

PRICING INTO P



YOURSELF

PROFIT

HOW PRICING PRACTICES AFFECT YOUR BOTTOM LINE

BY FIONA SOLTES

PRICING AND SPLIT-SECOND decisions often go hand-in-hand — but consumers should be the only ones making such quick choices.

Rafi Mohammed, Ph.D., author of *The 1 Percent Windfall* and *The Art of Pricing*, has seen it numerous times: Companies setting prices with little or no real discussion, much less an understanding of how those prices affect consumer behavior.

“People are used to sitting in a room, and saying, ‘OK, \$6.99,’ after a one-minute conversation,” said Mohammed, founder of Culture of Profit LLC. But with a little encouragement and added knowledge, “pricing becomes an interesting strategy. People start to see the creativity in it.”

For a moment, set aside those thoughts of Economics 101, of demand curves, elasticity, shifts and movement. Think about your own behavior instead. Are there products you’ve purchased for reasons other than price? Times you’ve perceived value? Or occasions you’ve felt so overwhelmed by the number of choices you’ve simply walked away?

Consumer goods giant Procter & Gamble, maker of everything from shampoo to diapers, has apparently felt your pain on that last one. In recent months, the company has been streamlining its multitude of offerings, scaling back by as many as 100 brands to focus on its most profitable 70 or 80. This summer, P&G

CEO A.G. Lafley, at the Consumer Goods Forum global summit, talked about too many choices being “too confusing,” and wasting the customer’s time.

Certainly, product mix in goods and services is key, especially when it comes to being flexible and creative with those prices. Bob Hennessey, marketing consultant and founder of MyMarketingDept. Inc., encourages businesses to consider the product mix as a whole. In some cases, he said, there may be products or services that can be more expensive, which will help offset where the business must be more price competitive.

“You should tweak each one in order to get the best overall profit margin and revenue,” he said. “Pricing is a matter of revenue and profit. The lower the price, the more revenue but less profit. The higher the price, the higher the profit, but less revenue.”

HOW LOW WILL YOU GO?

Mohammed, in holding pricing workshops with companies, asks those companies to sit down a few days prior and come up with a list of their top five pricing issues. Then, at the workshop, the group will spend several hours exploring input from customer-facing employees and brainstorming solutions.

The No. 1 issue, he said, is usually the same: “We don’t know if our pricing is right.”



Even with car washes, “the pricing is sometimes too complex. ... I become confused.” A more expensive option at a wash might include a value-add such as orbital waxing. “But I don’t understand what that means,” he said. “If you want people to upgrade, they need to understand why they’re doing it.”

And companies, in return, need to understand what their customers want. Regardless of what’s being offered, it may not be about the lowest price.

“People take the approach, unfortunately, that you have to have the lowest price,” Hennessey said. “That usually winds up putting more people out of business than making them successful. You need to understand who your customers are, what you want to promote to them, and what your brand identity is.”

It is possible to create a brand identity as the lowest-priced option. With that, however, there’s an inherent risk: If someone else offers a rock-bottom promotion

THINK ABOUT YOUR OWN PURCHASING BEHAVIOR.
ARE THERE PRODUCTS YOU’VE PURCHASED FOR REASONS OTHER THAN PRICE?



Your carwash insurance experience can be hassle free. You don't have to spend hours comparing coverage options. You don't have to stumble through confusing paperwork. You can get a specialized insurance policy custom fit for your carwash business with **Western Carwash Insurance Agency (WCIA)**.

Coverage Options:

- Carwash Building & Equipment
- Commercial Liability
- Commercial Auto
- Umbrella
- Garagekeepers Legal Liability
- Personal Property
- Employee Dishonesty
- Employment Practices Liability
- Business Income
- Equipment Breakdown
- Money & Securities
- Workers' Compensation
- Surety Bonds and **much more!**

The sooner you call, the sooner you can enjoy these benefits.

Ask for Brandi at (866) 415-8663.

For all of your car wash business insurance needs, contact the **car wash business insurance one stop shop**-- The Western Carwash Insurance Agency.



