

## Worksheet

### Explore your attitude to pricing

If you were challenged to increase your prices tomorrow by 10%, what are all of the reasons that you may believe would make that action difficult? Why would you resist it? (I've added a couple to start you off, but you may have a long list!)

- I might lose some customers who think I'm already expensive
- My own sales people would fight it
- Competitors would seize on the issue and attack our customers
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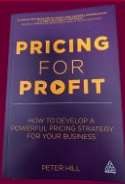
Now consider your basis for each of these fears. Are they based upon sound research into your customers' opinions, your competitors' offers or their service standards, or perhaps your own personal experiences of specific individual customers?

I.e. if one fear is that competitors are all cheaper, what **facts** do you have to support that? The point here is not whether your fears are or are not valid, just the level of evidence you have to back up those fears.

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Now think about the skills, knowledge and experience that you have personally and as a business, on the techniques and principles of pricing? I.e. can you tick any of the following?

- ✓ You have read a book on pricing techniques in the last 5 years (or ever)
- ✓ Attended a business seminar or had training on the specific topic of pricing
- ✓ Undertaken any personal research (Google search) on specific pricing issues you face
- ✓ Held workshops internally to share pricing experiences to develop your *best practice*
- ✓ Spoken directly with current or lost customers to understand their perspective on the pricing issues for your business
- ✓ You or someone in your team has a very clear grasp of the financial dynamics of pricing issues. I.e. you can calculate properly the profit made by product, customer, branch etc. and can explore the various price options and their impact.



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What these very simple questions seek to show, is that almost all business owners will have some understandable, and common fears about the consequences of increasing prices for their business. However, these are almost always based on one or two painful experiences with “bad” customers, or *anecdotal* evidence of what their competitors are doing, or flawed financial analysis. The case study DFAP underlines this disproportionate fear, by exploring their plan to drop the price to around 100,000 customers in response to complaints from just 40.

What also becomes clear is that very few businesses have invested sufficient (if any) time in developing their knowledge and experience of pricing options available to them. They have done little real research into customer’s expectations, competitors positions, they haven’t considered the financial consequences of increases or decreases in price, or they base their views on misrepresented actions of other retailers. i.e. Furniture stores like DFS effectively doubled the price of most products in order that they can then discount by 50%. This is not a *real* discount at all.

#### **Conclusion**

Many of your own fears and reservations about pricing are very common. However, they are probably also based on flawed data or emotional responses.

When reading the book you should try to adopt an unemotional view of what are simply good ideas and techniques that work in almost any business, and try and avoid being frightened of making changes based on what is probably a very limited experience of the subject and only a few bad experiences from “difficult” customers.

An open mind to making changes will help you greatly in achieving the huge benefits that are available.

**Peter Hill**  
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