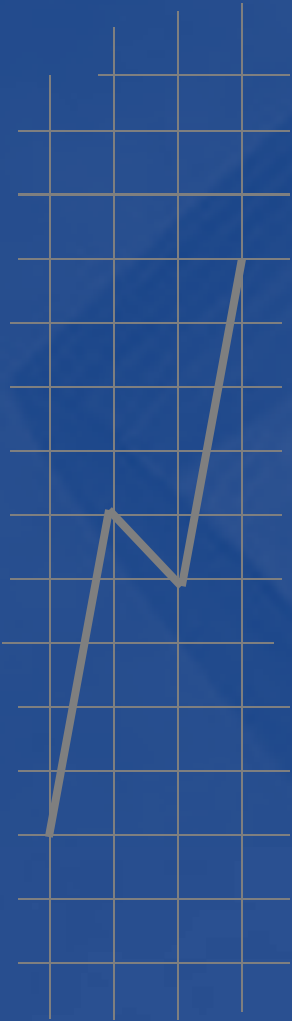
- Three items sitting in your store
- Bottle of scotch, set of glasses, bottle of soda
- Terms of payment for each is net 30 days



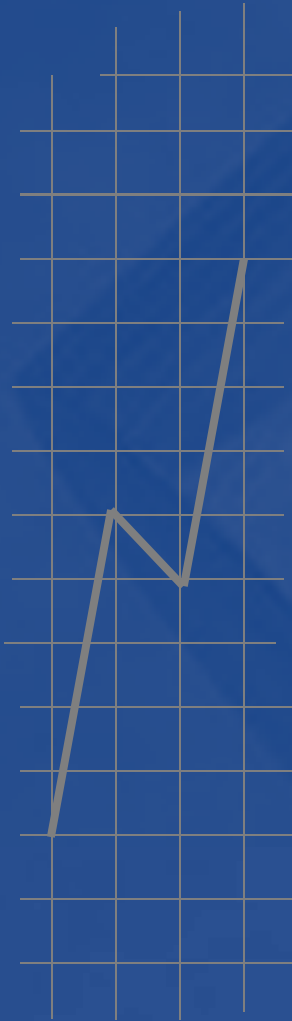
- We sell a bottle of Scotch
- There are two bottles sitting on the shelf
- It sells for \$200 and there is a cost of \$150
- You sell four bottles a year
- What was your inventory turn?
- You made \$200 in gross profit



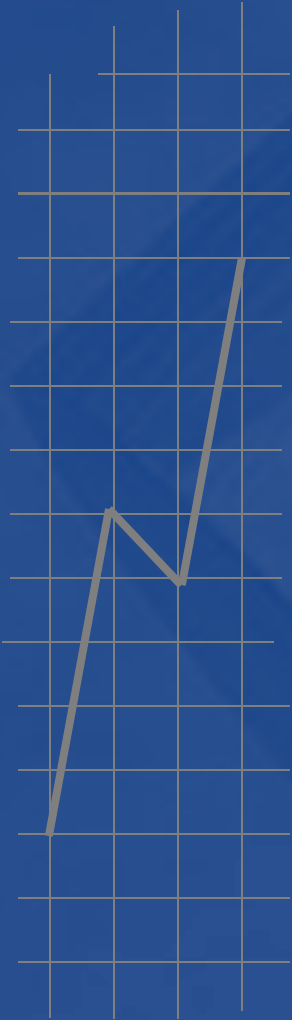
- You sell a set of glassware
- There are two sets sitting on the shelf
- It sells for \$40 and costs \$20
- You sell 10 sets a year
- What was your inventory turn?
- You make \$200 in gross profit



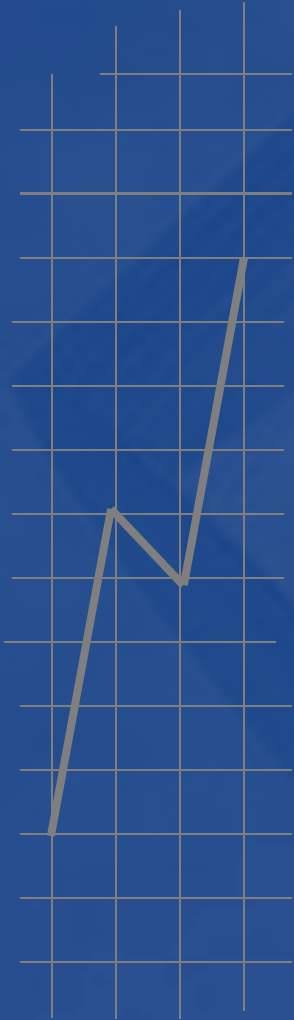
- You sell bottles of soda
- There are fifty bottles sitting in the cooler
- It sells for \$1.00 and has a cost of 75 cents
- You sell 800 bottles a year
- What was your inventory turn?
- You make \$200 in gross profit



- The bottle of Scotch
- The set of glassware
- The bottle of soda
- Different retails; different markups; different quantities sold
- Each made \$200 in gross profit over the course of a year



- One is referred to as dollar contribution
- One is referred to as markup
- One is referred to as inventory turn
- Which one do you want in your store?



