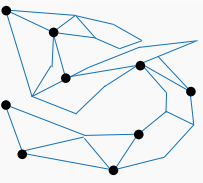




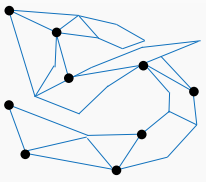
Data Application Lab

Pricing & Survey

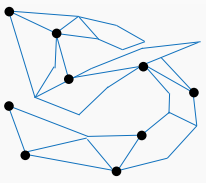


- Q&A
- Pricing Overview
- Case: Competitive Pricing
- Customer Experience Overview





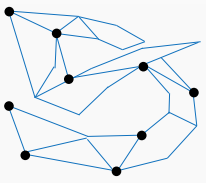
$\text{Price} = \text{Cost} + \text{Profit}$



What is Pricing?

- Process of determining what a company will receive in exchange for its products.
- Pricing is one of the four P's of the marketing mix and the only one that creates revenue.
- Pricing too low will bring in plenty of business but may in the long run not produce profits.
- Pricing too high will certainly reduce the amount of business and thus reduce profits.



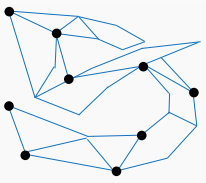


Pricing should.....

PRICING

for profit

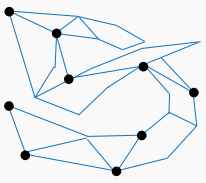
- Achieve financial goals of the company
 - revenue
 - profits
- Fit the realities of the marketplace
 - will they buy at that price?
- Position your product/service to establish value
 - price products /services to reflect value



Pricing Steps

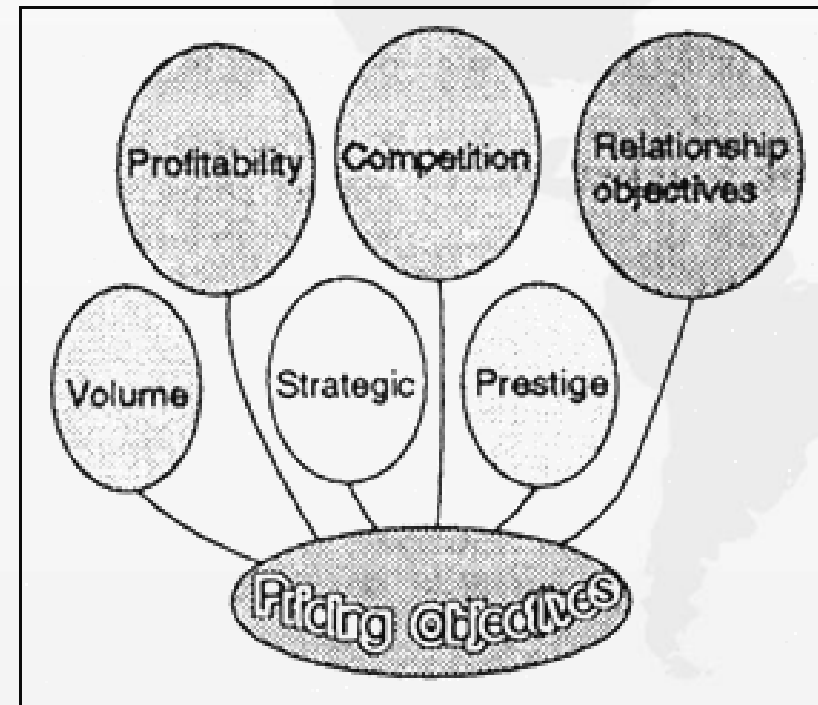
- Selecting the pricing objective
- Determining marketplace demand
- Estimating costs
- What is the competition doing
- Choosing a pricing method
- Selecting the final price

