

MARKETING MATTERS

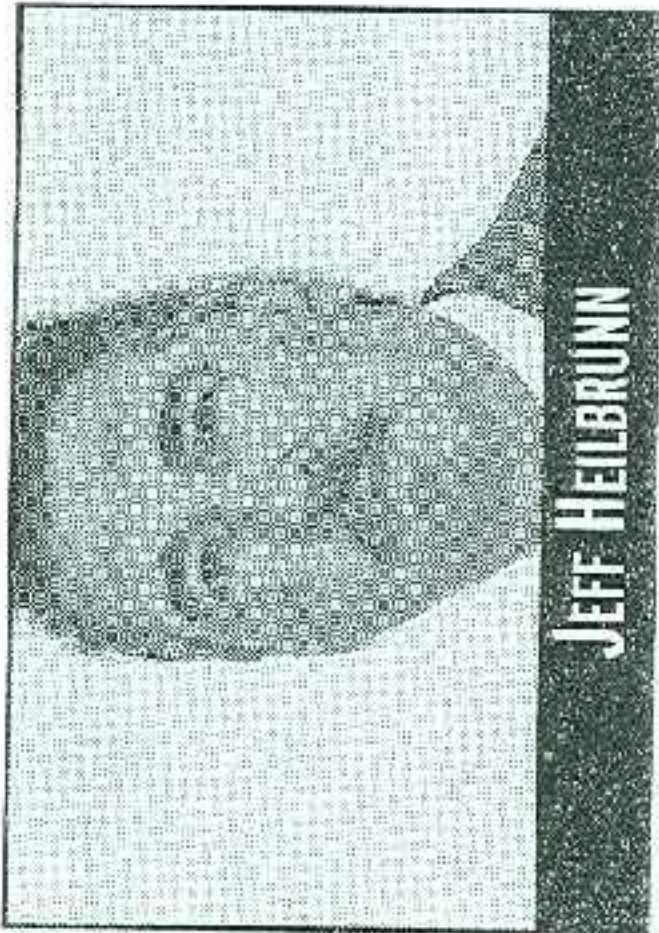
If you must raise prices, offer more bang for a buck

Low inflation is great for home mortgage interest rates, credit card debt, loans and so forth. But for companies and business owners, low inflation means little room for increasing prices. Why? Because when the inflation rate is low, customers expect us to keep our prices low.

So how can you get away with some price increases that would be acceptable to the marketplace and help the bottom line? The trick is in creating added perceived value — value that customers would gladly pay more for. Here's what other firms are doing:

■ **Services:** Certified Cars are by any other name, used cars. Car dealers take in used vehicles and add services. They will test them, bring them up to a certain specification, and warrantee them. By adding services, they have created a whole new genre of product and created higher prices for the same vehicle.

■ **Aesthetics:** Things that look good tend to work better and command higher prices. Now, that may be all in the head, but research points to this being true. Target has established a position in the retail market with items that are designed with aesthetics in mind. And Target customers pay a little more for that good look and feel. Coffee tastes better (and costs more) at a Starbucks. It's the experience and the coffee.



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■ **Prestige:** Prestigious brands typically sell for more. Sometimes this is done with a brand kept away from the family brand, such as Jaguar and Ford. Other times, such prestigious branding can be done within the brand. Think about the extra you pay for a reserve wine from known vintners, even Gallo now has a prestigious line of wines. Try adding a prestige line of products to enhance your profits. Your overall line of products might gain from this repositioning as well.

■ **Convenience:** The whole business model for convenience stores was based on lower volume, higher prices and extreme convenience. Consider the role of home delivery, prepared foods, drive-thru windows, I-Pass devices, etc. It is all about convenience — what people want and what they will pay for.

■ **Freshness:** Grocery stores have

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enhanced their businesses by creating fresh stores. This aspect has won over many consumers. Oberweis Dairy brings the freshness of the dairy right to your doorstep. Do you know how much Oberweis charges for a gallon of milk, home delivered?

■ **Excitement/fun:** Most of us live quietly, so when we have a chance to whoop it up, that is special. Casinos know all about the promise of excitement and fun. Pontiac used to say, "We build excitement." Mountain Dew was a laggard brand until Pepsi added excitement in the "extreme" and repositioned the brand for success.

■ **Smarts:** The products we buy have more and more intelligence built into them. Software installations are incredibly smart. Clothes will soon be smart enough to warm you in the cold or cool you in the heat. Smart indicators have been added to brakes to signal it's time to change the brakes. Maybe it's time to consider adding some extra intelligence to your

products.

■ **Safety:** Finally, tying back to my first article for the Business Journal, we do live in fearful and distrustful times. Warranties, personal security at your location, online fraud security, anything that will put a customer at ease would be considered a welcomed value added in this post 9/11 era. Safety and security are values to be considered. The GF commercials using Lassie and the commercials featuring identity theft (Citigroup) are some current examples of the security issue at work.

Gaining price increases is not easy in these low inflationary times. Adding perceived value may be the key to unlocking new potential profits.

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