- Blind Price Items
- Everyday Sale Price Items
- Promotion Price Items
- Price Sensitive Items
- Variable Pricing

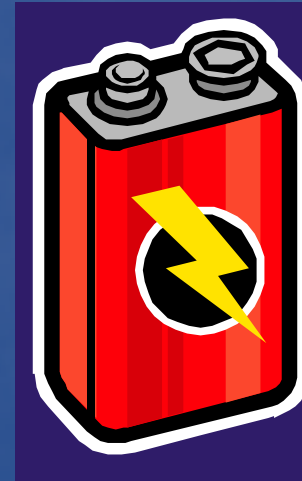
- Blind price items
- Items that the customer has no idea of what the price should be





Deck of
Bicycle brand
playing cards

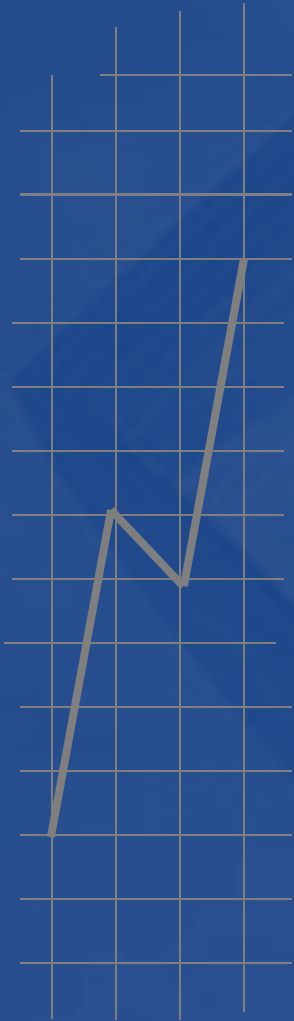
Crayola
24 pack
crayons



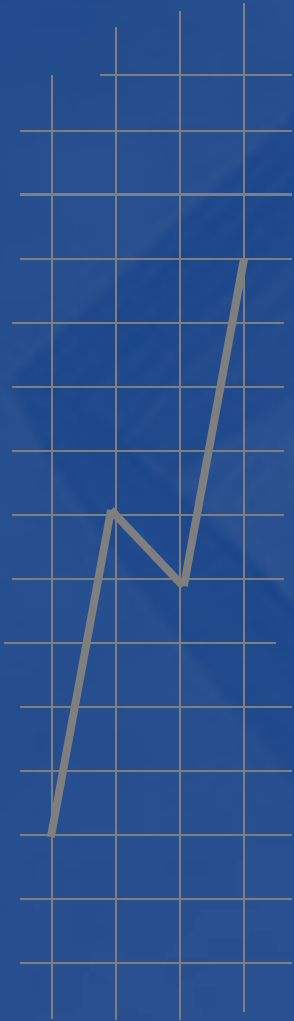
Duracell
9 volt
battery

8" taper



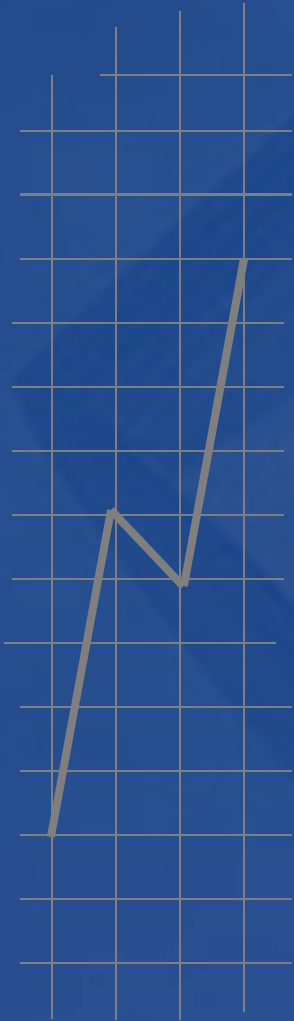


- 10 point blind pricing
- Takes extra time to price
- Requires extra handling for the customer (bulky)
- Is a natural “add on” sale item
- Seldom used
- Is a replacement item



