



## You Should Know...

### Honda Wins

Thieves in the U.S. steal a car every 25.5 minutes reports *Money Magazine*. The car most frequently stolen? The 1991 Honda Accord.

**The Point:** It must be a great car.

### Big IRAs

The value of retirement assets in IRAs and other worker-owned accounts (401Ks, 403Bs, etc.) reached \$14.5 trillion in 2005, surpassing assets in defined pension plans for the first time reports *Kiplinger*.

**The Point:** Financial management skills are required for a secure retirement.

### Chicago Wins - Sort Of

Chicago leads the nation in binge drinking with 25.7% of Chicagoans 12 and older drinking five or more drinks in a single sitting at least once a week according to a Federal Health Study. Houston and Boston were close behind in second and third place.

**The Point:** No wonder Elliot Ness and the Untouchables had difficulty enforcing prohibition in Chicago.

### You Bet

With \$7 billion in annual gambling revenue, the Chinese island of Macau has passed Las Vegas as the world's largest gambling market.

**The Point:** Are the odds better?

### April's Quote

*"One-fifth of the people are against everything all the time."*

Robert F. Kennedy, 1962

## What to Charge?

It's no secret that average selling prices directly affect profits.

They not only affect profits but also unit cost due to their influence on demand. That "sets up" the classic dilemma. How do you decide what to charge for your products?

An effective pricing policy starts with a clearly stated objective. It needn't be complicated and should avoid focusing on the most common trap...the should we price for "profits or sales" debate.

Additionally, however, there are other pitfalls that can undermine a pricing strategy. They are:

- **Setting prices based on cost.** Why? Because you can't set a price until you know the cost, and you can't determine the cost until you know the unit volume, which depends at least partially upon the price.
- **Meeting competitive pricing.** This is not a policy but a response, usually a belated one, which guarantees a decline in both average selling prices and profitability.

What to do?

- **Define your target market clearly.** The purpose is to identify "those that most value your product's attributes." Different market segments often value the same attributes differently, so you may have to price for multiple segments.
- **Quantify, at least on a relative basis, the value of your product offering.** Remember, the market determines how much your products are worth based on their perceived value, not on their purchasing history or your cost.

- **Accept that you have little control over end customer prices.** Distributors, agents, and others set “end customer” prices for your products. You can, however, control what you charge them. Focus on what you can control, how you compensate your channels.
- **Work with your CFO to craft a definition of incremental profits.** Pricing policies that result in additional sales volume without proportionately increasing cost produce profits. Don't fall into the “fully burden cost” trap.

**The Point:** Your pricing/channel compensation policies (distributor/reseller prices) affect your profitability more dramatically and immediately than any other marketing strategy. *Power Pricing* by Dolan and Simon, ISBN #068483443X, is recommended for those that would like to better understand this relationship.

### Largest Employers

Company	Employees (in 000)
Wal-Mart, USA	1,400
McDonald's, USA	438
Siemens, Germany	430
Carrefour, France	419
PetroChina, China	417
China Petroleum & Chemical, China	401
DaimlerChrysler, Germany	385
United Parcel Svc, USA	355
Deutsche Post, Germany	349
Volkswagen Grp, Germany	335

Source: *Forbes*, 2000

### Holidays

- 5/10 Mothers Day  
 5/28 Memorial Day (U.S.)