Marketing Matters

By Richard D. Czerniawski

MANAGING YOUR BOTTOM-LINE

Let's bottom line it. The bottom-line is it. That's why senior managers slash marketing budgets that don't generate a favorable ROI (return on investment) and deliver on the bottom-line target—often early in the budgetary year.

The stock market will crush companies that do not grow the bottom line. Senior managers who fail to increase bottom-line profits are either displaced (i.e., "fired") or hang on to their positions by jettisoning lower-level managers.

You can be sure that when the bottom-line is under attack, companies will reorganize to reduce costs and raise prices to pad profit and, importantly, margins.

What is currently the biggest threat to your bottom-line? No, it's not imports from China. Nor is it a major initiative from the competition. It's inflation!

I’ve written before that I detest when companies raise prices without adding value to their offerings. However, in an inflationary period, which we are now experiencing, it’s a must. It’s all about survival and competitiveness in both the short- and long-term.

Yes, we are in an inflationary period. If you doubt it, check what you’re paying to fill your tank. Several months ago, I could fill my gas tank for less than $35. Just this weekend, I filled my car, and it cost me $49.10 for 12-gallons of premium gasoline.

I purchased prime steak from my neighborhood Publix, their premium Greenwise brand. The price is up to $18 per pound. It’s getting far more expensive to eat well. My wife and I will choose to cut back on the frequency of enjoying a steak or, perhaps, dropping a grade or switching to non-premium offerings. (The latter are the ones that treat the cattle with antibiotics. So, we really won’t consider it.)

Someone posted a photo of two boxes of Barilla pasta, Rigatoni, on LinkedIn. They were purchased just one week apart. The price was unchanged. The posting individual (I wish I remembered who it was to give her/him credit) asked if the reader could identify a difference between the two packages.

Can you identify a difference?

On the surface, there does not appear to be any different. The logo is unchanged. The photo of the pasta posed on a fork is identical. However, on closer examination, I spot a difference in the net weight of the product.

The more recent box of Rigatoni contains 44 fewer grams—410 versus 454. This practice is known as a weight-out—reducing the amount of product to bring down costs, preserve profit and margin. We're talking about a 9.7% reduction in product in this specific instance, which equates to a 10.7% increase in cost.

I recently enjoyed breakfast at the Coffee Cup, a Pensacola mainstay since its founding in 1947. The front wall above the breakfast counter, where I sat, is adorned with memorabilia. It heralded a bottomless cup of coffee for 5-cents. Today, that same cup is $2.50, a fifty-fold increase—albeit over 74-years.

Inflation is nothing to ignore. It can get out of hand if it hasn't already. Inflation is not merely a function of limited supply, increase in labor costs, etc. Expectations regarding anticipated future costs also fuel it.

Where will inflation go? I don't know, and neither do the so-called expert economists. What I do know is that when my wife and I purchased a home in Atlanta, Georgia, in 1980, the interest rate was 17.5%. This percentage is not a typo. It's a fact. Insane!

Employing the "rule of 72," my costs were doubling every four years. On a thirty-year mortgage at 17.5%, a $100,000 home would cost more than $12,800,000—a 128-fold increase! Now, this is really insane!!

So, despite my intense dislike of raising prices without adding value, it's imperative to do so to protect margins and your bottom-line. The question remains how to do it, and do it now, without retarding demand, competitiveness, or alienating your customers. A weight-out, where you can do it, is a less intrusive way to protect both. However, not every business can take a weight-out, nor does it answer my question.

Regardless, get ahead of the curve. Take price before it's too late. It's a matter of brand survival.

Proposed Action(s) for Implementation ***(Crossing the chasm from learning to impact)***

1. Identify the impact of inflation on your personal purchasing power/

2. Identify the impact of inflation on your brand's bottom-line if you do not take pricing to counterbalance current and anticipated inflation.

3. Identify what pricing you need to take to preserve profit margins and bottom-line profit.

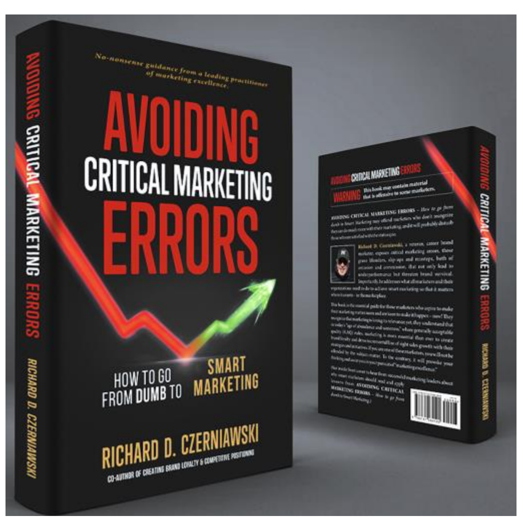
4. Brainstorm ways to take a price increase without retarding customer demand, competitiveness or alienating your customers.

5. Test to determine the best solution.

6. Get ahead of the steepening curve. Act now.

If you found this article helpful, please encourage your team to subscribe to and read Brand Development Network International blogs DISPATCHES and Marketing Matters. They provide thought-provoking information that can help bolster your team's performance. All it takes is to register at www.bdn-intl.com

Are you interested in making your marketing matter even more? Please read my most recent book, **AVOIDING CRITICAL MARKETING ERRORS:** How to Go from Dumb to Smart Marketing. Learn more here: http://bdn-intl.com/avoiding-critical-marketing-errors It will help lead you to discover where your marketing may be half-empty or half-full. Importantly it suggests actions you can take to make your marketing matter even more.



Peace and best wishes,

Richard Czerniawski

Richard D. Czerniawski

1812 Yates Avenue

Pensacola, Florida 32503

847-312-8822

richardcz@bdn-intl.com

richardcz@me.com

www.bdn-intl.com