

Tip & Tricks

How much must I sell it for?

By far the most common question I get asked is what should I sell this Sign or Print for?

Pricing is a complex issue and most people want a quick fix answer, there is no quick fix but if we try and understand the components of price, we should gain some confidence in naming our price and feeling justified in exactly the price we ask.

Most people never question the price of a can of Coke, you gladly pay the R4 to R5 without ever considering the cost which is significantly lower (Lets face it, coke is just water, phosphoric acid, caramel, sugar and a tin can. Now these components cannot cost more than about 25 cents) but do you see anybody bargaining about the price of a Cola or feeling ripped off or do you see droves of people buying cheaper clone Colas and destroying Cokes pricing structure? No, most try the product once and go back to the 'Real" thing.

Another example is tomatoes from Woolworths or Spar, why are people prepared to pay a significant premium over the Spar Price, when buying from Woolworths? The answer to both these comes down to Brand Value. We intuitively understand this, but a lot of us, when we produce an item, forget this lesson in an instant, and spend our life arguing about the cost of ink, vinyl etc. Instead of concentrating on building our brand, we cut corners, buy cheaper material and shortchange our customer because we are chasing costs not Brand Value. Looking at the table below it is obvious that price if built on a foundation of Brand Value first, materials and Overhead recovery is easy and profits are significant.

		Cost of materials	
		Overheads Recovery	
Price	Brand Value	Attention to detail	Its it the details, packaging, quality of finish, presentation etc
		Delivery	Do we deliver on our promises? Is the customer impressed and satisfied.
		Reliability	Are we there when the customer needs us. Does the product live up to their expectations.
		Quality	Is the customer consistently coming back for more because they perceive they get more value for their buck
		Customer Care	Do we give quality advice.
		Rarity	Can the customer get this product elsewhere or is our product somewhat unique like a diamond or a picture of new born baby when viewed by the mother on opening her eyes on the day of the birth.

The decision to reduce costs by supplying cheaper materials would **not** be an easy decision if it impacted on our brand image. Reducing costs should only be coupled with higher value to the customer. Cost of materials and Overhead recovery are only the tip of an Iceberg and why is that so many of us refuse to dive under the sea.

Bob Glenister June 2006