



You Should Know...

Minneapolis Wins

Minneapolis beat out Denver as the metropolitan area most conducive to business in *Marketwatch.com's* annual rating. The worst city unfortunately is New Orleans.

The Point: The Twin Cities are friendly to entrepreneurs, have a diverse business mix, low unemployment, and despite their cold winters are an attractive place in which to do business.

Short Starbucks?

Business Week reports that only 37% of U.S. 18-24 year olds are daily coffee drinkers. This is in stark contrast to the 60% of adults between 40-59 and 74% of those 60 and older that consume coffee daily.

The Point: Short Starbucks?

Strange But True

Even with corn prices at record highs (ethanol), U.S. corn growers will collect \$10.5 billion in federal crop subsidies over the next five years reports *The Washington Post*.

The Point: Why are the agricultural policies of almost every country so out of sync with market dynamics?

Marijuana Goldmine

Enforcing marijuana laws cost U.S. tax payers \$41.8 billion in 2007 reports George Mason University. Marijuana sales in the U.S. are estimated to have been \$113 billion during the same period.

The Point: Time for a sin tax?

May's Quote

"A thing worth having is a thing worth cheating for."

W.C. Fields

Pricing Strategies

Developing and executing a pricing strategy is an essential marketing task. It affects the bottom line more immediately and dramatically than does any other strategy.

There is often a misunderstanding regarding pricing strategies. Some believe that by pursuing a "meet competition" or a "target pricing" policy they are executing a strategy. These "policies" are simply reactions to changes in costs, competitive prices, or pressure from their customers; however, are not strategies.

Additionally, these policies provide little direction for field salespeople or channel partners.

There are 13 pricing strategies. Which one to select depends on the competitive position, the maturity of the product line, and the direct and indirect competitive options available to the market.

Of course the variables that affect the success of a pricing strategy (interest rates, the economy, material costs, the competitive environment, etc.) make it difficult to predict how a strategy will affect sales. The reason for crafting a pricing strategy then, is to maximize profits and minimize risk. Additionally, a pricing strategy sends a message to your competitors and provides guidance to your channel partners and salespeople.

Where to start:

- **Craft a clear strategy.** Decide if you are a low cost producer, a provider of differentiated products, or if you offer a set of products and solutions for a market niche. Then audit your "go to market" process. Does it have the ability to communicate your strategy to your target market?

- **Research competitive pricing.** Unbiased research, not the opinions of your salespeople or distributors, is required. Their participation represents a conflict of interest.
- **Work with manufacturing and cost accounting.** At what sales volumes do your costs change significantly? Cost accounting and manufacturing should be able to help with this.
- **Test, test, test.** Strategies and tactics always need to be tested. Test them in a portion of the country or with a class of channel partners that are underperforming. You have little to lose and you will not provoke a competitive response.

The Point: Changes in price typically fall directly to the bottom line. Yes, you can increase the price of a prestige brand and maintain your sales volume, but only for awhile. This is "harvesting" the brand. Price increases have to be accompanied by a communication strategy to ensure that the value proposition of your product offering is well understood.

U.S. Inflation by Commodity

Commodity	Q4 07 w/ Q1 08	Q1 07 w/ Q1 08
Abrasives	+3.5%	+5.8%
Adhesives & Sealants	+1.3%	+3.0%
Hand & Edge Tools	+1.4%	+2.5%
Pumps & Compressors	+2.2%	+5.2%
Fasteners	+1.9%	+6.6%
Plastic Resins & Materials	+3.4%	+13.2%
Cleaning & Sanitation Products	+2.4%	+4.5%

Source: U.S. Bureau of Labor Statistics