- Has luxury or status appeal
- Is seldom advertised
- Is not a seasonal item
- Is a party item
- Not sold in mass merchants



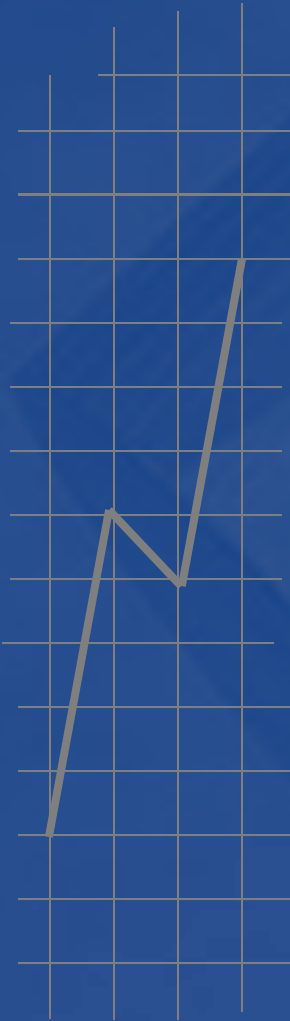


- Score one point for each yes answer:
- 1 to 3 points: 40% - 45%
- 4 or 5 points: 46% - 55%
- 6 points: 56% - 60%
- 7 points: 61% - 65%
- 8 - 10 points: 66% - ?



If you
raise
your
price:

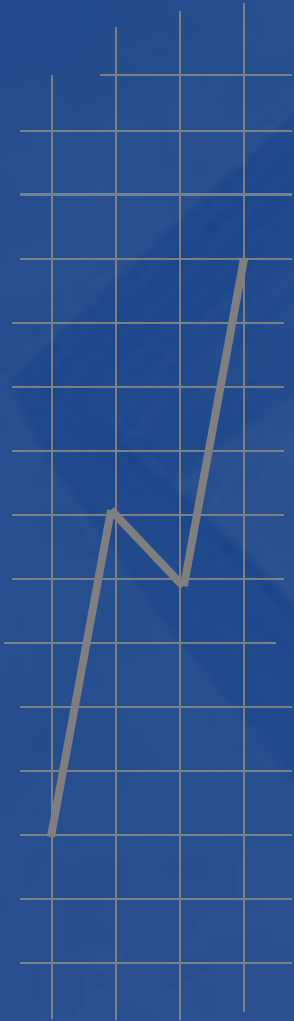
And your current markup is:



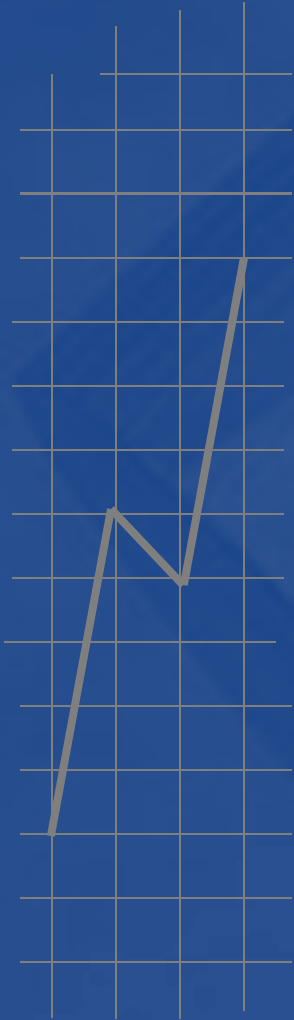
	10%	15%	20%	25%	30%	35%	40%	50%
5%	33.3	30.0	25.0	16.7	14.3	12.5	11.1	9.1
6%	37.5	28.6	23.1	19.4	16.7	14.6	13.0	10.7
7%	41.2	31.8	25.9	21.9	18.9	16.7	14.9	12.3
8%	44.4	34.8	28.6	24.2	21.1	18.6	16.7	13.8
10%	50.0	40.0	33.3	28.6	25.0	22.2	20.0	16.7
11%	52.4	42.3	35.5	30.6	26.8	23.9	21.6	18.0
12%	54.5	44.4	37.5	32.4	28.6	25.5	23.1	19.4
15%	60.0	50.0	42.9	37.5	33.3	30.0	27.3	23.1
16%	61.5	51.6	44.4	39.9	34.8	31.4	28.6	24.2
18%	64.3	54.5	47.4	41.9	37.5	34.0	31.0	26.5
20%	66.6	57.1	50.0	44.4	40.0	36.4	33.3	28.6

