

North American Management Briefs

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You Should Know...

Apple's Apps

In February Apple's "App Store" sold its 10 billionth app. Apple has paid app developers over \$2 billion since the store opened in 2008 reports *CNN Money*.

The Point: Talk about popular. That's over two apps for every man, woman, and child in the world.

That's Efficient

A group of Austrian undertakers said they plan to funnel the excess heat generated by their crematorium to heat their new headquarters building next door.

The Point: Well...that's recycling.

Goodbye Phone Books

Verizon will stop distributing the White Pages in several states beginning in 2012. A Gallup survey in 2008 found that only 11% of US households look up residential numbers in the printed White Pages. Most do it online.

The Point: Changes in how we access information are accelerating very very rapidly.

Wrong Number?

Two Montana teenagers accidentally texted their request to buy marijuana to the sheriff's office. The sheriff thought it was a joke, but sent a detective to meet them anyway. One of the teens was so surprised he passed out on the spot.

The Point: They should have used the White Pages.

March's Quote

"People always call it luck when you've acted more sensibly than they have."
 Novelist, Anne Tyler

Time to Raise Prices?

Should you increase your prices? By how much? This is always a difficult decision. First, let's look at the facts.

- In 2010 the CPI was +1.2%, but 42% of the index was housing which declined.
- Prices of many commodities increased by 10% to 20%.
- The 2007-2010 recession caused a decline in prices of many B2B products.
- Inflationary pressures are building worldwide, but when they will "hit" is impossible to predict.

While useful, these facts don't provide any clear guidance so let's look at the market. Most manufacturers of industrial and commercial/B2B products were successful in increasing their US prices by 4% to 6% in Q3 and Q4 of 2010.

Additionally, big box stores (Target/Wal-Mart, Home Depot/Lowe's, etc.) have accepted (although with some protestations) moderate price increases in 2011.

What is a chief marketing officer to do then? Raise prices across the board? No, old-fashioned across-the-board price increases are destructive to both profits and market share.

The simplest of the 13 pricing strategies is lifecycle pricing. First calculate your average unit growth rate for 2010 and divide your products/SKUs up into four groups.

- **Group one, new products** that have been released in the past 24 months.
- **Group two, mature products** whose unit volume for the last 24 months has declined by at least -15% compared to the average rate of growth of the entire product line.

- **Group three, growth products** whose unit sales increased by 15% or more compared to the average rate of growth of the entire product line.
- **Group four, "steady" products** whose unit sales growth ranged from -14% to +14% compared to the average growth of the entire product line.

Each group should be treated differently.

Products in **group one** should be priced individually as the reaction of the market may not yet be known.

Products in **groups two and three** should increase in price to both profitably harvest old products and take advantage of those that are experiencing high growth.

Products in **group four** should be priced competitively based upon their position and value in the marketplace relative to that of your competitors.

The Point: There are 13 pricing strategies. The best one for you depends upon your overall corporate strategy, position in the market, competitive environment, and your value proposition. The simplest for B2B products is the lifecycle pricing strategy.

America's 10 Wealthiest Communities

1	Westlake, TX
2	Kenilworth, IL
3 (tie)	Mission Hills, KS
3 (tie)	Popponesset Island, MA
5	Plandome, NY
6	Hewlett Neck, NY
7	Munsey Park, NY
8	Plandome Manner, NY
9 (tie)	North Beach, FL
9 (tie)	Chevy Chase, MD

Source: *Forbes*, February 2011