

## Retailing 101 Price

Once it has been determined what products to sell, the next challenge is to establish their retail value. The pricing strategy chosen has a profound effect on the store's image as well as to determine the long-term viability of the business itself. Whether speaking of an individual item or an entire store, retail pricing can be either a "gas pedal" or a "brake".

There are three related factors in establishing image while completing the sale of a product: Right Item, Right Time, and Right Price. A good example might be an opportunity to sell snow shovels during a snowstorm. The shovels are the right item for the job at hand. The snowstorm has created a need for the shovels. Since demand is suddenly high, the price (fair or unfair) is the final determining factor as to whether the item will sell and whether the customer will return to shop again.

Determining the "Right Price" of the products you sell combines a little bit of science with a healthy dose of substance and research. The science lies in the understanding that *consumers set the price*, not retailers or worse yet, the manufacturers. If the price is wrong, consumers shop elsewhere resulting in declines in customer count, sales and profitability.

A prime example of consumers having influence on whether an item sells or not played out in the mid-nineties with the introduction of the Rubbermaid Tool Box Step Stool. When Rubbermaid released their well-designed item with a suggested retail of \$29.95 sales languished despite strong initial promotion. In an effort to reduce stockpiles of inventory from initial production, Rubbermaid lowered its prices to distributors, which moved through the channel to the retail level. Once the retail price fell below twenty-dollars, sales increased and the rest is history as the Step Stool Tool Box went on to become one of the successful products Rubbermaid ever produced.

The substance portion of selling at the proper retail comes from a simple, yet important effort: *competitive shopping*. By getting into competitor's stores and observing their actions, retailers can learn about pricing, presentation, and promotional efforts. Competitive shopping for price includes more than just fast moving "price sensitive" items, but also less visible margin producers called "blind" items. Tracking pricing strategies on entire projects and the items that get projects started should also be on the savvy competitive shoppers' priority list.

During the ongoing process of studying their market, top-notch managers use the information they have gathered to continuously adjust their pricing for maximized stock turns and profit. Their main goal is to establish an image of "Every Day Low Pricing" and meet or beat the competition to obtain market share. While establishing this new price image, pricing is tailored on less sensitive items to maintain profitability.

Putting this course of action into place will increase sales on entire projects as opposed to singular items. The ultimate pricing strategy comes into play when a retailer becomes the market leader in pricing, allowing him or her to manipulate sales in the entire market.

To assist its dealers in establishing their individual *market specific* price structure, United Hardware Distributing has developed a Variable Margin Pricing Systems (VAMPS) as a starting point to control retail price levels. The VAMPS system consists of five "price pools" designated for ranking highly sensitive items to slow moving blind items. Each time a competitive price shop is complete for a subject market, store managers can fine-tune the VAMPS pricing matrix for optimal results.

A well planned retail pricing strategy has an integral part in creating consumptive behavior, increasing customer count, upgrading sales transactions from single items to projects, increases average sale per customer, increases market share and gross profit dollars.