

Common-Sense Pricing

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Make pricing a marketing decision, not a political decision. Making bad pricing decisions for nonbusiness reasons generates a different kind of political fallout--lost sales or inability to achieve projections. If your association offers many products and services (e.g., membership, books, subscriptions, software, events, etc.), you should use a variety of pricing strategies.

Cost-oriented pricing. This very common strategy involves marking up costs to achieve a set level or a return-on-investment target.

Alternatives to cost-oriented pricing include market skimming, penetration pricing, and other forms of competitive pricing strategies. Each has its own advantages when applied properly based on market conditions, cost structures, and customer behavior patterns.

Market skimming. With no clear competition and a clear "brand image" perceived by their clientele, associations may face inelastic demand where price increases can offset the loss of some customers.

Penetration pricing. As they diversify and increase nondues revenue, associations can maximize profits by offering low introductory prices and trial offers to build acceptance instead of pricing conservatively to recover costs and achieve some modest projected profit. To do this, you must know your audience's price tolerance. Sometimes pricing strategies don't actually involve changing the price.

Other competitive pricing strategies. If marketing staff has little or no control over pricing, try bundling, offering installment plans, bulk or volume pricing, or segmenting by price to specific markets. Get involved in price testing during new product development. It may extend marketing's reach and help ensure that products and services are priced and promoted for profit.

Pricing pitfalls. When creating your pricing strategies, beware of these easily made mistakes:

- Inaccurate expense accounting. Be sure to account for all direct and indirect costs of production, fulfillment, marketing, and overhead.
- Inhibition of sales. Low economies of scale, high per-unit costs, and a high price relative to perceived value will make low sales projections a self-fulfilling prophecy.