

North American Management Briefs

Published by:



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You Should Know...

Hold Your Nose

A woman was booted from a US Airways flight after her pet pig stunk up the cabin. Strangely she was allowed to board the craft with a 70 pound pig because she classified it as an “emotional support” animal. The pig promptly defecated all over the isle as soon as the plane was airborne.

The Point: I don’t know where to start.

AKA Smith

Kim Jong-un, dictator of North Korea, has insisted that all citizens that share his name change theirs.

The Point: He’s probably concerned about identity theft.

Not a Bad Idea?

A German trade association wants to make it illegal for bosses to call or email employees outside of working hours.

The Point: The line between work and leisure is becoming blurred so maybe it’s not a bad idea.

Supersize Your Fries?

A church design company has proposed a small McDonald’s restaurant be located inside churches to attract more worshippers.

The Point: Why not a casino and a cash bar too?

Getting Better?

CNN reports that for the first time since 2007 a majority (a slim majority, 52%) of Americans say that things are going well in the US mainly because of the economy.

The Point: It’s about time.

December’s Quote

“Gratitude is not only the greatest of virtues, but the parent of all others.”
 Cicero

Increasing Prices

Inflation has been contained since 2008, but now shows signs of reemerging despite the world’s oil glut. This means that many marketers will need to increase their prices and do so without losing market share or eroding their competitive position.

Forecasting sales is a challenging task for marketers. Estimating the effect of a price increase on their sales and/or market share is an even more difficult one. Below are the four methods for estimating response to price increases that have been proven useful in practice. They are:

- **Expert judgment.** In some cases such as technical innovations or the appearance of a new competitor this is the only practical method for estimating price response. Its usefulness, however, is limited on an individual customer level, but it works well in estimating the response of mid-size or large B2B markets to price changes. It calls for asking three to five “experts” in a specific market to identify three points on a price response curve and uses a statistical model to estimate response.
- **Customer surveys.** There are two types; direct response price surveys and preference-based inference. Either can be effective in mature B2C markets; however, as a conjoint analysis evaluation is preferred, a sample size of at least 100 to 150 customers is needed to develop accurate information.
- **Price experiments.** This is used in both B2B and B2C markets and features either a “laboratory”

depicting simulated shopping situations or a test market. It can be very effective; however, it often “telegraphs” your pricing strategy to your competitors.

- **An analysis of historical market data.** This is particularly helpful when B2B markets consist of a modest number of very large customers. Generally customers’ responses to a price increase are cultural and as such reviewing the historical response of each is very helpful.

Remember prices should first be increased on products that are at the end of their lifecycle and/or being obsoleted, and those in the middle of the lifecycle that are the largest sellers (in units) and have the strongest brand position.

The Point: Changes in pricing affect the “bottom line” more immediately and dramatically than does any other marketing strategy. Estimating a market’s response is critical. For details see “Power Pricing” by Robert J. Dolan and Hermann Simon. Chapter 3 will provide you with all the details.

Top 10 Largest US Universities

University	Enrollment
Arizona State Univ	58,374
Univ of Central Florida	56,235
Ohio State Univ	56,064
Univ of Minnesota Twin Cities	51,721
Univ of Texas at Austin	51,195
Univ of Florida	49,827
Texas A&M Univ - College Station	49,129
Univ of South Florida	47,576
Michigan State Univ	47,131
Pennsylvania State Univ	44,832

Source: Top 10 of Everything