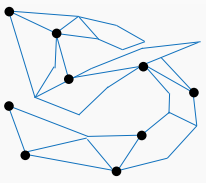




The Pricing Objective

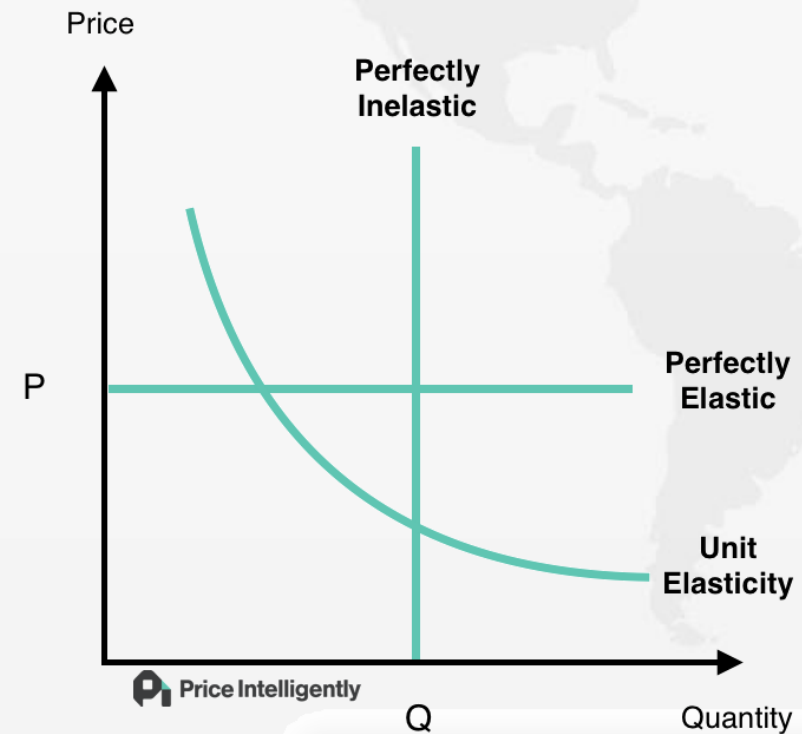
- The company needs to decide what the objective of the pricing is:
 - Objectives could be
 - Survival
 - Maximize current profit
 - Maximize market share
 - Product quality leadership

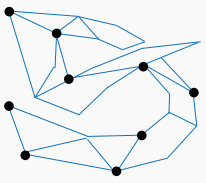




Determining Demand

- The price of a product offered will lead to a given amount of demand
- As that price goes up, demand for the product will go down and inversely as the price goes down, demand for the product will go up.
- Demand will be less affected (inelastic) if:
 - Substitutes are limited
 - Buyers believe higher price is justified
 - Buyers habits are slow to change
 - Buyers do not notice the higher price

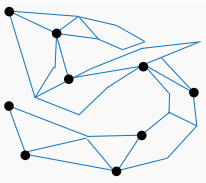




Estimating Costs

- Cost is the total of the fixed and variable costs to manufacture or offer your product or service.
 - Costs consist of:
 - **Fixed Costs** - costs that don't change based on sales
 - **Variable Costs** - costs that fluctuate based on sales

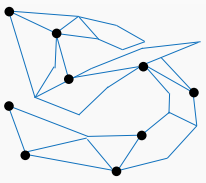




Understand the Competition

- Be aware of what your competitors are charging and the services they provide
 - use competitors web site
 - review their advertising
 - make phone inquiries
 - ask friends and associates
 - go visit their business

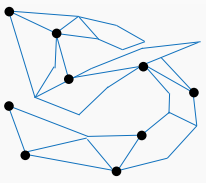




Pricing Methods

- Cost Based Pricing
- Competition Based Pricing
- Customer Based Pricing
- Psychological Pricing
- Product Line Pricing

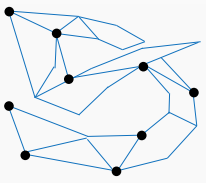




Cost Based Pricing

- Retail cost-using manufacturers suggested retail, easy to use.
- **Cost Factor Pricing** - analyze and include all cost components (Materials, labor and overhead,) then add desired profit margin.

