



# Strategies for Prices in Crises

## Are Your Profits Priceless or Price-Less?

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Pricing strategies generate either profits or losses. Setting price strategies should not be a once-a-year practice. On the contrary, your price strategies must be monitored carefully and continuously throughout the year. *If you are experiencing price-related profitability problems, now is the time to act! If you wait, hoping that things will “turn around,” they may turn into unrecoverable trends.*

**If you are uncertain about how to structure your pricing strategies in the current crisis, give me a call at (630) 420 2605, or e-mail me at [mykwyn@aol.com](mailto:mykwyn@aol.com)**

- We all grew up in a time when prices were fixed – or at least we thought so. Most Americans are still used to the idea that the listed price is fixed, and that we are not supposed to question it. *Well, that is changing, and you have to change with it.*
- How is it changing? Over the last decade, there has been a growing trend to not accept “fixed” prices and, therefore, they should be negotiable. The current economic crisis has led businesses everywhere to offer all kinds of “substantial” discounts. This has many consumers questioning the validity of the original “Fixed” price before it was discounted. It also leads people to wonder what the real value of the product and/or service is.
- What does this mean to businesses? As consumers, in the short term we may see this trend as great; after all, who doesn’t want value at lower prices? Long term, it may not turn out so well as suppliers go out of business because they are losing money, which opens the field to monopolies that can charge whatever they want.
- However, for the businesses that supply products and services, *it has created what may be an irreversible weakness of all prices.* This trend will inevitably also weaken the profitability of companies, in some cases to the point that many of them will be unable to survive – as we are already seeing in the current situation.

*As a business person, what can you do to avoid being forced to reduce your prices to the point where you won’t be able to stay in business? The following Key Price Strategies Checklist is designed to protect your profits. **Keep this checklist handy, and use it often.***

### Key Price Strategies Checklist

1. **Review Your Prices Frequently.** Actually, more than prices you need to review your gross profits per products or services. Do this frequently!

- Which ones are you making money on?
- Which ones are losing money?
- Which ones should you eliminate, change, or perhaps buy for reselling?
- Which products and services are under most price competition right now, and what can you do to protect them?
- Which ones are too easy to sell, thus indicating that their prices may be too low?
- Which ones are too hard to sell, perhaps indicating that you need to enhance their value?

**If you are not sure about your prices and pricing strategies, and would like some help with your Price Review, call me at (630) 420 2605 or e-mail me at [mykwyn@aol.com](mailto:mykwyn@aol.com) ; it could have significant positive impact on your bottom line.**

2. **Set Your Prices Strategically.** Expect your prices to be challenged. Design your products and services to fully justify the prices you will charge. Different customers may have different values; identify those customers and the benefits they value, and design your products and services to delightfully satisfy their expectations. This way you will be defending your prices even before they are challenged.

- Do your products or services target high or low price customers? Make it clear for the consumer, too.
- Does the image of your products or services lend itself to high price? The image you create for your products or services will determine their salability.
- The price you set for your products or services will also determine their image. Low prices rarely are associated with high level product image, just as high prices are usually associated with high level products.
- It is very hard to negotiate up from a price that is low. Better to create a new brand.
- It is easier to negotiate down from a high price, but be sure it is clearly only a temporary action.
- Once you are identified with a low price, it is very hard to create an image of high level products. Would buyers prefer a Lexus or a higher priced Toyota?
- Once you are identified with a high price, anything lower will damage your image, and a damaged image is almost impossible to retrieve.
- It is extremely unlikely that a single brand might successfully cover both low and high price products.
- The decision to compete as the perennially lowest price product or service is unsustainable because there are many competitors who can cut their price below yours, even if they lose money doing so.

- The decision to compete as the highest price product or service is equally unsustainable because sooner or later someone will either come up with a better, more attractive alternative, or one that is equally attractive at a lower price.
- Actually, you may be better off if you have low, medium, and higher level products with prices that are in line with the differences between them. It is not the same as being positioned at either end of the market.
- If you are in a market of a temporary nature such as fads, shortages, current event related, or other, you can have a Get In-and- Get Out strategy with a temporarily acceptable higher price, but with the knowledge that the demand or the price will eventually decrease, and you will exit the market at some point
- If you are in at the beginning of a new market, you may be able to have higher prices simply because at this point there is not much competition, but there will be before long.
- As long as your product is perceived as providing high value, you will be able to charge a higher price.

### 3. Charge for Value

- Are you giving away value? I hate to use airlines as an example, but remember when they provided meals for free?
- Are you providing services that you could charge for? Do you offer express delivery at no extra charge?
- What services could you create that would be chargeable? For example:
  - Special delivery
  - Repairs
  - Exchanges
  - Upgrades
  - Extra products
  - Parking space
  - Valet parking
  - Reduced waiting time
  - Extended warranties
  - Matching colors
  - Designs
  - Accessories

- Maintenance
- Information
- Reservations

Be careful with charging for things that previously were provided for free because it may cause customer resentment. How do you get around this? You do it by increasing the perceived value as a justification for a modest charge. However reluctantly, most of us are willing to pay for something that we perceive as new and improved, and therefore more valuable than what we used to get for free.

Sometimes, providing value for free is not necessarily a bad move, provided you are retrieving the cost of that value by continued profitable sales. Value adding is a strategy that helps you retain truly profitable customers, but don't waste it on customers who won't let you make a decent profit.

#### **4. Teach Your People How to Defend Your Prices**

Most people give in too easily when their prices are challenged. Why? Uncomfortable with the subject of price? Self doubt? Think the competition is better? Believe the competition's price is really lower? Think that defending the price will lose the sale? Don't know how to defend price? Want to please the customer regardless of the negative impact on profits?

If you have a credible explanation and justification for your prices, most customers will listen to you. They may not agree up front, but if you continue with a well-structured defense many will accept your explanations. Why? Because they want to justify the cost in their own mind, and also want to be able to justify it to others. Ever listened to a neighbor explain why he or she bought such an expensive item? They work hard at justifying the price as reasonable. When you defend your price properly, you help your customers justify it to themselves and to others.

**Want to learn more about defending your prices? Go to my website [www.FreeProfitTips.com](http://www.FreeProfitTips.com) where you can find an e-book titled Never Lose a Sale on Price! It is a powerful resource that you can use time and again to close more sales.**

**Need to teach your people how to defend your prices? Contact me at (630) 420 2605 or e-mail me at [mykwyn@aol.com](mailto:mykwyn@aol.com)**