

## **The Price is Right**

More than just a long running game show, the price is right is a fundamental business concept, determining much more than sales volume. In fact, we'd go so far as to say that pricing defines your company.

What makes us say something so far reaching? Think about it...if Mercedes cost the same as a Ford, would it be Mercedes? On the other hand if a Ford costs what Mercedes cost, would they be the company they are?

This is not a judgment of what is better. There is no right or wrong. Ford is pretty happy being Ford. This is a statement on the importance of pricing in the positioning and branding of a company....and in the subsequent marketing of the company's products.

Too often we overlook the importance of pricing from the marketing perspective. Sure there are lots of ways to arrive at price. Each strategy is valid so long as it is executed in a consistent manner on the marketing end. Too often companies fall into the "Sears Syndrome" whereupon, unsure where on the pricing scale they wished to be (because they understood that it defines them and the type of consumer they will draw), they fluctuated their prices – expensive one week (to show quality) and then inexpensive the next (to draw the middle class consumer). In the end, they wound up with no identity at all and had to battle back after they established a moderate pricing strategy. They took the middle road, which is also an acceptable route – as long as it's consistent.

Pricing is not a by-product of your costs. It is a key element in how you are perceived in the minds of your customers. In fact, it is a determining factor in who those customers are. This makes it as much a marketing function as an aspect of corporate finance.

Pricing can make or break your company. Pretty heavy stuff, no? Guess it's no game, after all.