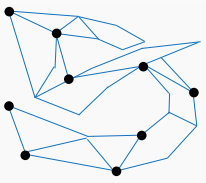




Competition Based Pricing

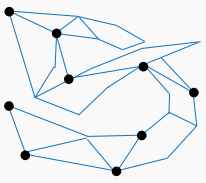
- Pricing below competition is used on high volume, low margin items. Often used to gain market share. Dangerous to use if a price war starts.
- Pricing above competition is used when added value is provided such as excellent customer service, speed of delivery, convenient or exclusive location or product exclusivity
- Matching competitions price can be used when added value items are present





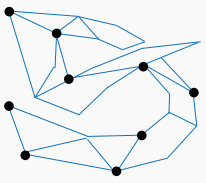
Customer-Based Pricing

- Use price to support product image (High price = High quality)
- Set price to increase sales (use coupons, specials, etc.)
- Develop price range to attract different customer groups (volume oriented)
- Set price to increase sales volume (used when economies of scale come into play)
- Multiple pricing (Bundling) two or more products sold for one price (Useful in sales and clearance events)



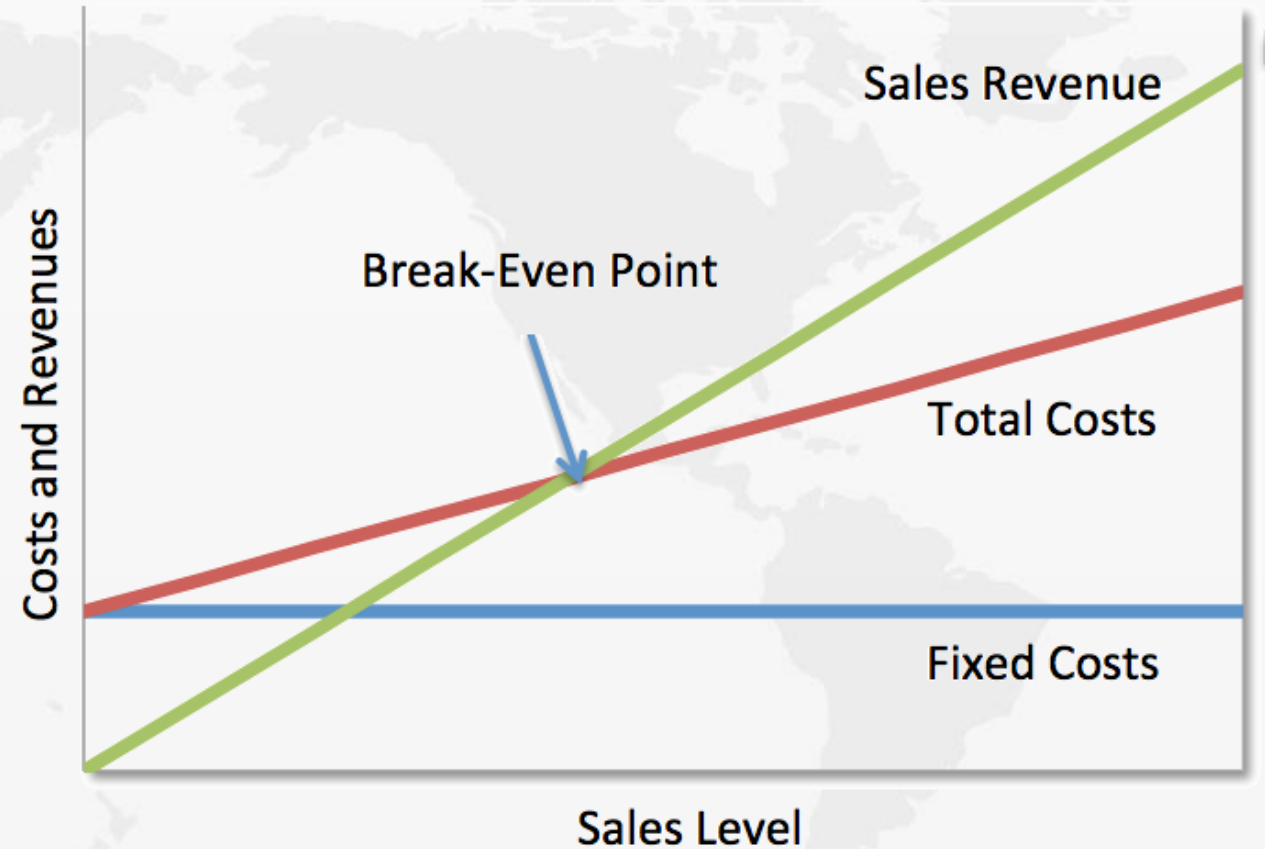
Psychological Pricing

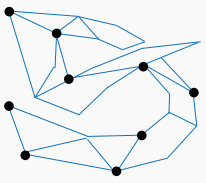
- Perceived value determines the maximum price that customers will pay.
- This value is created by reputation, marketing messages, packaging and sales environments.
- **Positioning** - to be a low cost leader, your prices must be lower than your competition. Thus if high quality is the image you seek than your prices should higher.



Breakeven Analysis

