

High Price Positioning

There is nothing new in the idea that every company wants to extract the maximum value possible from its products. The construction of a pricing model is only partially associated with the actual cost related value of the product. It could be said that this figure provides the “basement” for the pricing strategy. The “ceiling” is made up of a number of elements, including the positioning of the product, the perceived customer value of the product, and the competitive environment.

The establishment of a high price is usually heavily reliant on a buyer perception that includes either some degree of exclusiveness, superior quality, or status. In some cases, for example the electronics sector, companies will introduce new products at very high prices and then gradually allow the prices to drop so as to expand their consumer base. The policy adapted by the electronic companies seeks to both instill in the market a high perceived value and take advantage of early adapters willing to spend high sums for the “right” to buy the latest and greatest in consumer gadgetry.

While positioning for a high price is not always the best model, it works under certain circumstances and can prove to be the most lucrative position for certain products. For Tudog, the calculation is always based on whether the benefit of higher margins will be negated by the limits of a more narrow market. When the determination is such that the benefits outweigh the limitations, the high price model is validated, and if able to be supported properly, should be pursued.

The support of the high price model requires 4 elements that, in Tudog’s mind, must be in place in order to be successful. These are:

1. Deliver on Value

Value is not a term limited exclusively to the WalMart crowd. Everyone wants value. Just because a consumer is willing to spend more for a product that provides him/her with a degree of status does not mean he/she is willing to do so at the expense of value. Value in the case of a higher priced product is not measured in terms of the cost of the product, but rather in the proportional relationship between the product (with all its characteristics) and the price. Therefore, if you wish to position your products at the higher end you need to embed in them the quality, packaging, prestige, and exclusiveness (via distribution channels) that collectively demonstrate the value needed for the consumer to justify and embrace the higher price.

2. Demonstrate Pride

You cannot communicate exclusivity and support a higher price point if you do not demonstrate pride in your product. This is achieved via the support and warranty you attach to your product. If your product is worth more than the competitors it must be because it is better (somehow). Your mission is to demonstrate its superiority by offering consumers the support they need and by backing up your product with the guarantees that show you are certain of your quality. The truly brilliant high end market leaders have demonstrated that quality backed by the assurance of quality goes a long way in earning consumer confidence and establishing a high end perceived value.

3. Sell on Advantages

There are very few products that can actually sell on status alone. Usually vanity products such as clothing or automobiles can position themselves as status symbols because they are seen by everyone and can be used to make a statement. Most other products, however, cannot be sold on status and therefore need to justify their higher price via a statement of benefit or advantage. For example, certain shampoos are sold at premium prices. The marketers of these products usually attach a designer (or celebrity hair stylist) name to the product and create very distinctive (if sometimes functionally challenged) packaging. The combination of the brand and the packaging is enough to attract attention, but since most people are not able to tell which shampoo others use, the status of a shampoo is somewhat limited (although there are always bragging rights). The selling point, therefore, for the shampoo with the well known brand and the fancy packaging is that it is, somehow, a better shampoo. The brand and the packaging are there not to establish status, but rather quality.

4. Develop a Relationship

One of the ways to sustain a high price position is to establish a relationship with your customer base. The customer who buys into your reasoning why he/she should pay more (better quality, more service, etc.) will seek to continue to justify the added expense. By creating a relationship with the customer, through a number of channels such as the web, consumer club, etc., you will have the access you need to reinforce your value proposition on a continual basis. Also, the relationship will lead the consumer to become more invested in the product and the benefits or exclusivity it offers, further simplifying the decision to spend more for it.

Engaging the market with a high price position is not as simple as selling something that costs you the same as your competitors for more than they sell it for. Nor is it as simple as a fancy name or an attractive bottle. The combination of the name and packaging, when supported by quality, service, and prestige, could allow you to charge more for comparable products. The trick is in taking away the validity of the competitor's comparison. There is work involved in high price positioning. If you decide it's where you want your product positioned and that you can justify and sustain it, then it is as legitimate a strategy as everyday low price.