

DO YOU HAVE A PRICING STRATEGY?

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Why discuss pricing strategies, especially for greenhouse plants and floriculture? After all, everyone wants what you're selling—correct?! Let's review ten probable reasons to revisit pricing strategies:

10. You believe in the improbable; it's safer to follow rather than lead.
9. You view the balance between benefits and price through rose colored glasses.
8. You thwart a consistent image by pricing from too expensive to too cheap.
7. You overlook price-performance failures.
6. You exude a bias toward optimism.
5. You try to control results instead of influencing thinking.
4. You fail to set standards of marketing and financial performance.
3. You concentrate on problems rather than objectives.
2. You assume all customers think and act alike.
1. You forget the importance of profit.

One of the reasons why "pricing strategies" are not a hot topic for discussion in the break room, or the board room, is reflected in how greenhouse managers typically rank factors of marketing success. Of the top twelve factors, pricing ranks sixth as a priority. Production research and development heads the list (and this is understandable for horticulturalists perpetuating the stereotypical farmer philosophy of business). Advertising and promotion fit in the fourth slot, followed by service—but pricing is merely sixth. Ironically, public relations is last or twelfth on the list, and marketing plants is definitely a 'people' business.

Why does pricing rank so low? Most producers view floriculture and horticulture as a buyers' market, meaning most sellers feel compelled to maintain low, competitive, even collusive prices. The producers also do not realize the "customer" is interested in more than price. And the producers do not perceive that successful product differentiation leads to pricing freedom (again, the farmer-producing-a-commodity mentality).

Pricing strategies must be *WIN - WIN*:



Successful competitive pricing depends on the business objectives. The three more common marketing objectives are to: (a) generate cash flow; (b) maximize profits; and (c) build market share. Pricing

is crucial to all three objectives. After all, the top line on the income statement is sales (revenues) generated from marketing. Revenue equals price multiplied by quantity, and profits (net income) equal revenue minus expenses.

A few quick tips for competitive pricing:

Know your costs—

- * variable costs per marketable plant or unit, such as the cost of the media, fertilizer, container, and cutting, etc. for each marketable item,
- * fixed or overhead costs for the entire business, such as the workers' and manager's salaries, investment in facilities and technology, utilities, maintenance and repairs for the greenhouse, etc.

Decide on the desired profit margin, then price at a value that covers total costs (fixed and variable) plus profit; profits should be planned, not just an unexpected left-over.

Identify two or three key target market segments (such as retail garden centers, landscape architects/designers, rewholesalers, or mass merchandisers) and their specific needs and preferences.

A higher perceived value by the customer will support higher prices.

Generally, "bundled" prices include greater profits—the value-added concept.

Make changes in the product/service/price bundle to differentiate yourself from the other green goods growers.

There are three distinct features the ultimate consumer or end-user consistently values from horticulture and floriculture marketers (and you can produce all that can be made available, but until you market the plants and flowers, there is no potential for income or dollars, let alone profits). These features are contact, information, and aesthetics. The selling points to woo the contact-driven customers are professionalism and a service package. Information-driven customers are susceptible to marketer credibility and to price, whereas aesthetically-driven customers are won by the selling points of proven results (seeing is believing) and the promises of effects.

In establishing pricing strategies, regardless of the customer, recognize appropriate marketing goals and design a marketing strategy based on those goals. Remember, [a] target marketing results (with more value for your effort), [b] marketing objectives are the cornerstone of a marketing plan (wherein lies the pricing strategies), [c] positioning and imaging will separate you from the competition, and [d] select pricing and promotion strategies that reinforce your marketing theme. And by all means,

SELL THEM WHAT THEY ARE BUYING!