- A method of determining the minimum sales volume in units or dollars needed when price exists at a certain level
- A very important tool for use in projecting what sales volume is needed at varying prices



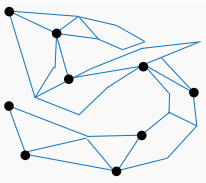


Breakeven Analysis Example

Product selling for \$10 with a variable cost of \$7. If total fixed costs are \$22,000, what is the breakeven point in units and in dollars?

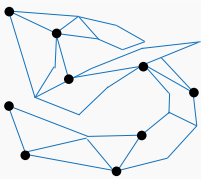
$$\begin{aligned}\text{Breakeven Point(Units)} &= \frac{\text{Total Fixed Costs}}{\text{Per-unit margin}} \\ &= \frac{\$22,000}{\$10 - \$7} \\ &= 7,333 \text{ units}\end{aligned}$$

$$\begin{aligned}\text{Breakeven Point(Sales)} &= 7,333 \text{ units} \times \$10/\text{unit} \\ &= \$73,330\end{aligned}$$



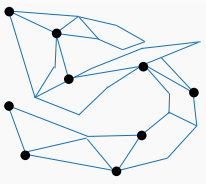
Successful Pricing

- Be creative-think of ways to sell more to existing customers and attract new ones
- Listen to your customers-record comments and review them
- Document how price was arrived at so that it can be reviewed and/or replicated
- Be flexible, review internal and external factors and calculate how a price change would impact your business
- Blend pricing methods to balance product price, competition and customers.
- Constantly monitor your prices, your costs and your competition
- Your price is your price. Be confident in the price you have chosen and stick to it. When questioned about your price talk about everything that they get with that price. Believe in your price.



