

PROFITABLE PRINT RELATIONSHIPS

The Successful Print Sales Circle

Worksheet 9: Raising prices

Step 1: Identify the right customers

Raising prices works best for certain types of customers. You should avoid this strategy for customers who work to a price matrix. You should also avoid it for customers who commodity bid every job out to a large supplier base and purely choose on the cheapest price. Also, you might wish to avoid commodity items which are easily price checked online.

However, there are a large percentage of customers who spot buy from a smaller supplier base. This strategy is ideally suited to them.

We are just going to test this on a portion of your customer base first.

Write down the answers to these questions

Which groups of customers will work best for this price raising exercise?

Which five customers will you test?

Step 2: Apply a 1% price rise

Add an extra 1% to all relevant prices of the five customers you have picked. Brief all staff involved in creating quotes that they are to add 1% to prices for the customers you have specified. You may also need to change the settings on your MIS or estimating system. Make sure that people know to which customers this should be applied and to which customers the extra 1% should not be added.

Write down the answer to this question

Which team members do I need to brief?

Step 3: Keep quiet

Many sales people feel a duty to let their customer know that there has been or will be a price increase. For this strategy to work, it is important to make sure that you don't tell the customer.

Remember that most customers are spot buying. They are extremely unlikely to notice a price rise that is this small. It is also unlikely to make a difference to the supplier that they choose. In the unlikely event that you are suddenly more expensive than another supplier, a loyal customer will not go elsewhere. If you have a good relationship, they will talk to you about a small difference in price.

Step 4: Deal with customer push back

Very occasionally you may be specifically asked by a customer if you have raised your prices. In this case it is fine to say that you have had some minor cost increases that you have had to pass on. As they are very small increases you have not informed any customers where you are only producing spot prices.

Step 5: Measure the results

Before you implement this strategy, you need to know your quote conversion rate for the customers who will receive this rise. Just to be clear, the quote conversion rate is the number of quotes you produce for a customer, divided by the number of jobs that you win. The higher the percentage the better.

The easiest way to measure this is through an MIS. However, you can also keep a tally of quotes created and jobs won. You can also look at your e-mails to the five customers over the past two to three months.

It is important to measure the quote conversion rate before and after you implement the rise. If the quote conversion rate reduces, talk to your customer. Tell them that you have been measuring the quote conversion rate and ask them if there is any reason why they are placing less work with you. (Do not ask if they are placing less work with you because you have raised prices. You will need to find out if the drop in work is due to the price rise or for other reasons. As the price rise is only 1% it will normally be for other reasons.

Assuming that the quote conversion rate remains constant, your other task is to calculate how much extra profit you have made from raising your prices.

Step 6: Consider a further rise

Assuming that there is no effect on the quote conversion rate, you should consider repeating the exercise again. In many cases, customers will not notice a price rise of 2-3%.

Step 7: Raise prices for difficult customers

Some customers are hard work! They require a lot of resource. But they do not give you the amount of revenue or profit that justifies this resource.

You may have customers like this who do not contribute significantly to your revenues. In this case you may wish to consider putting through a much higher price rise. They may well go elsewhere. However, you will find you have more time to acquire and deal with more suitable customers.

These customers may also stay. At this point you will be receiving a better profit for the resources you are putting in to servicing them.

Write down the answers to these questions

Which difficult customers should I apply price rises to?

What price rise will you apply to these customers?

Step 8: Share your success!

This is a task that you should consider extending to other customers once you have tested it and are happy with the process.

Make sure you fill in the table below at the end of the worksheet. As always, you may prefer to make a copy of it or create a spreadsheet. Remember, it is important to complete this: it is your way to check that you are on track with this exercise and are taking action.

For this task, your goal is to raise the prices by 1% for five customers. Make sure these are not key customers: it is highly unlikely that your customers will notice or object to what you are doing.

However, you should be prepared that a customer might push back. I am not setting an extra profit goal because this will depend on the number and size of jobs from your clients.

How did you find this exercise? Please share your results with us at circle@ProfitablePrintRelationships.com If you come across any challenges you will be able to raise them on the monthly group call. If you are a gold member you can ask any questions privately on your exclusive e-mail address.

	Customer name	Revenue	Conversion rate checked	Extra profit
1				
2				
3				
4				
5				