

Consider These 5 Critical Factors When Evaluating Your Prices



Pricing is a complex issue that is just one piece of your overall business and brand building strategy. Here are 5 broad areas that every brand builder must consider when setting prices and evaluating the effectiveness of a pricing strategy.

Objective. What is your over-riding objective for the business? Is it to make the most profit off of every single sale? Is it to penetrate the market and simply

make an average profit off of every sale? Or would you rather be the volume leader in your segment and make your money based on the sheer volume of items sold? Before formulating the overall objective it's wise to take into consideration each one of the categories below.

Position in the market. Does your pricing strategy fit with your current position in the market and is the position you hold where you want to be? People generally believe the old adage "You get what you pay for" and therefore tend to believe that expensive items are "worth" more. You must also consider where the competition is positioned in the market and how you compare with them. You then have to support your position by delivering an offering that at least matches the price in terms of quality and service.

Value. We like to believe we're intelligent, rational decision makers but we ultimately make decisions based on emotions. Help your customers make their choices by clearly communicating the value of your offerings – value they cannot get from your competitors. And then help them rationalize the decision by making clear how they benefit from this value. If buying a car was only about getting from Point A to Point B, all cars would look the same and cost the same. But we know a car is much more than a transportation device.

Your Offerings. What you're selling and the outcome it delivers for consumers will naturally impact the pricing strategy you employ. Paperclips are a commodity. They're not an exclusive item that people can only get from you. While they provide a needed, helpful service, our lives aren't markedly improved as a result of using them. Services can be very challenging to price and they tend to be more opened to a value-oriented strategy. Particularly if your company offers a service that few others provide and if it's a service in demand.

Target Market. People shop for what they need but they buy what they want. Few people

start their shopping with an exact amount of money in mind to spend. But nearly everyone starts out with an amount that's used as their frame of reference for your offering. If your price is too far out of line with their frame of reference, they'll use you as their new comparison and go in search of a competitor who does a better job of communicating value and who helps them rationalize the purchase.

If your business has hit a plateau or is seeing a downward trend it's time to review your overall business plan, objectives, and strategy with your leadership team. Prices may need to be adjusted – up or down – but never without taking the big picture into consideration.

About Abiah

Abiah is an award winning brand strategy and full service marketing firm that helps mid-sized businesses uncover and leverage what makes them unique to become the recognized leader in their market segment. Find out more about them and take the Brand Alignment test at www.abiah.com or call them at 866-982-2424.