

To quote the great Warren Buffett “price is what you pay, value is what you get!” Few people in the world have had as much impact as Warren Buffett, and I suggest his quote is worthy of interpretation. His ownership and management style and impact on international companies I suggest is second to none. Our bid to debunk pricing mysteries or myths, quoting strategies is possibly one of the most talked about topics in my forty plus years experience in the Sign and Print Industry. From recollection, this is the fifth or sixth time I have written articles on pricing and variations to quoting. The one resounding observation we can make is there is no real price!

Pricing Strategies are they

MYSTERY OR MYTH?

JOHN HADFIELD | KIM

For the last several years we have conducted an extensive cross check of pricing in regional and city areas, whereby we asked very specific questions on quoting products and qualities and its highly unlikely from asking between 3 – 5 companies in the same area, that we obtain pricing as close as a 50 percent variation. It's certainly not unheard of to have spectacular variations of 300 – 400 percent.

Therefore aiming to offer solutions to address the mystery or myth we have offered a few key observations, and let you make your own deliberation as to your judgment of whether it is a mystery or myth! The one clear rule is “there are no rules” when it comes to pricing!

View pricing from a customer's perspective

Understand your customer's requirements because if you ignore them it will be at your peril! Learn to ask the right questions! Likely scenarios may include a client with exact and specific needs; where you're throwing your price in with every one else. It's my view that quoting signs is an art form and a balancing act between fixed and tangible considerations. Sure, you may have a machine that produces 30sqm of digital media per hour whereas your competitor has one that

prints 100sqm per hour, therefore to create a playing field that perhaps tips in your way you may offer a choice of three options; basic, average and premium. This opens the door to address features and benefits and hopefully tip the scale where your strengths are to the forefront.

Competitive pricing strategies

The commercial reality of developing the right strategy for your clients would be somewhat impossible to address in a paragraph (we have offered a download to assist).

To offer a concept which may assist in developing strategies let's look at the top and bottom of the markets. At the top there is value based pricing whereby a consideration in the pricing of the goods is built in as a representative element in the sign manufacture. You may consider many intangibles like client development, the prestige of the clients branding and imaging, and other somewhat innate factors that if your primary business was just belting out \$100 cheap and cheerful real estate boards, (which potentially could be ordered online without any human connection or relationship) would never come into that equation. I'm not saying for a second that either market place is good or bad, I'm highlighting that they are very, very different and it would be unlikely in most shops that they would achieve great results if they were in both market places.

The aim of this heading is to provoke your thoughts into recognising and establishing the market places that best suit your people, sign equipment and premises.

Marketing, marketing and more marketing

From my observations if there was ever one stand out difference it is the primary reason why a “(A) sign shop succeeds beyond your wildest expectations versus (B) sign shop – it is marketing.” For those readers who don't recognise that investing around 1 – 5 percent of your overall turnover in marketing I suggest you're turning up at a golf club with a tennis racquet. You're just not playing in the same game.

In short, marketing builds relationships with your clients or potential clients. Relationships in turn connect people with people, and build trust. Trust is the fundamental cornerstone when it comes to choosing value in the quoted price versus just comparing several prices in an excel sheet where your price is no longer differentiated amongst the others.

What's the sign really worth?

To define “value based pricing” let me offer you a little story. Many years ago we produced a banner for a client, it was around \$300 worth and that single banner was for a waterproofing company. It was hung out the front of an old



terrace house in Paddington, Sydney. For the next 2½ years and several hundred thousand dollars later that banner worked for the client returning on its investment many times over. I put to you, if the client understands the value of that banner with the next order you have the opportunity to offer a better quality product, a better design, a more premium solution which can of course add to the value of the sale and proportionally increase the net profit you retain.

The same could be said for a humble real estate sign, should it be the same low cost real estate sign selling a five hundred thousand property as the same price as one selling a five million dollar property, it's my belief that with the right pricing strategy. It's not a difficult step up to teach your customers what the real worth of the sign is.

Adding some tips to my passionate belief that it's about value not price, think about these concepts when selling at a higher price.

- **Reputation** – it's well documented the right customers will pay more to deal with the best
- **Take away the pain** – you know it yourself, that you are often prepared to pay a premium when you're working with a business that makes it easy
- **Respect** – if your culture oozes innovation or authority you can demand a premium
- **You may include other features like**

– durability of goods, quality of goods, ability to address and fix problems rapidly, environmentally friendly products, advanced technologies, guaranteed delivery times, and the best one of all – make your company more fun to deal with.

Qualification of the project

Don't ever put your business in a position whereby you risk all that you stand for as your vision has been clouded by lack of work, your ego, rushed delivery date, the prestige of winning the job or the myriad of intangibles. If these are likely to impact on your good judgment I would suggest a review of your qualification method is warranted.

Working as a sign business consultant offers me a unique across the board insight to any one of these potential pitfalls. My observations offer "it's really all about finding the right fit of your customers with your business" and in parallel the balance of their style of work to the goods you produce. By way of clarification for those companies who have good quality strategic partners or sub contractors they can rely on, they can offer a wider scope of sign supply. Whereas if your core business is print and cut digital stickers and you are offered a highly complex stainless steel fabricated letters with LED inserts I'm not suggesting don't take the job on, but I am highly recommending qualify and evaluate that project.

Understand your yield

Another great quote is "if you can't measure you can't manage!" We have prepared a simple weekly quote collection chart that takes no more than a minute per quote, it compares client and job number, if you followed it up, the value of the job, and whether you won or lost. Looking at 1 or 2 minutes invested on each quote you do and then understanding how many jobs of what type you win versus how many of what type you lose will give you clear guidance to your overall pricing strategy. It's a must do.

Summary

I'm guessing about now you are either tearing your hair out or it is as clear as mud, and if that's the case I have probably made my point. This article is approximately 1433 words and I could realistically write many thousands of words, chapters and volumes, as at the end of the day each company, each proprietor, each set of circumstances require consideration and an understanding of your own circumstances to achieve successful results. With this in mind we have prepared a Checklist for Developing your pricing strategy.

It's free, send an email to john@signquoting.com.au and we will gladly provide you the Checklist and the Quoting Weekly Collection Chart.