If you lower your price calculator

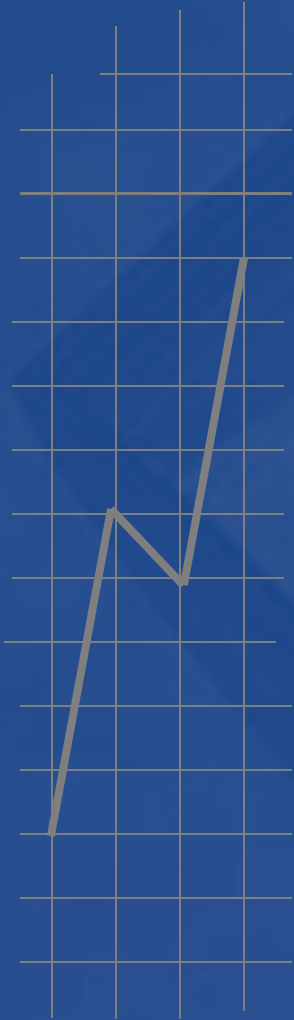
1	Price Per Unit \$	<input type="text"/>
2	Numberof Units	<input type="text"/>
3	Cost Per Unit \$	<input type="text"/>
<input type="button" value="Calculate"/> <input type="button" value="Clear Fields"/>		
4	Gross Sales Amt \$	<input type="text"/>
5	Gross Margin %	<input type="text"/>
6	Gross Profit \$	<input type="text"/>
7	How Many Units Will I Need To Sell At \$	<input type="text"/>
<input type="button" value="Calculate"/> <input type="button" value="Clear Fields"/>		
8	To Make The Same Gross Sales Of \$	<input type="text"/>
9	Answer:	<input type="text"/>
10	New Gross Profit \$	<input type="text"/>
11	New Gross Margin %	<input type="text"/>
12	How Many Units Will I Need To Sell To Make the Original Gross Profit Dollars?	<input type="text"/>



- Everyday sale price items
- Items that you have to match your competitor's prices in order to not have an image of being overpriced.



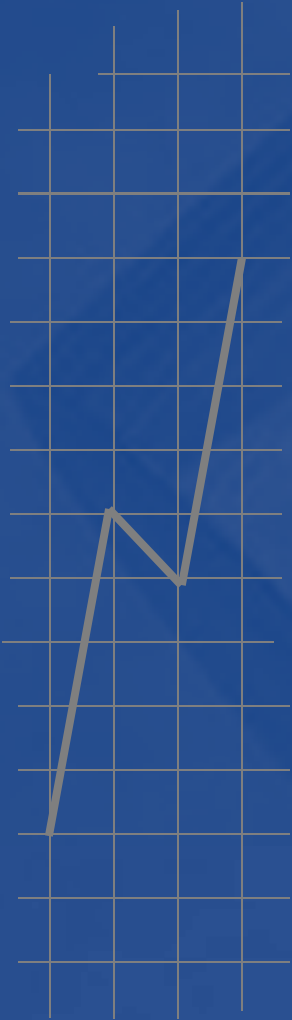
- To find the everyday sale price items:
- Shop the competition
- Watch their ads – both internal and external



Their sale price
this week, is our
everyday price

Why bother
to shop around
for sale prices?

