Pricing Your Products

Now, would be a good time to re-evaluate your meat, oil and product prices and make adjustments if, necessary. Check to see what it would cost to “purchase” oil or meat at wholesale (if it is available), in case the need were to arise. Search the internet and look at prices for emu meat and the prices on emu oil product company websites and compare them. This should be reviewed annually.

Don’t forget to factor in website and credit card expenses if, you have them.

I was personally “shocked” to see how things had changed this past year. Overall, prices along with expenses have risen due to higher costs for feed, fuel, energy, shipping, product packaging and new regulations. Re-evaluate your selling prices as preparation for filling out your current Business and Marketing Plan.

Consider costs, your local economy and the customer’s perceived value.

We are all busy taking care of our farms, businesses, families and dealing with life in general and we can often overlook the management and accounting parts of the emu industry. Don’t forget this important part of your business.

______

The following was provided by the Wisconsin Department of Agriculture, Trade & Consumer Protection (WI-DATCP). It brings up some very good points.

__

The Ten Most Common Pricing Mistakes

By Per Sjofors, Managing Partner, Atenga, Inc.

Here is a list of ten of the most common mistakes companies make when pricing their products and services.
www.projectmanagementdocs.com/template/project-initiation/feasibility-study/

Basing your prices on costs, not customers' perceptions of value
Prices based on costs invariably lead to one of two scenarios: (1) if the price is higher than customers' perceived value, the cost of sales goes up, sales cycles are prolonged and profits suffer; (2) if the price is lower, sales are brisk, but companies are leaving money on the table, and therefore not maximizing their profit.

Basing your prices on "the marketplace"
The marketplace is often cited as the "wisdom of the crowds"—the collective judgment of a product's value. But by resorting to marketplace pricing, companies accept the commoditization of their product or service. Instead, management teams must find ways to differentiate their products or services so as to create additional value for specific market segments.

Attempting to achieve the same profit margin across different product lines
Some financial strategies support a drive for uniformity, and companies try to achieve identical profit margins for disparate product lines. The iron law of pricing is that different customers assign different values to identical products. For any single product, profit is optimized when the price reflects the customer's willingness to pay.

Failing to segment their customers
Customer segments are differentiated by the customers' different requirements for your product. The value proposition for any product or service varies in different market segments, and price strategy must reflect that difference. Your price strategy should include options that tailor your product, packaging, delivery options, marketing message and your pricing structure to particular customer segments, in order to capture the additional value created for these segments.

Holding prices at the same level for too long, ignoring changes in costs, competitive environment and in customers' preferences
Most companies fear the uproar of a price change and put it off as long as possible. Savvy companies accustom their customers and their sales forces to frequent price changes. The process of keeping customers informed of price changes can, in reality, be a component of good customer service.

Incentivizing your salespeople on revenue generated, rather than on profits
Volume-based sales incentives create a drain on profits when salespeople are compensated to push volume at the lowest possible price. This mistake is especially costly when salespeople have the authority to negotiate discounts. Companies should define their salesperson's "job" as *maximizing* profitability and then incentivize profitability.

Changing prices without forecasting competitors' reactions
Any change in your prices will trigger a reaction by your competitors. Smart companies know enough about their competitors to predict their reactions, and get ready for them. This avoids costly price wars that can destroy an entire industry's profitability.

Using insufficient resources to manage your pricing practices
Cost, sales volume and price are the three basic variables that drive profit. Most management teams are comfortable working on cost reduction initiatives, and they have some level of confidence in growing their sales volume. Many companies, however, only utilize simplistic price procedures.

Failing to establish internal procedures to optimize prices
In some companies, the hastily-called "price meeting" has become a regular occurrence—a last-minute meeting to set the final price for a new product or service. The attendees are often unprepared, and research is limited to a few salespeople's anecdotes, perhaps about a competitor's price list, and a financial officer's careful calculation of the product's cost structure across a variety of assumptions.

Spending a disproportionate amount of time serving your least profitable customers
Know your customers: 80% of a company's profits generally come from 20% of its customers. Failure to identify and focus on these 20% leave companies undefended against wily competitors. Such failure also deprives the company of the loyalty that more attention and better service would provide.

The optimization of pricing strategy is as important as the management of costs and the growth of sales volume. Rigorous price optimization is a crucial source of competitive advantage and increased profitability.

#####