

🕒 2021.03.23

The 1% Windfall: How Successful Companies Use Price to Profit and Grow by Rafi Mohammed

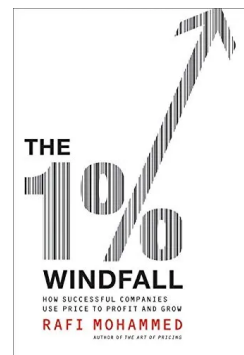
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Category: Finance & Accounting

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Why: I only set my price on costs.

Goal: pricing better to serve more customers.



Action: Pricing on value, then go on sales, offer variations, with many paying methods.

3 Key Concepts

1. Pricing affects market share, profit margin, and profit growth.
2. Find out your product value based on next-best thing and its features.
3. Apply pricing tactics when your customers ask for them.

Summary

This book teaches you to aim for that 1% price increase.



Rafi underlined the fact the 90% of companies are not efficient enough in their pricing strategies. So here is how you can maximize profit and increase market share at the same time!

Pricing goals are not only increasing market share. It also helps with

- Operating profit margin: cost reduction and **better pricing**.
 - Operating profit growth: cost control, **pricing actions**, and **volume growth**.
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The beginning of your pricing journey is to switch from pricing based on the cost to based on perceived value. Keep in mind that we do not care how much the service costed providers. Only what it is worth for us!

Finding value-based price

1. Identify target customers.
2. Identify their **next-best alternative**.
3. Determine your product's **difference** to the next-best.
4. Add or subtract price based on these differences.
5. Do reality check if the based price is realistic and cover costs.

You see that value-based price might mean a lower price. To differentiate products, here are some attributes to look out for.

Brand, Quality, Features, Service, Ease of purchase, Style.

When you find the big differences, then scream that out to charge more.

When you find the bad differences, then adjust the product positioning accordingly.

But, what affects our product's value? Good question; here are forces that change customer-perceived value.

Consumer budget, Next-best alternative, Close and extended substitutes, Taste and trends, New attributes, Complementary products.

Pricing Steps

Here comes the fun part! After you know your value-based price, you can apply the following strategies to maximize market share and profit at the same time. The common steps are

1. Setting value-based prices
2. Offering different prices on the same product: Sales for student, Premium for the rich.
3. Adding product versions: "Good Better Best" Think of Apply product line ;p
4. Allowing Pick-a-plan: interval ownership like renting and leasing.



There you go, the pricing strategies that will bring you that 1% Windfall profit increase 😊

Rafi gives many tactics in the book; if you are serious about optimizing your pricing now, I recommend checking this book. Sorry, I do not dare to write all tactics here, as it is too extensive.

But, I will capture the reason behind each strategy here to focus on our current pricing need.

Various Pricing Strategies

Differential pricing: offer lower prices

Because customers value a product differently. Some are willing to pay a premium, some are willing to wait for sales season.

Versioning: add product variations

Because customers have unique product need. "I have just the right product for you" Think in terms of Good product, Better product, Best product.

Pick-a-plan: roll out new pricing plans

Because customers desire a different pricing plan. Some want partial ownership, some are uncertain about value, need price assurance like flat rate, or are under financial constraints.

Finally, how many strategies and tactics to use? Well, that depends on your situation and customers. I think we should consider all strategies and apply only "requested" tactics.

Rafi said it is like the Marco Polo game. You listen to the customer's Polo. For example,

Customer "Polo"

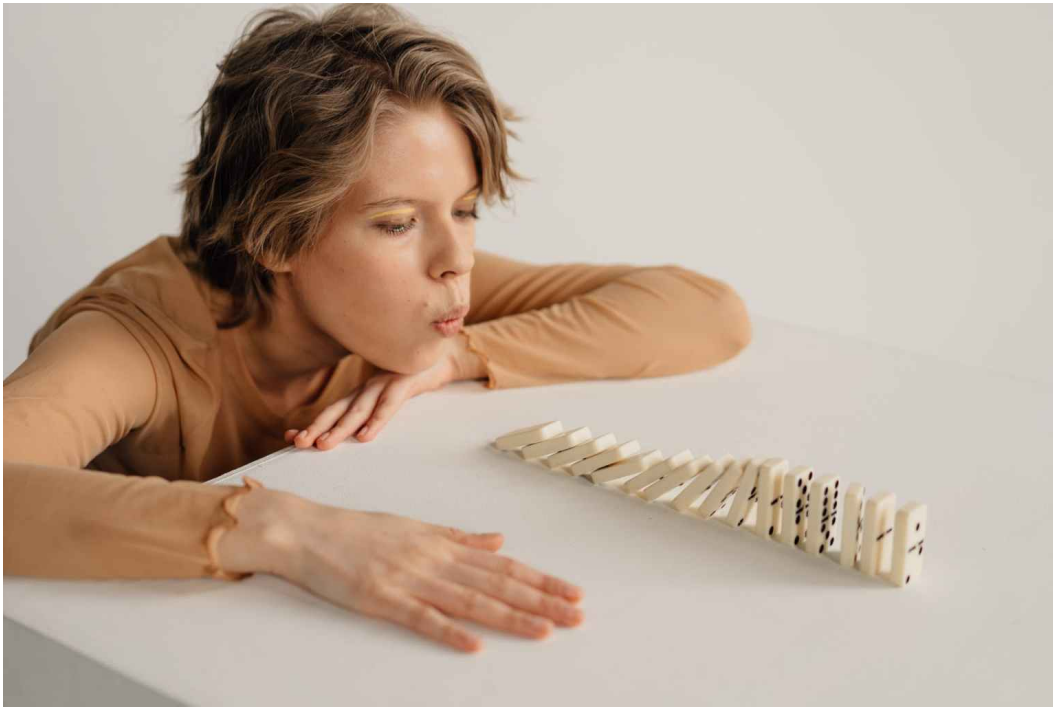
I need a lower price.
I highly value your product.
I don't need it full-time.

Seller "Marco"

Look out for our year-end sales!
Here's our premium version.
We offer a rental service.

To sum up, I find this book incredibly useful for anyone like me trying to run away from this guilty feeling of charging customers more.





A small change that affects the whole.

Goal check: I learned forever-useful pricing strategies and tactics for my crowdfunding projects.

Wasu's Review

(5.0 / 5.0)

Get this book on Amazon [here!](#)

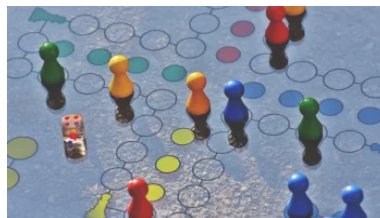
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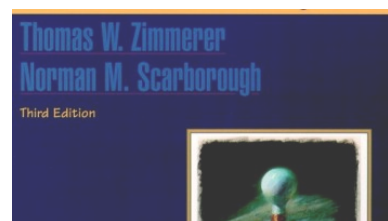
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