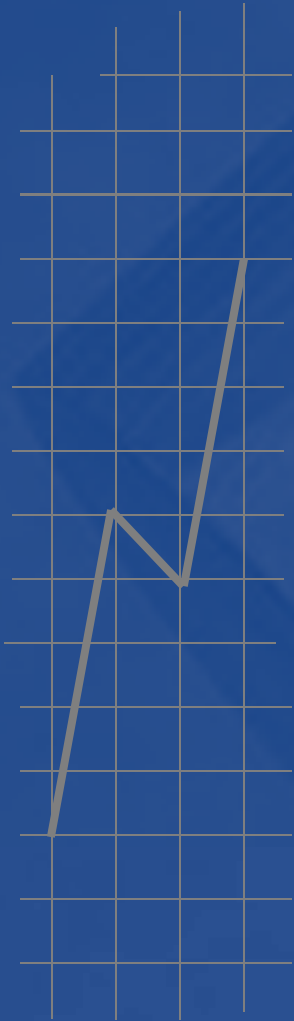
Total Wine
& MORE



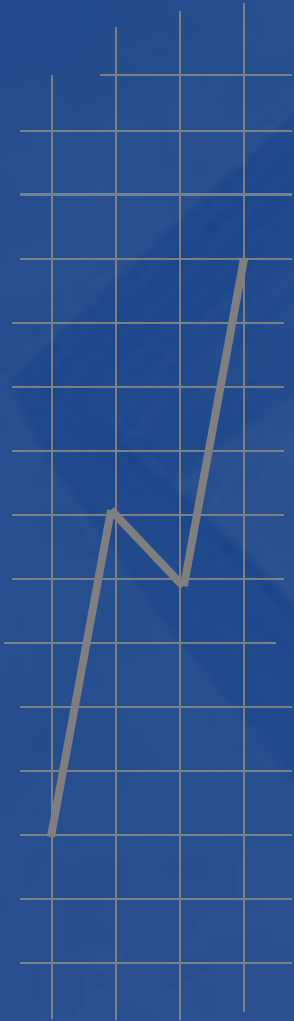
- Another way to announce everyday sale prices:
- Purchase the item at the competition
- Display the item and receipt on an end cap
- Create an “insult card” noting the comparison
- Complete the end cap with a blind price item



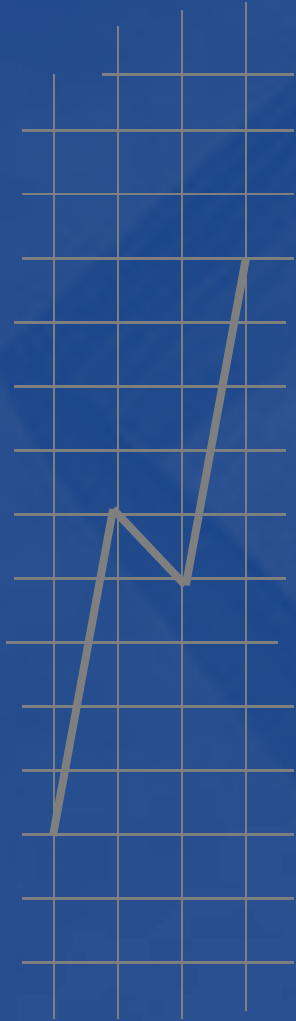
- Promotional pricing
- Items that are your sales items with a definite ending date to the special price
- Two types of items:
 - 1. Your everyday sale price items
 - 2. Items you purchase from vendors for the specific purpose of putting on sale



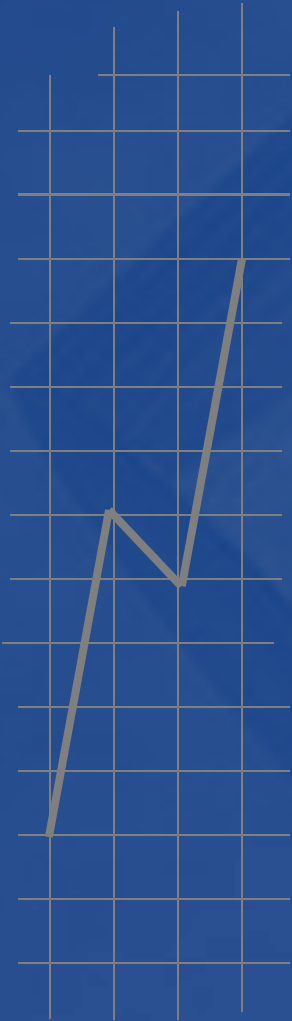
- Price sensitive items
- Items that are related to the everyday sale price items, and that customers have a sketchy idea as to what the price is



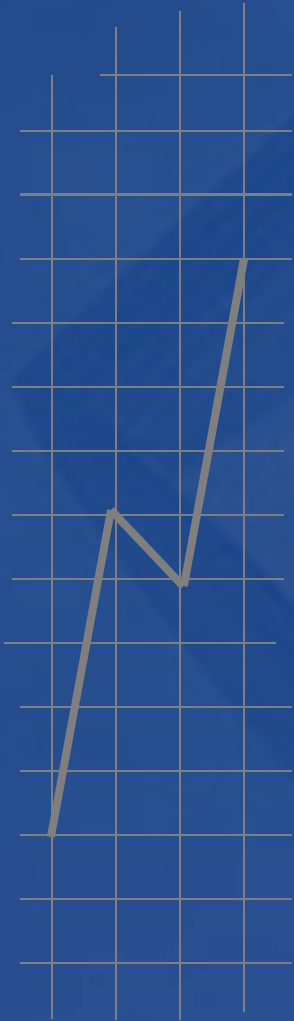
- Has a “sister” product that can be an everyday sale price item
- The same item, but in a different size/color, is an everyday sale price item
- Has additional benefits/features that can be easily demonstrated or explained
- Not sold in mass merchants