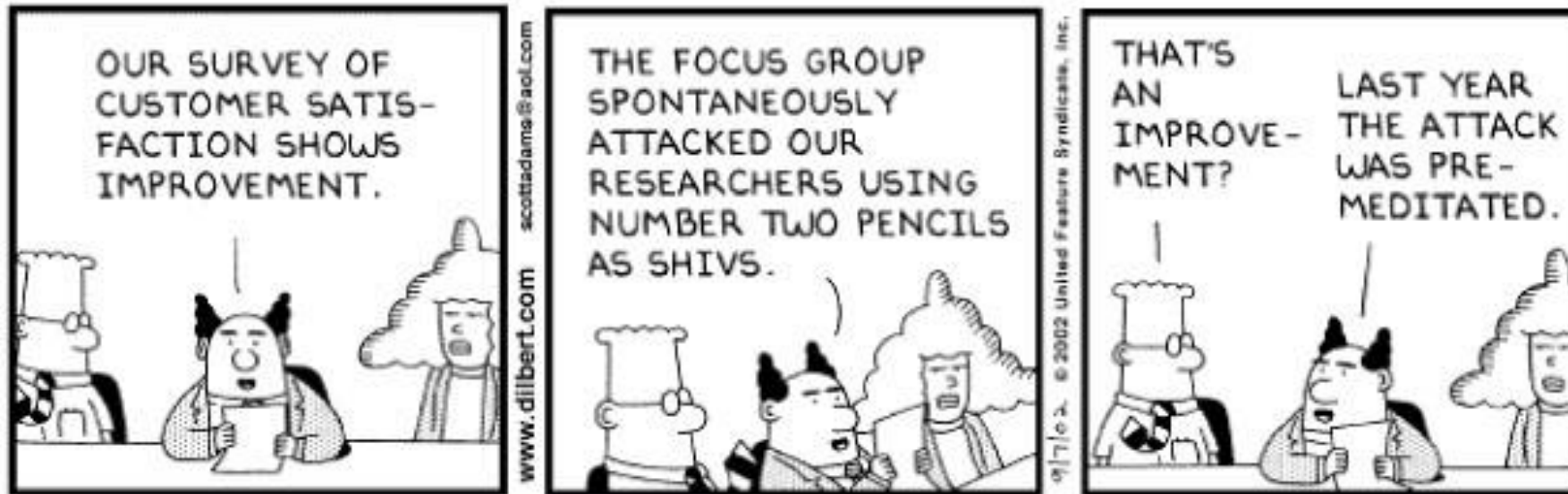
Case : Competitive Pricing

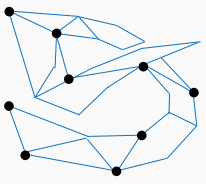




Satisfaction

Measuring Satisfaction is a start





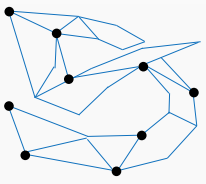
Improving Customer Loyalty

- Increased customer retention
- Lengthened customer retention
- More products per customer
- More customers
- Cost of servicing may drop
- Customer referrals
