

A PURPLE PAPER

# The Pricing Predicament:

Managing Price in a Down Economy

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Times are tough. Sales are down...only one way to recoup revenues, raise prices. Right? How about lowering prices and “making it up on volume.” While on a short term basis price increases may be the fastest way to grow revenues, they may also cause unforeseen future consequences.

## Key Considerations

- **Brand Position.** Your pricing strategy should be consistent with your brand position. In fact, it is the most explicit bottom-line expression possible. Premium pricing supports a premium brand while value pricing accompanies value brands. Moving a value brand into premium price territory will likely cause sales erosion, unless you are able to demonstrate strong rationalization through a value-added component.
- **Price Elasticity.** How much room do you have to move? Pricing is largely a science with a little bit of art tossed in - regardless you should be able to identify your price ceiling through demand modeling. Additionally, you may find that vendors and your sales group may be able to provide solid anecdotal insight in this area.
- **Category Price Sensitivity.** If your product falls into the luxury category you tend to have much greater latitude in price movement vs. mid-level or bargain products/services. These are largely emotional vs. rational purchases and while price ceilings certainly exist they tend to be higher.

## One Alternative to Increasing Prices

**Adding Relevant Value.** The practice of Value Innovation suggests taking a critical look at every aspect of your product or service and then taking one of four primary actions. If done effectively practicing Value Innovation should stimulate sales and reinvigorate your product offering - hopefully without adding significant cost.

1. Eliminate – Factors/Features which are taken for granted and unnecessary
2. Reduce – Factors/Features which should be reduced below industry standard
3. Raise – Factors/Features which are highly valued
4. Create – Factors/Features which should be created that the industry has never offered

Overall, when times are tough it's tempting to simply raise prices. However, other strategies should be considered. Value Innovation can offer important insight that will allow for more refined brand positioning – which may just eliminate the need to raise prices.

## ABOUT THE PERT GROUP

**Our goal is simple: to help our clients grow their businesses and their brands. How? By establishing business decision clarity.**

We are The Pert Group, a top research-based consulting firm for business leaders who require straightforward, meaningful results that lead to clear, significant decision making.

We begin with fact-based evidence integrating attitudinal and behavioral research, which allows us to create clear strategies for business growth based on fact-based insights, and our team of **market-focused experts** works closely with our clients to consistently relate our work back to their goals and strategies.

Using a balance of creativity, forward thinking and pragmatism, we **completely immerse** ourselves in our clients' businesses and apply strategic methods to help them increase business and brand performance, differentiate their companies from the competition and take advantage of all opportunities in the market space.

**The result? Clarity established.**