Brandi Barth
Insurance Placement Specialist
email: brandi.barth@wellsfargo.com
<http://www.westerncarwash.com/>
CA DOI Lic. #0B48048



or chooses to enter a pricing war, the price-focused customer will follow the lowest numbers. That’s especially so in today’s mobile and social media-savvy world, when consumers have more quick access to the variety of offerings and promotions than ever before.

Conversely, a company’s brand identity might be about offering the best value for the price, or even being the most expensive.

“Being the most expensive, that connotes to people that it must be the best,” Hennessey said. In that case, every time a competitor raises rates, your own shop must also see an increase to maintain the perception.

Offering anything other than just the lowest price, then, requires work; both Hennessey and Mohammed note that pricing can’t be a set-it-and-forget-it aspect of business.

“Pricing isn’t a static thing,” Hennessey said. “It has to change on a constant basis. And the basis on which it changes is related to the customer base. What the customer was interested in five years ago may not be the same as today.”

To take it a step further, what the customer was interested in a few days ago might not be the same, either.

Mohammed tells the story of a car wash in Watertown, Massachusetts, that offers a lower price on Tuesdays than it does the rest of the week.

“That promotion is so popular that sometimes the Watertown police are outside directing traffic,” he said. “It’s a brilliant example of how price can be used to incentivize customers and bring them in the door.”

Not only that, but in a big-picture sense, it helps to even out overload seen at other times of the week. If incentives related to day of week or time of day can change the habits of 15 or 20 percent of the customer base, Hennessey said, “that will reduce the long wait times on Saturday mornings or Sunday afternoons, or whenever your peak times usually are. It will be better for all customers, and better for your business.”

Also better for business: adding a time limit to volume discounts. That way, the customer perceives value but also finds incentive to wash the car more often.

While we’re on the subject of value, researchers have been studying even the order that prices and products are presented to consumers, and whether seeing price or product first will influence feelings about those products’ worth. The team, from Harvard and Stanford universities, discovered that when the consumers saw the product first, the question was, “Do I like it?” But when the price came first, the question was, “Is it worth it?”

Certainly, there’s much to consider — too much for developing a pricing strategy without serious thought.

But everything begins, Hennessey reiterated, with an understanding of the customer and who the ideal customer would be.

“Generally all this starts before you even set up your car wash, when you’re determining what location you’ll be in,” he said. “But if you’re already established and you don’t have enough information on your customers, do some surveys. Do some market research and determine what the potential is. Most retail business draw their customers from about a 10 mile radius, so we’re talking about a pretty condensed area. People don’t drive 30 miles to get their car washed, to get groceries or buy gas. ... Understand the age, the income, the size of your market and whether there’s something unique about it. Maybe you have enthusiasts. Maybe there are a large number of car clubs. But knowing that, knowing the makeup of the market, allows you to start structuring the perception you want to create for your business.”

PRICING, THEN, COMPLETES THE PICTURE.

“Pricing can be automated,” Hennessey said. “But you’ll want to think it through

and run the numbers to make sure what you’re doing is the right thing to do. There is technology available that will help you go back and look at the results and consider what was worked well or didn’t work at all.”

And remember: Adjusting prices doesn’t necessarily mean dropping them. The smart pricing move, once you’ve got something that people want to buy, is to implement incremental increases, Hennessey said. Most customers won’t be turned off

by small rises, and the additional income will allow the business to keep growing.

Learn to think of pricing as an ongoing exercise in creativity and opportunity, and the gains could be substantial — especially when the competition isn’t paying attention.

“In small business, we see it all the time,” Mohammed said. “They’re just happy for the business, so they don’t tinker with it all that much.”

Transform your empty bay into a profit making machine!

From the **FasTrak** Touch-Free In Bay Automatic, **U WASH IT** Compact Self Serve, to the **In Bay Tunnel**, Coleman Hanna offers the best solutions for revitalizing your wash.

COLEMAN HANNA
CARWASH SYSTEMS LLC
AN O'HANRAHAN COLEMAN COMPANY

5842 W 34th St • Houston, TX 77092
1.800.999.9878 • 713.683.9878
www.colemanhanna.com

Find us on Facebook:
/ColemanHannaCarwash