- Loyal customers are less price sensitive

Satisfaction

Loyalty

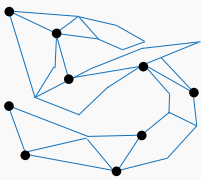
Advocacy



How to measure Loyalty and Advocacy?



- Listening to customers is important
- So is asking the right question
- What is the business $E=mc^2$ question?



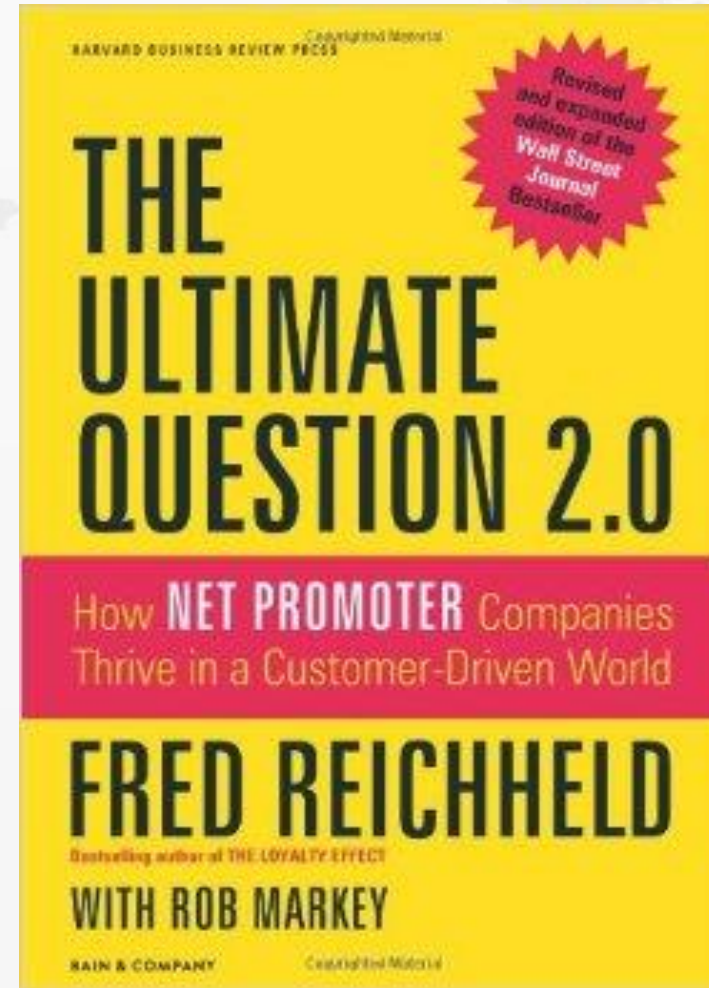
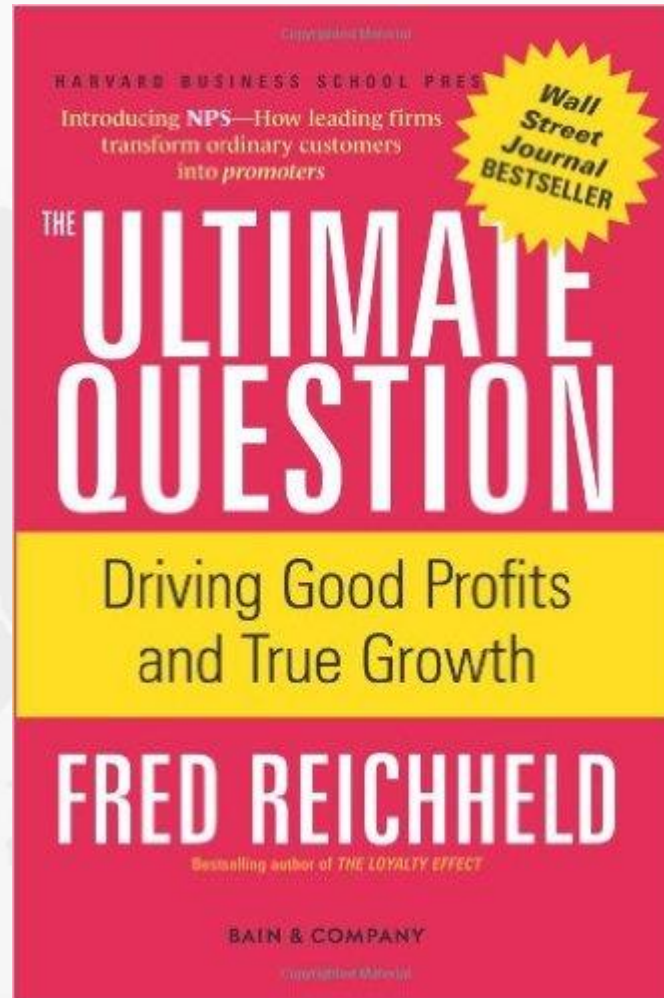
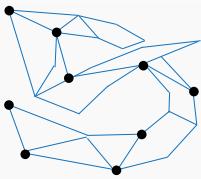
Harvard Business Review

