

RETAIL maverick

by
Jim
Bradley

Independently Priced to Move

"I DO THREE TYPES OF WORK - cheap, quick and good. You can have any two. A good quick job, but it won't be cheap. A good cheap job, but it won't be quick. Or a quick cheap job, but it won't be good," read the sign on the tradesman's door. It's the sort of message that ought to be inscribed on the foreheads of some retailers. As counter-intuitive as it may seem, now may be a good time to put up prices at your garden centre. When times are tough, businesses panic and cut margins, fearing it's the only way to get sales, but this is a bad strategy.

One of the world's worst recessions is said to be almost over, but if you're waiting for the new boom to help that bottom line, you could still be in for a long wait. I believe that now, more than ever, business strategy and pricing tactics have a pivotal role in profitability. There's never been a law that said a business must suffer in a recession, or one that said it would grow in a boom. I know garden centres that have posted good growth recently and those that have declined in "good times."

For businesses, not much changes through good times and bad - challenges and obstructions still abound. And there's still confusion about pricing. Frequently, garden centre owners have a bigger pre-occupation, if not infatuation, with prices than their customers. I am often in tune with the humor of Ray Dundoon's insightful biblical-type review of his own local government services. There are multiple parodies with businesses today, and this



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one encapsulates the introverted thinking of some business leaders:

"And the Lord said unto Noah, 'Where is the Ark, which I commanded thee to build?'

And Noah said unto the Lord, 'Verily, I have had three carpenters off on stress leave. The wood supplier has let me down again - even though the wood has been on order to nigh on 12 months with easy payment terms. What can I do Lord?'

And God said unto Noah, 'I want the Ark finished after seven days and seven nights.' And Noah said, 'It will be so.'

But it was not so.

So the Lord said unto Noah, 'What seemeth to be the trouble this time?' Noah replies, 'My sub contractor has gone out of business. He undercharged for his services. The pitch which thou commanded me to put on the outside and inside of the Ark was on special offer. It was of poorest quality and has not worked. The blacksmith is on strike. Shem, my son, who helpeth me on the Ark side of the business, has formed a pop group with his brothers Ham and Japhth. The pay is better. Lord, I am undone.'

And the Lord grew angry and said,

Lord, thou knowest how it is.'

And the Lord in his wisdom said, 'Noah, my son, I knowest how it is. Why else dost thou think I have caused a flood to descend upon the earth?'"

Lessons Learned

Irreverent? Yes. Have things changed? No. Can we change them? Yes. Could "Noah" have done things differently? Undoubtedly, yes. There are multiple issues, not least the value Noah has placed on his own business, his systems, his people and his product. The question is if Noah had put up his prices, would things

lored product offering. In a nutshell, you would be offering what is termed "Best of Bred." If your planted container is so beautifully coordinated that it's prettier and better than the competition's, show it off!

2. Articulate your true value, and put up prices. Unit sales may be lower, but look at the price matrix tables opposite. Depending on your margin, you could drop prices 10 percent and grow turnover 30 percent, or you could increase prices 10 percent and double your bottom line! Perhaps this next



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'And what about the animals, male and female, of every sort, that I ordered to come unto thee to keep their seed alive on earth?'

And Noah said, 'They have been delivered unto the wrong address, but should arrive on Friday.' And the Lord said, 'How about the unicorns and the fowls of the air by sevens?'

And Noah wrung his hands and wept, saying, 'Lord, unicorns are a discontinued line, thou canst not get them for love nor money. As for the fowls of the air, they are only sold in half-dozens

have been different?'

The following are five pricing realities to keep top of mind:

1. Customers always seek value, especially in tough times. This is good. Does a surgeon cut prices when times are bad? Clearly, the surgeon's value proposition is understood, and the patient is happy to pay for the outcome. You can create value by making the invisible visible, for example plant guarantees. You can also create value through superior merchandising, presenting customers with a tai-

season is the one to make the change.

3. How about systematically culling your low-margin activities? It isn't theory, it's real - the 80/20 rule (that 20 percent of profits come from low-yield activities that require 80 percent of the effort) makes you focus on the right departments.

4. A well-chosen price does three things: it achieves the financial objectives of the company, it fits the reality of the marketplace, and it is consistent with other variables in the marketplace.

5. Employ the “Goldilocks” pricing strategy. Display a gold-plated version of a product at a premium price to make the next lower-priced option look reasonable. Take the airlines for example. The strategy is to make business class seats look reasonable against the first class option. Remember the

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 Garden Centre

Goldilocks fairy tale? It was neither the hottest nor the coldest porridge but the one that was “just right.”

What to Avoid

Next, steer clear of these five common pricing mistakes:

1. Weak control on discounting, which we call “price crumbling,” happens when the retailer is out of control and the purchaser is in full control, and the currency of that conversation deteriorates to the level of discounts. Clearly, the seller has not articulated the value of the product or

educated the prospect as to why that product has that price on it. The lever of product benefits has been forgotten, and the customer has lost sight of the perceived value of the item.

2. Stay away from inadequate systems for tracking competitor prices. Educate yourself and your team to the added value element offered by your garden centre against what’s offered by your competitors. The fact is, your customer doesn’t know what you know nearly as well as you may think she does. In fact, she doesn’t even know that she doesn’t know!

3. Cost-up pricing, such as fixed percentage markups on goods as opposed to perception pricing, is to be avoided. Customers buy products not for functionality but rather on perceived value. If your team is us-

ing purely percentage markups for products, I suggest they walk in the customer’s shoes, and ask what they would really be prepared to pay themselves.

4. Don’t draw too much attention to the price. Inevitably, retailers have a more intense infatuation with pricing than their consumers. There is a simple formula: “value” equals “benefits I get” divided by the “price I pay.” For some reason, too many retailers concentrate only on the bottom-line “price I pay,” but that’s a fast road to nowhere!

5. Calm the innate fear of putting up prices. If you rely on price as a competitive differentiator, you will be permanently engaged in the game of price wars. And it’s not a good game. You won’t win. ■