By Richard D. Czerniawski

PRICING PEEVES - 1

While not meaning to be peevish, I clearly have my peeves regarding certain pricing practices. One such practice that immediately comes to mind is the taking of annual price increases to grow revenues. What disturbs me about this is multifold:

1. Typically, there's no added-value provided to customers. It's about charging the customer more for the same, diminishing the brand's value. There's something not quite right about this practice. It's "me" not customer-centric.

2. It masks the reality of unit sales. Often unit sales and market share decline, particularly when the market is stable, and competitors maintain their lower prices. Unit sales growth is a better indicator of brand health than dollar sales.

3. The increased revenues go to bolster the bottom line as opposed to being reinvested in the brand. It greedily chases Wall Street's and the company's insatiable appetite for profit growth, often undermining brand health and the brand's relationship with its customers.

4. It rewards a lack of innovation. It doesn't encourage kaizen (continuous improvement), contributing to making brands and organizations lazy regarding innovating and serving customers, and sloppy concerning controlling costs.

5. In fact, it is accompanied often by the practice of "creeping decrementalism." Namely, the prices increase while, concurrently, the product is rationalized through cost-cutting - ultimately compromising product performance.

This practice of taking an annual price increase without a concurrent reinvestment in the brand to provide added-value to customers reminds me of real estate taxes here in Chicagoland. They go up and up and up, without the city providing additional services to its citizens. Instead, the growing appetite for more revenue goes to pay off past commitments (such as city, county and community pension plans) that do not benefit current taxpayers. Moreover, it doesn't correct leadership misfeasance or, for that matter, malfeasance.

I think, too, that this practice is like having termites in your home. It's insidious. At first, you don't notice anything. There's slow but inexorable damage. Until, one day, a foot goes through the floor and you realize you have a significant problem – one that is going to be costly and take a long time to repair. It's what happens when those annual price increases eventually wear away the customer's relationship with the brand.

What do I prefer? Well, I like the electronics business model. For example, the power and functionality of laptops increases while pricing decreases. Moreover, I receive IOS updates for my MacBook Pro, that help renew my laptop, with no additional cost to me. I also remember the storage capacity and cost of USB flash drives and portable hard drives at introduction. These pack far more storage capacity, are smaller, and cost a lot less nowadays. For example, at one time a 1-gigabyte USB flash drive cost $99. Now you can purchase a ScanDisk Cruzer 64-GB USB flash drive for only $9.99 from Amazon - that's 64-times more storage capacity at about 10% of the cost.

Try to give customers more for the same price or, better yet, for less. Innovate to achieve this without compromising your financial margin or product quality. Difficult? Yes, but we can do it if we put our minds to it.

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