Ripe

Welcome to enrich, Ripe Strategic's newsletter

June/July 2014

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Make pricing a success story in your business

There are **three** stages to achieving smart pricing:

Stage One: Assessing the market and opportunities and making a decision
Stage Two: Implementing the pricing plan effectively
Stage Three: Reviewing the outcome

In this newsletter we outline the key aspects of **Stage One**.

Setting your business up for success requires a full assessment of the market; this includes considering your current position within the competitive set, the growth of different segments, your consumer and your customer metrics, and how your brand sits within these. Although initially this may all seem obvious, the importance of fine-tuning and giving careful consideration to the various aforementioned elements in order to secure a successful outcome cannot be underestimated. And more importantly, it could mean the difference between mediocre and outstanding results.

Starting with the data; you will need relevant information on:

The history of pricing your products, brands and SKUs (Stock Keeping Units) or services over at least 2 years as well as those of your competitors. Take the time to carefully analyse what this information tells you? For example, what happened when price increases occurred in the market? How did this affect the volume, value and market share? What was the impact of price thresholds? Did the increases get implemented to plan? Why and if not, why not?

- How well are your brands and products performing on consumer and customer measures?
- Clarify the impact of changes in the market place. e.g. new customers, customer mergers, customer pricing strategies, new products
- What are your strategic and commercial plans and their impact i.e. innovation?
- Who do you really compete with and what is the expected impact of competitor activities?

Pricing is an important decision for any business because it can have a major impact on financial results. Consider the following:

- The effect of not making changes. This can lead to lost opportunities to deliver better results. Also, bad pricing decisions and implementation can considerably reduce sales and profit.
- Ensure that the most senior people in the business are involved in reviewing the data and that they understand what it signifies.
- Review the findings and develop the options for further consideration with a strong cross-functional team (including strategy, finance, sales and marketing) because overall business performance will be impacted by the decision. It is therefore essential that the relevant team is involved. Draw upon their collective knowledge to generate a balanced debate from which informed decisions can be made.
- Ultimately the decision sits with the Managing Director but he / she needs accurate information and importantly the Executive team input and positioning to deliver the optimum results.

By considering the above points, it will help you to create a **structured approach** so that you can make better pricing decisions. And of course, at Ripe Strategic we are always available to help you with the pricing strategy and your decision making process.

Please email **info@ripestrategic.com** for further advice and assistance.

Stages 2 and 3 to achieve smart pricing in your business will be continued in our next newsletter.

Adding value - Netflix vs Amazon Instant Prime

There's an on-going battle for the share of the multi-billion dollar movie streaming market. Normally in a battle for market share, we see price decreases through increased volume for the same price, or alternatively for promotional discounts or sometimes rebasing of prices. In the world of streaming movies we have seen parties increase their prices, increase their quality and add value by bundling of services. Could your business learn from this strategy and gain market share without cutting prices?

Netflix, a US based movie streaming and DVD rental business has continued to i d LoveFilm, and recently Amazon has gone on the offensive by packaging its LoveFilm service together with its free next day delivery service Amazon Prime, under a new product called Amazon Prime Instant Video.

How did Netflix react?

They increased their price by 20% in the UK and 12% in the US. Wow! Why did they do that? They continued to grow their subscribers and we assume they felt confident to increase prices for three reasons, because they:

1 Had a strong point of difference with their unique content shows like "House of Cards";

2 Are streaming twice as many of the "top TV Shows & Films" (as measured by lifehacker using the ImDB database); and

3 Delayed the increase to existing members for at least a year.

What's in it for Amazon?

Amazon's bundling together of services is a major step for them. For the same annual price of Netflix, you can now also have Amazon Prime next day delivery AND a free book per month from Amazon's kindle lending library. Amazon Prime is a major asset for Amazon, as Prime members have doubled the consumer frequency AND twice increased the spend per purchase than an average Amazon purchaser. This is because it removes one of the major barriers of paying for next day delivery and the more you use the Prime membership, the cheaper the cost per unit becomes. And this is the gamble for Amazon. They are leveraging their purchasing power in the movie business to scale up people joining their Prime membership, who will in turn buy more from their traditional Amazon site.

Overall Impact

Netflix continues to grow subscribers as does Amazon and it looks like the market is becoming bigger because the number of consumers who now have two or more movie streaming services has increased from 24% to 33%.

So winning market share doesn't always mean cutting price or services. **How will you win market share without reducing price?**

TomTom vs the "copycat"

Price and value are a constant source of discussion. Recently we've had an interesting example of this in our business

The purchaser of a Tom Tom app (let's call him Team Member A) was raving about what a clever purchasing decision he had made. Team Member B needed a sat nav for a complex road trip. On the advice of Team Member A, he was about to purchase the top of the range, best known and first to market product at £49.99, when he came across a competitor product for £1.49.

Having done some research and found the products offered similar attributes, Team Member B (thinking they had found a bargain) chose the £1.49 product. A head-to-head ensued on which was best and on the way to a client meeting TomTom won the day resoundingly. Had Team Member B not already known his way to the client meeting, he could still be circling around, going left at roundabouts, as instructed rather than straight on which was the right way.

Team member A was rightly smug and as a result, Team member B quickly made a TomTom purchase.

The price tag in this case was a definite indicator of the benefits. The £1.49 product while it seemed value for money, was certainly not. In fact, not getting to a meeting with a client could have been very costly indeed.

Buyer beware! What seems like a bargain may not be!

Want to discuss your pricing issue with an expert?
We'd be delighted to hear from you. Our contact details are below.

Kaye Coleman

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