

Price Process for Fun and Profit

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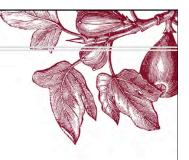


Price is an Attitude!



The Price Leader

- Is a pricing professional
- Prices responsibily
- 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 <u>earn more</u>."

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?

100% - ALL of it

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 = \$1.00</u>

COGS .50

+ Wages & Wage Benefits .30

+ Operating Expenses .20

=

What's Left?

Profit .00

When it Works This Way....

Price = \$1.00

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





Misunderstood Economics Are you smarter than a 5th grader? AREYOU SMARTER SMARTER SMARTER SCRADER

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
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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 +

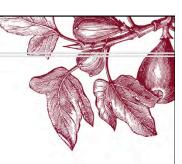
The TOTAL Value



NEVER Markup -

ELIMINATE the word (markup) from your company vocabulary

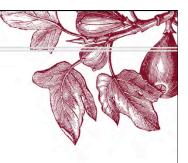
How to price?



NEVER Markup -

ELIMINATE the word (markup) from your company vocabulary

Replace (markup) with MARGIN



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



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



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...



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?



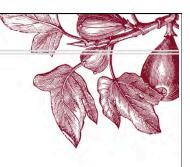
EARN your price....

ADD more VALUE

- Atmosphere
- People

3% Challenge

• EARN 3%



How to Price?

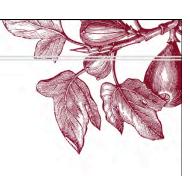
3% Challenge

- 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

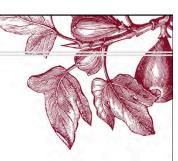
Reg. 6.99



ADVANCED Pricing

 Price Optimization to VARIABLE demand

How to Price?



ADVANCED Pricing

• Overcoming Price Objections



ADVANCED Pricing

- Overcoming Price Objections
 Det FILTERS in
 - Put FILTERS in

How to Price?



ADVANCED Pricing

- Overcoming Price Objections
 Deat Fill TEDO in
 - Put FILTERS in





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







Let's Talk... Pricing Strategy

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