



# Price Process for Fun and Profit

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# Price is an Attitude!



## **The Price Leader**

- Is a pricing professional
- Prices responsibly
- Builds value without destroying what they build



***Be the Price Leader in your market...***

***or someone else IS***

The Mantra



*"The Price is the first indicator of value."*

Incorrect Attitude, or Belief



*"Our customers won't pay more."*

BETTER Attitude or Belief



*"Our customers won't pay more,  
unless they get more."*

Price Leader Attitude or Belief



*"Our customers won't pay more,  
until we earn more."*

## What's in the Price?

*What is the percent of revenue that comes from the price of items you sell?*



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*100% - All of it.*



## What's in the Price?



*What is the percent of revenue that comes from the price of items you sell?*

*100% - ALL of it*

*What is the percent of profit that comes from the price of items you sell?*

## What's in the Price?



*What is the percent of revenue that comes from the price of items you sell?*

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*What is the percent of profit that comes from the price of items you sell?*

*100% - ALL of it*



The profitable sale of merchandise.....



The profitable sale of merchandise.....  
**means selling the merchandise profitably.**

## Most Price This Way....

<u>Price =</u>	<u>\$1.00</u>
COGS	.50
+ Wages & Wage Benefits	.30
+ Operating Expenses	.20
=	
What's Left?	
Profit	.00

## When it Works This Way....

<u>Price =</u>	<u>\$1.00</u>
Profit	.10
+ Wages & Wage Benefits	.30
+ Operating Expenses	.20
=	
What's Left?	
COGS	.40



The Problems With Pricing:



*What goes wrong?*

The Problems With Pricing:



**Rules of thumb - Keystone**

Cost x 2 = Price

over time has become

Cost x 2.3 or 2.5 = Price

The Problems With Pricing:



**Rules of thumb - Keystone**

Cost x 2 = Price

over time has become

Cost x 2.3 or 2.5 = Price

***(What about freight?)***

The Problems With Pricing:



**Calculator Roulette**



The Problems With Pricing:

### Compare-able Merchandise



The Problems With Pricing:

### Misunderstood Economics

*Are you smarter than a 5th grader?*



The Problems With Pricing:

**5th Grade Socio-Economics**

- **Gross Profit**
- **Make it up on Volume**
- **Supply & Demand**



The Problems With Pricing:

**5th Grade Socio-Economics**

- **Gross Profit**
- **Make it up on Volume**
- **Supply & Demand**

**MACRO-economics**



The Problems With Pricing:



***Specialty Retail***

***Micro-ECONOMICS***

- No economy of scale
- Local markets
- Create and meet demand

The Problems With Pricing:



***Product +***

***Store Environment +***

***Service +***

**The TOTAL Value**

How to price?



**NEVER Markup -**

**ELIMINATE the word (markup) from your company vocabulary**

How to price?



**NEVER Markup -**

**ELIMINATE the word (markup) from your company vocabulary**

**Replace (markup) with MARGIN**

How to price?



**NEVER Markup -**

**ELIMINATE** the word (markup) from your company vocabulary

Replace (markup) with **GROSS MARGIN**

**Gross Margin is the amount added to the cost of goods in your price that pays for profit, wages, and operating expenses.**

FIRST THINGS FIRST



**Determine PERCEIVED VALUE price**

## FIRST THINGS FIRST



### Determine **PERCEIVED VALUE** price

- You are not your customer, therefore you don't know what something is worth to them.

## How to Price?



You are **SUPPOSED** to....

**TEST** and experiment with your prices



## How to Price?



**You are SUPPOSED to....**

**Test and experiment with your prices**

**EARLY and OFTEN**

## How to Price?



**Determine Gross Margin FLOOR (min. price)**

**FORMULA:**

**Price = product cost (including freight)  
/ (100-gross margin %)**

**Use a Profit Calculator**

How to Price?



### **Benchmark Prices**

**Compare - comparisons are unfair and will kill you if you die by them.**

**Who gets more? How do they get that?**

How to Price?



### **Nearest I can figure....**

**The difference between the price at the store that gets the most and the store that gets the least is...**

## How to Price?



**Nearest I can figure....**

**The difference between the price at the store that gets the most and the store that gets the least is...**

**How much ink they decide to print on the price tag or sign.**

**It is a simple and powerful decision.**

## How to Price?



**EARN your price....**

**ADD more VALUE**

- **Atmosphere**
- **People**

How to Price?

**3% Challenge**

- **EARN 3%**



How to Price?

**3% Challenge**

- **EARN 3%**
- **In ways customers don't notice**



## Painted Door Principle



## Present Your Price



**GET Your Price**



**Multiple Pricing**

**BUY X or MORE**

**5.99**

**Reg. 6.99**

**GET Your Price**



**Multiple Pricing**

X is VARIABLE

**BUY X or MORE**

Price Barriers....

**5.99**

Save \$1 times X

**Reg. 6.99**

How to Price?

**ADVANCED Pricing**

- **Price Optimization to VARIABLE demand**



How to Price?

**ADVANCED Pricing**

- **Overcoming Price Objections**



## How to Price?

### ADVANCED Pricing

- **Overcoming Price Objections**
  - Put FILTERS in



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## How to Price?

### ADVANCED Pricing

- **Overcoming Price Objections**
  - **Put FILTERS in - customers ask VALUE question - why is it worth...**



## Bower & Branch Pricing

### ONLINE Pricing

- **Same Price Everywhere**
  - **Incomparable - no shopping around for a better price...**
  - **Everyone gets paid well!**
    - **LEARN it to EARN it.**

Bower & Branch Pricing



**IN-STORE Pricing**

- **Never Less Than Online**
  - **Opportunity for more**
  - **Order online to save - takes focus off price of plant and puts it on the savings for DIY**

Bower & Branch Pricing



**MAP Minimum Advertised Price**

**Never Sell Below MAP Price**

- **Remove tag before marking down**
- **We will aggressively enforce this part of our agreement**



**Questions?**



**THANK YOU!**



# Let's Talk... Pricing Strategy

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