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Pricing is no guessing game. It's a delicate art and, part science too

March 29, 2012 | By [Bala Murali Krishna](#)

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In 2007, TV Guide called "The Price Is Right" the "greatest game show of all time." The 1970s show, itself a take on a similar program of the 1950s, rewarded participants, as much as the audience, who accurately called the price of a variety of merchandise.



As much as that game — or prospect, if you will — tugs at the hearts of people, the commercial game of pricing offers similar appeal, and challenges, and far higher rewards. But do companies really play this game right?

Probably not. That is why [Jon Manning](#) has launched [PricingProphets.com](#), an online consulting firm that taps a panel of pricing experts from around the world in order to help for SMEs set the right price for their products in the right markets, and optimize profits.

"Pricing is a delicate mix of art and science," says Manning, a pricing expert with over two decades' global experience. Obviously, there is far more to pricing than a simple cost-plus proposition. Anybody would, probably, know how to price a condom in the Vatican or bottled water in the Sahara. But pricing is a more nuanced exercise.

Consider some nuggets offered by PricingProphets to demonstrate how relatively small price changes can change the fortunes of companies.

For a supermarket chain a price hike of 1% could triple profits. Similarly, Continental Airlines could have turned in a profit in 2001 had it only raised fares by \$2, instead of reporting a loss. On average, a 1% improvement in fixed costs, sales volumes or variable costs will result in a 2.6%, 3.6% or 8.7% improvement respectively in operating profits but a 1% rise in prices will result in a 12.3% rise in operating profit, the pricing experts say.

"Customers don't care about what it costs you to manufacture a product or provide a service. As a result, a value-based approach to pricing is more effective than a cost-plus approach," says Manning, adding that pricing continues to be the most neglected of the four P's of marketing — Product, Price, Place and Promotion.

A reason why pricing has got less than optimal attention from businesses is high price of such experts or the high costs of assessing the market and getting the price right.

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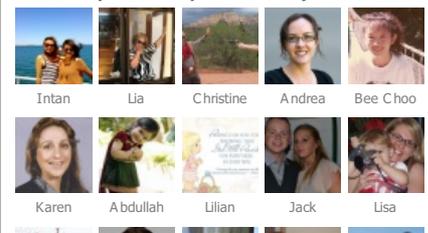
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At the outset, PricingProphets is setting its own price right — based on the four principles of that advice should be affordable, accessible, egalitarian and timely. So, for a mere \$600 (including GST), businesses can get a preliminary opinion. For this price, businesses will get specific evaluations, and not generic advice typically doled out at expensive conferences and workshops.

The firm is able to offer this pricing by tapping the power of the Internet. It has assembled a panel of diverse pricing experts who can quickly evaluate a query and provide a preliminary report in a week.

“You need to crunch some hard data about your market sector, competitor prices and your own costs as well as using your intuition and thoughts about the value of the product before you can come up with a price,” says Manning, who has advised several Fortune 100 companies on pricing.

Just as there is a price on anything, there is probably a price to businesses of not getting the price right.

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Aussie geeks unite! Apple co-founder Steve Wozniak is coming to a city near you

Way back in the mid-1970s, when dinosaurs still roamed Melbourne's outer suburbs, Steve Wozniak said to his HP boss something along the lines of 'I've had this great idea: personal computers in every home.' HP boss, in turn, said words to the effect of 'Pfff. If that ever catches on I'll eat my highly-flammable, synthetic safari suit.'

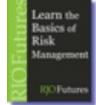
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Free Registration for ASSOB's Pitch Breakfast in Melbourne

Early-bird investors are invited to attend this month's breakfast event Thursday, 29 March at Crown Casino in Melbourne. The event is sponsored by the Australian Small-Scale Offerings Board (ASSOB), a capital-raising platform for notable new companies.

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