

# North American Management Briefs

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## You Should Know...

### A Survivor Story

An 80-year-old Russian shepherd in Siberia was picking raspberries when he was attacked by a bear. He kicked and head-butted it until the bear threw him off a cliff, but he survived with only four broken ribs and bite marks.

**The Point:** Just never give up.

### Education and Divorce

The more highly educated a person is the less likely they are to get divorced reports *The Atlantic*. Sixty percent (60%) of high school dropouts divorce by age 46 while only 30% of those with a bachelor degree are divorced by then.

**The Point:** Correlation isn't causality, but education does seem to help.

### Too Few Doctors

If the current graduation rate persists the US will be short by some 150,000 physicians by 2028. The most acute shortage will be among primary care physicians reports the *Wall Street Journal*.

**The Point:** Expanding medical schools should be part of our national healthcare policy.

### Hard to Believe

In 2012 TSA airport screeners seized more than 1,500 guns in carry-on luggage or on the travelers' persons reports the *National Journal*. The great majority were loaded.

**The Point:** Take care when packing.

### December's Quote

*"The moment of near despair is quite often the moment that precedes courage."*

Christopher Hitchens

## Pricing; Boring but Critical

Perhaps no element of a marketer's responsibility is more neglected than pricing. This is unfortunate because it affects profitability more immediately and dramatically than does any other marketing strategy.

Why is it so neglected? For a variety of reasons. First, it's just "hard work." Also, the data regarding how end customers value a product is often absent as is competitors' pricing data.

There are 13 pricing strategies; however, many marketers simply "default" to setting prices based upon a multiple of cost instead of on market value.

Doing this absolutely insures that your price will be either too high (reducing your sales and market share) or too low (reducing profitability).

Where to start? With a value-based pricing policy. This is especially important if your customers have been conditioned to expect that every price is negotiable. Here are some guidelines for doing it.

**A. Your price must accurately reflect the value of your product to a specific customer segment.** Often different segments will value a product offering differently and as such you must price your product for the segment that offers the greatest combination of profit margin and unit volume. This means you will have to "walk away" from some segments to optimize your sales and profits.

**B. Salespeople must be professionally educated in negotiating and selling value.** Those in purchasing/procuring/sourcing for your largest customers have been

professionally trained in negotiating. If your sales force (or that of your distributors) has not been similarly trained, you are at a big disadvantage.

**C. Start with new products/product lines.** Generally these are your most differentiated and thus there is less competition making it easier to establish value pricing and "stick to it."

**D. Use non-price "closers" as alternatives to discounts.** If the buyers are conditioned to "come away with something" consider extended warranties, free delivery, onsite training, etc. as a substitute for a discount.

**E. Raise prices substantially (+10%) on products for which there is a declining demand.** "Harvesting" products is both necessary and profitable.

Nothing will increase your sales and profits more quickly than pricing your products properly.

**The Point:** If you want to optimize sales and profits in 2014, read up on pricing strategies. I suggest *The Strategy and Tactics of Pricing* by Nagle and Holden.

## Top 10 Countries with the Highest GDP per Person Employed

Country	GDP/Person (\$)
USA	65,480
Hong Kong	58,605
Ireland	56,701
Belgium	55,448
France	55,052
Luxembourg	54,511
Trinidad & Tobago	53,012
Norway	51,736
UK	51,697
Finland	50,560

Source: 2011 World Bank