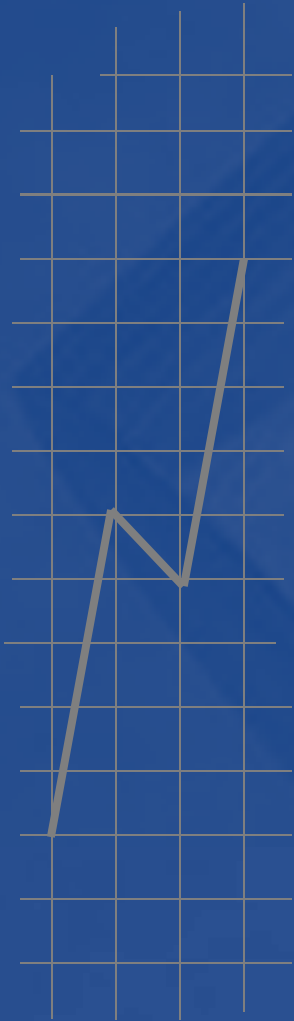
- Not advertised by competition
- Solves a problem/need better than the product asked for
- Scores 3 or less on the 8 remaining blind price item list
- Quality is immediately proven by way of manufacturer name



- Items can be as much as 10% above a competitors price, up to \$4.00
- We can do this because:
 - The customer is already here
 - The customer is in a hurry
 - There is a minimal price difference
 - The competition is too far away
 - The value formula



- Variable pricing strategy
- Strategically increasing prices to enhance your overall margin
- Accomplished by:
 - Departmental margins
 - Fineline margins
 - Rounding techniques



- Traditional mark up
- Pint/half pint 45%-50%
- 750 ml 35%-40%
- Liter/1.75 33%-38%



Department: Liquor

1. Scotch
2. Vodka
3. Rum
4. Bourbon
5. Tequila
6. Whiskey





- Identifying pricing barriers
- \$2.00 to \$9.99
- .49 .99
- \$10.00 to \$19.99
- .99
- \$20.00 to \$49.99
- \$ _1.99 \$ _2.99 \$ _4.99 \$ _6.99
 \$ _7.99 \$ _9.99
- \$50.00 and above
- \$ _2.99 \$ _4.99 \$ _7.99 \$ _9.99

- Articles by Tom
- AMP calculator
- SBA subscribers
- Contact us

Price rounding calculator

This calculator is created to assist you in maximizing your margins. The first step of this calculator is to simply calculate the gross margin of an item. The second step is where you learn how to add gross margin by moving away from absolute margins. As an example, a buyer may calculate a 40% margin with the resulting answer being \$13.29. However, research shows that a customer is just as likely to purchase the item if the price is \$13.99 as compared to \$13.29. The additional 70 cents adds several gross margin points to the price.

Any additional margin you add at this point, falls straight to the bottom line. When you realize that the average business has a single digit net profit, in many cases this exercise can greatly increase the net profit of a business.

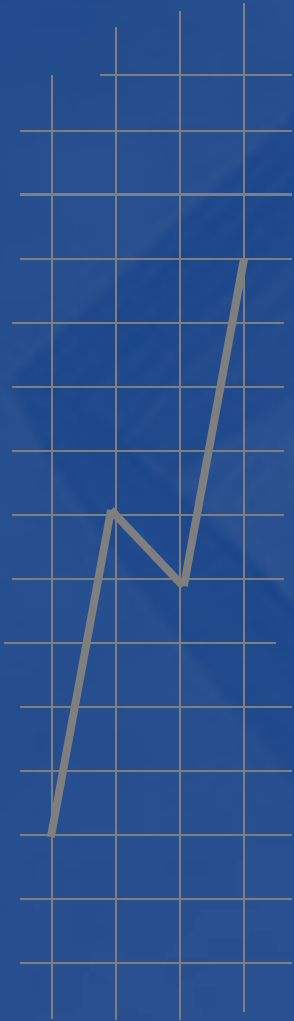
Step One: Enter the cost and desired selling price to determine the margin, or enter the cost and desired margin to determine the selling price.

