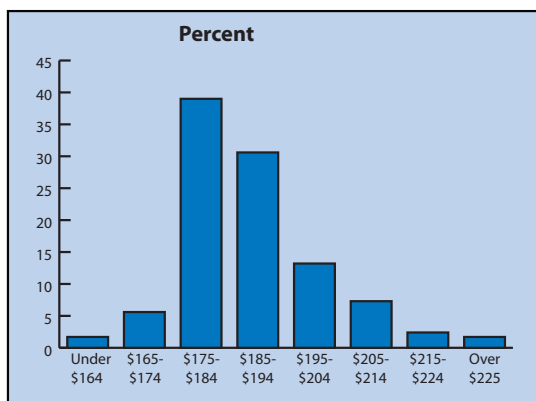


# How Are Your Products Priced at Retail?

*Karl Preuss is a national sales manager for Vista Information Services, a group within Activant Solutions Inc.*

U.S. companies competing in the home improvement industry continue to be challenged by increased globalization, new technologies, industry-wide consolidation and, most recently, the downturn in new home construction. In this highly competitive



arena, a product's retail price plays an increasingly important role.

Price-level decisions are fundamentally important because they impact the number of sales a company makes in addition to influencing how much money it earns.

The purpose of this article is to continue to examine retail price as a critical marketing variable. (Previously, retail price was reviewed in the November-December '06 issue of the AHMA EAGLE®—see sidebar article for a recap.)

One would think that a product that is broadly distributed and sold nationally would have virtually the same price in each of the stores where it is being sold to the consumer. Let's take a closer look at that premise.

In fact, it is interesting to note the level of variability in retail price at the local store level. For example, the retail price of a leading power tool SKU was examined on a store-by-store basis. The power tool's retail price in each store where the item is being sold (more than 1,000 stores in this example) was then grouped into price buckets and plotted on the graph at left.

Seventy percent of the stores had the SKU priced within the range of \$175 to \$194. However, it is important to note that seven percent of the stores had the item price significantly below that range, suggesting money is being left on the table.

Conversely, 23 percent of the stores had the item priced above that range with 10 percent of the stores having the item priced above \$205. This suggests that their price point may be too high and they are losing sales to another retailer.

A company should know what its products are selling for in the marketplace to see how closely they align to their company's pricing strategy. Based on that knowledge, it can then work to better understand their product's price in relationship to directly competitive items. The next step is to then determine the product's sensitivity, i.e. its price elasticity, which answers such questions as "for every dollar we are priced below a directly competitive item, we gain 'X' number of share points."

*To learn more, call (847) 768-3122 or visit [www.vistainfoservices.com](http://www.vistainfoservices.com).*

## Recap of Eagle Article

It is widely held that price is one of the most powerful influences on a brand's sales and profitability. Given this importance in the overall marketing mix, a company's senior management should know if their prices are in sync with the marketplace and have a reporting mechanism to periodically check to see if that status have changed.

A product's price should be part of an overall pricing strategy, e.g. cost-plus, penetration, product line, etc. Regardless of the particular strategy a company has chosen and the premises on which it was founded, it is important for the company to have up-to-date pricing information on both their products and their competitors' products.

When companies have a firm understanding of their current prices in the marketplace, comparison to competition and relative price sensitivity, they will be in a position to make future pricing and promotion decisions based more on fact than supposition.

The price a company sets is a function of many factors including what the market will pay and what competitors charge. It should not be done in a vacuum. Therefore, companies should know how their products compare with direct competitors at the item level.

Information regarding a product's current retail price, its comparison to competition and its elasticity are vital input to help companies sharpen their retail pricing decisions.