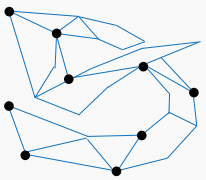
www.hbr.org

*If growth is what you're after,
you won't learn much from
complex measurements of
customer satisfaction or
retention. You simply need to
know what your customers
tell their friends about you.*

The One Number You Need to Grow

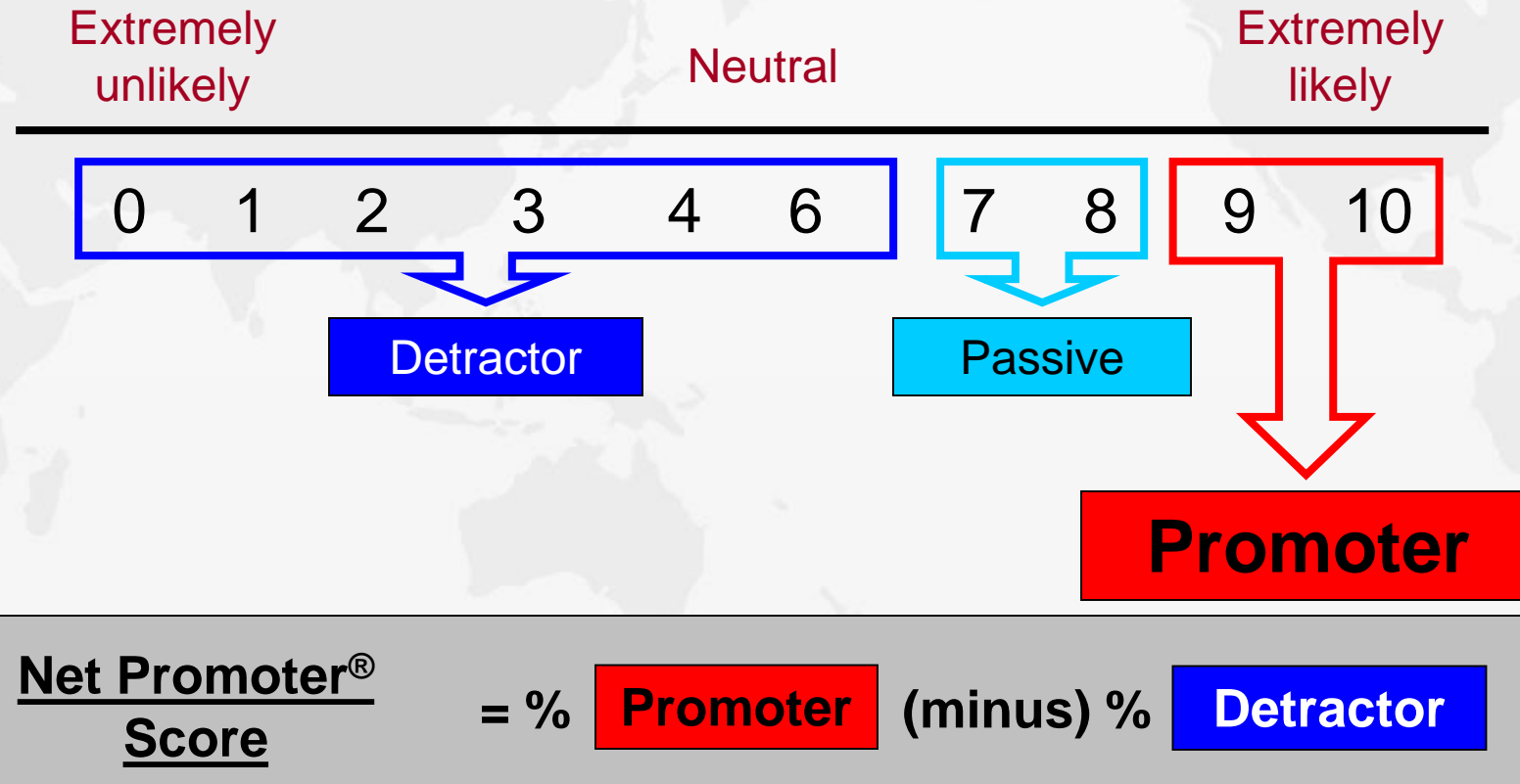
by Frederick F. Reichheld

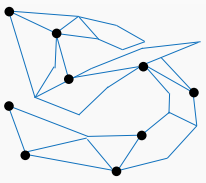




Net Promoter[®] Score

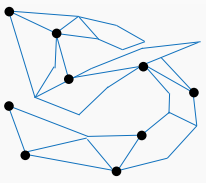
How likely is it that you would recommend ABC to a friend or colleague needing consulting services?





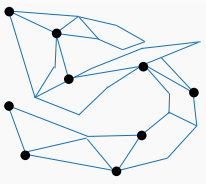
Three Customer Clusters

- Promoters – Those customers who have the highest rates of repurchase and referral, and will be advocates for your business
- Passive– Passively satisfied customers stay with a particular company more due to inertia than true loyalty
 - They would move for a better deal
- Detractors – Those customers (or employees!) who spread negative word-of-mouth comments about the company
 - Negatively impacts company's reputation, ability to attract new customers and employee morale



10 Ways to increase response rate

1. Generate positive publicity for your survey.
2. Appeal to people's helping tendencies – ask them to help by providing their input.
3. Make the survey topic salient – important
 - Ensure that respondents see the value of the survey and their response.
 - Point out their personal connection to the topic
4. Tailor, personalize communications
5. Make the questionnaire attractive and easy to complete AND easy to return



10 Ways to increase response rate

6. Provide incentives (token of appreciation)
7. Show positive regard; Say thank you
8. For mail survey, provide 1st class postage/return postage
9. Make (multiple) follow-up contacts
– by mail, email, telephone, in person...
10. Use a combination of survey modes – telephone plus mail;
internet plus mail.