Cost of Item: \$

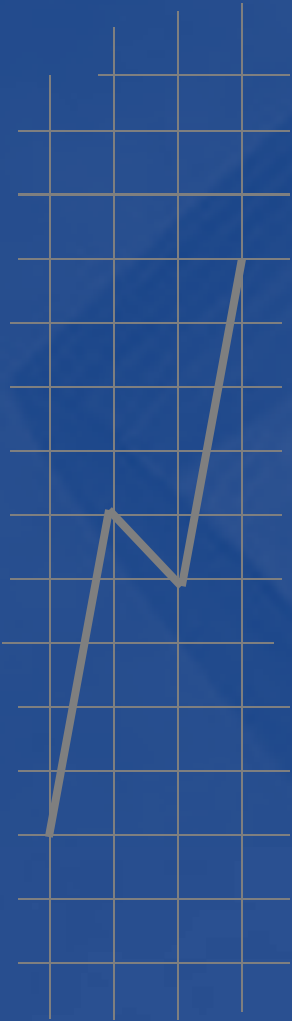
Desired Selling Price: \$

Desired Margin: (%) %

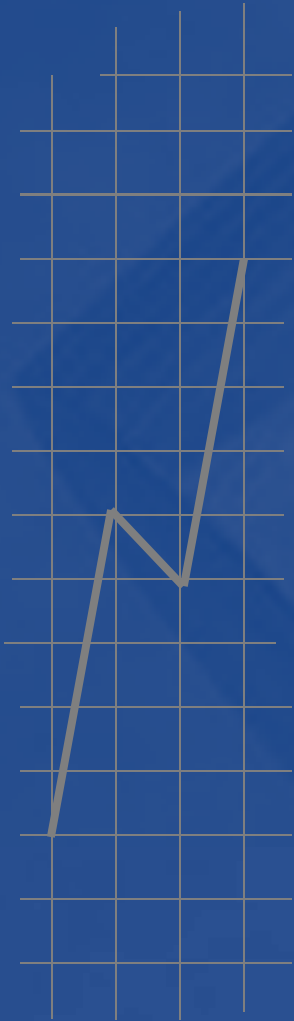
Step Two: During the presentation on pricing strategies, Tom demonstrates a technique that will allow a business to make subtle changes in the prices of products to dramatically improve the gross profit and gross margin. To obtain the rounded up price and margin,



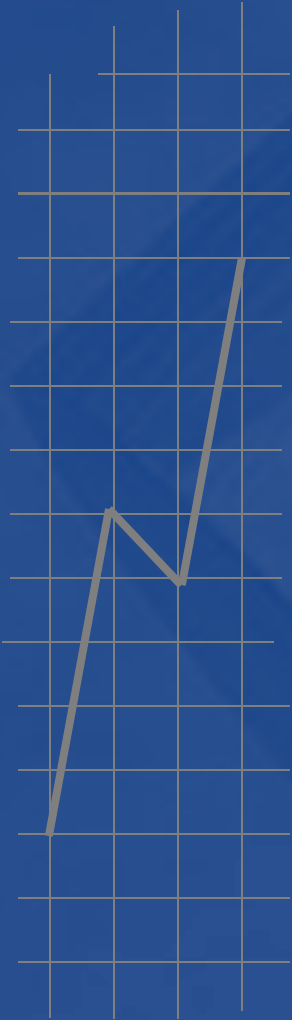
- Our sequence of installation
- Everyday sale prices
- Promotional prices
- Price sensitive items
- Variable priced items
- Blind priced items



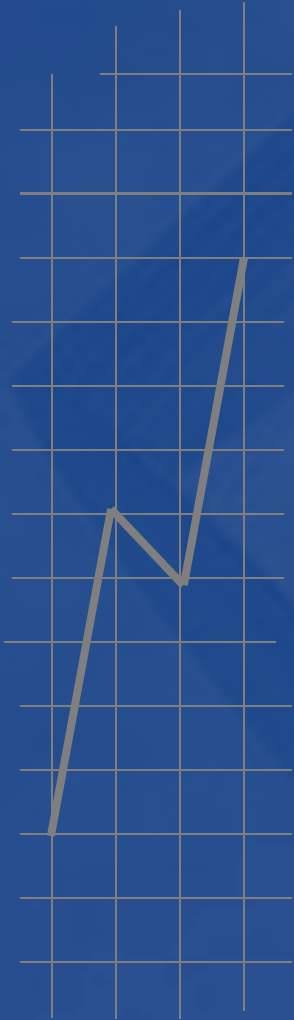
- Everyday sale price items
- Start watching and collecting ads
- Change the prices as you find them
- Never have the lowest price in town
- If you will lose more money than you are comfortable with, do not stock the item. But, ...



- Promotional price items
- Create an advertising budget using the AMP calculator
- Don't forget education
- Stretch your risks over time
- Measure the results
- Promote – not just advertise



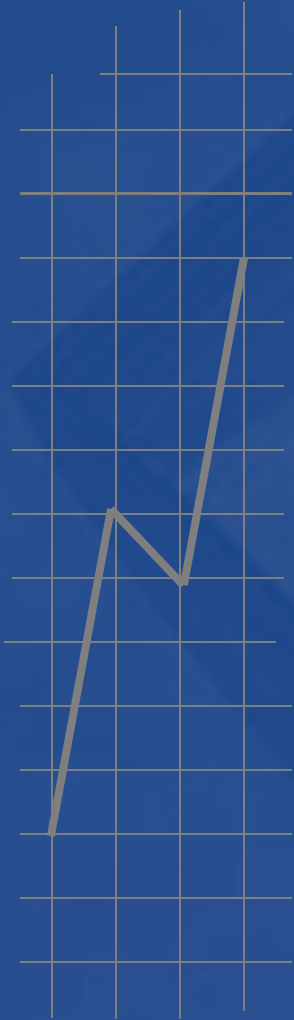
- Price sensitive items
- These items are harder to determine
- Use the chart to help stretch margins
- This program is low maintenance



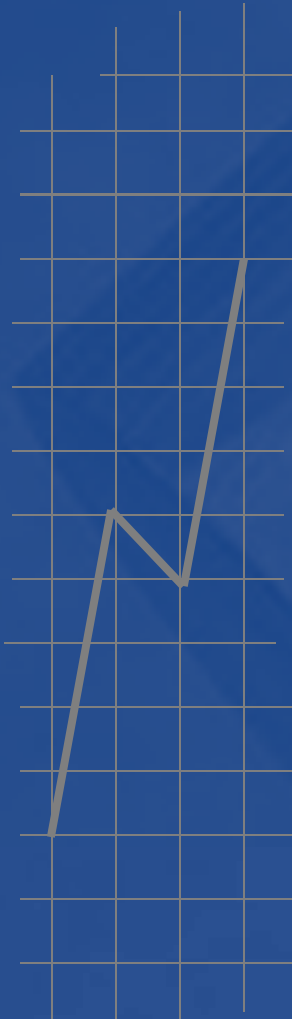
- Variable pricing
- Review your margins by department and fineline
- Start rounding prices
- Experiment



- Blind price items
- Identify the other 3 groups first
- Apply the 10 point rule to blind price items
- Always look for items to add to list



Closing Points



Shay's Way

What is the Price?

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 other store in town.

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

These situations can be resolved; and the solution, while not easy to implement, is simple. Many of the products you sell can be placed into one of four categories.

In addition, a strategy for pricing products can be implemented to improve your margins. The key is to identify a product's category. Let's take a look.

Everyday Sale-Price Items. At 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 enter their stores.

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, 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?

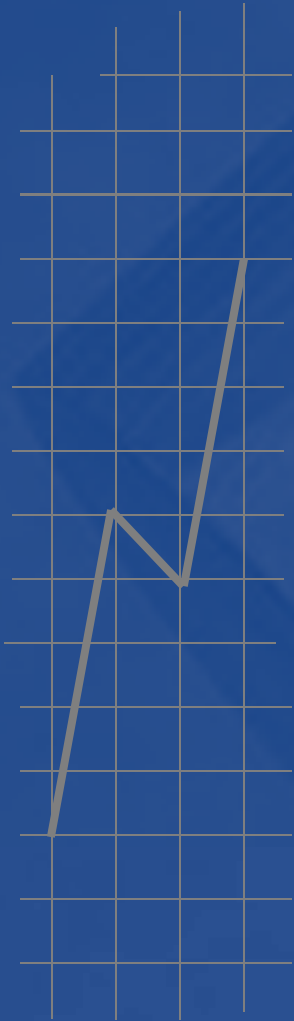
Price-Sensitive Items. These become your secondary tier of items. They are ones about which your customer has some idea of the price, but is not certain. This can occur when a customer comes in asking for a product— often an everyday sale-price item—but after answering our questions finds the product he wants is not the product he needs.

It's easy to join our mailing list!



*Send your email address
by text message*

TEXT
PROFITSPLUS
to 22828
to get started!



If you gain a customer because of your prices, then you will also lose that customer because of your prices!