

Suite 208**FROM PRICING TO TRADE SHOWS**

From Pricing to Trade Shows
Distribution
Networking
Trade Shows & Exhibitions

208.01 PRICE AND PRICING

The price you charge for your product or service is one of the most important business decisions you make. If you're starting a business, carefully consider your pricing strategy before you start. Established business can improve their profitability through regular pricing reviews.

There are two crucial points to consider when setting your prices:

- The price and sales levels you need to set to make sure your business is profitable.
- Where your product or service stands compared with your competition.

Knowing the difference between cost and value can increase profitability.

The Key differences

- The cost of your product or service is the amount you spend to produce it.
- The price is your financial reward for providing the product or service.
- The value is what your customer believes the product or service is worth to them.

Your pricing should be in line with the value of the benefits that your business provides for its customers, while also bearing in mind the prices your competition charges.

208.02 CREATE A PRICING STRATEGY

Establishing a pricing strategy for a new product or service is an important part of the development process. You should consider pricing the moment you decide to take an idea forward as it will determine how much you can afford to invest in the project.

You will need to take the following factors into account:

- The benefits – or value – to the customer of your product or service compared what the competition has to offer.
- Whether or not you're first to market. Is your product or service revolutionary or are you following a market trend?
- The selling channels you want to use, which will affect your promotional, spend and distribution costs.
- The speed with which you want to establish your product or service.
- The expected lifecycle of your product or service.

Strategic pricing can be used to drive sales and regulate demand.

Make sure your prices cover your costs and can deliver a profit.

It's probably unwise to set your prices too much higher or lower without a good reason. If you price too low, you will just be throwing away profit. If you price too high, you will lose customers, unless you can offer them something they can't get elsewhere.

Cost-plus versus value-based pricing

There are two basic methods of pricing your products and services; cost-plus and value-based pricing. The best choice depends on your type of business, what influences your customers to buy and the nature of your competition.

Cost-plus pricing

This takes the cost of producing your product or service and adds an amount that you need to make a profit. This is usually expressed as a percentage of the cost.

It is generally more suited to businesses that deal with large volumes or which operate in markets dominated by competition on price. But cost-plus pricing ignores your image and market positioning. And hidden costs are easily forgotten, so your true profit per sale is often lower than you realise.

Value-based pricing

This focuses on the price you believe customers are willing to pay, based on the benefits your business offers them.

Value-based pricing depends on the strength of the benefits you can prove you offer to customers. If you have clearly-defined benefits that give you an advantage over your competitors, you can charge according to the value you offer customers. While this approach can prove very profitable, it can also alienate potential customers who are driven only by price and can also draw in new competitors.

Covering fixed and variable costs

Every business needs to cover its costs in order to make a profit. Working out your costs accurately is an essential part of working out your pricing.

Divide your costs under two headings: fixed and variable

Fixed Costs are those that are always there, regardless of how much or how little you sell, for example rent, salaries and business rates.

Variable costs are those that rise as your sales increase, such as additional raw materials, extra labour and transport.

When you set a price, it must be higher than the variable cost of producing your product or service. Each sale will then make a contribution towards covering your fixed costs – and making profits.

208.03 PRICING TACTICS

Discounting - Offering specially-reduced prices can be a powerful tool.

Odd value pricing - Using the retailer's tactic of selling products for \$9.99 instead of \$10 can be useful if price is an essential part of customers' buying decisions.

Loss Leader - This involves selling a product at a very low price purely to win new customers.

Skimming - If you have a unique product or service, you can sell it at a high price. This is known as skimming – but you need to be sure that what you are selling is unique.

Penetration - This is the opposite of skimming – starting at a low price and gaining market share before competitors catch up with you.

Raising or lowering prices - There will be times when you need to change your prices. But before you do, you should analyse the impact on your profitability of any proposed price change.

There are two key questions you will need to answer:

- What effect will the price change have on the volume of sales?
- What will the effect be on the profit per sale?

If you are increasing prices, your profitability can still rise even though your turnover may drop; always explain to your customers why you are doing it.

Concentrate on building profits rather than cutting prices to build up sales. In most circumstances, your customers decide to buy from you because of the benefits you offer, along with your price. It is rare for the decision to be made on price alone.

208.04 PRICE FIXING AND THE LAW

Competition law prohibits almost any attempt to fix prices. The law provides extensive powers to investigate and take action. Penalties can include large fines, disqualification of directors and even imprisonment. In addition, customers and competitors may be able to sue you.

- You can't agree prices with your competitors. For example you can't agree to work from a shared minimum price list.
- You can't share markets or limit production to raise prices. For example if two contracts are put out to tender you can't agree that you'll bid for one and let your competitor bid for the other.
- You can't impose minimum prices on different distributors such as shops.
- You can't agree with your competitors what purchase price you will offer your suppliers.

The law doesn't just cover formal agreements. It also includes other activities with a price-fixing effect. For example, you shouldn't discuss your pricing plans with your competitors. If you then all "happen" to raise your prices, you are fixing prices.

Consequences

The law is enforced and can impose a fine of up to 10 per cent of your turnover. It can also apply for company directors to be disqualified.

If you are found to be part of a cartel you could even face criminal prosecution and jail.

- Any price-fixing agreement is unenforceable. For example if a competitor suddenly decides to undercut you, you can't complain about it.
- Customers and other competitors can sue you for any loss caused by your price fixing.

More can be found:

In the United States: The offices of the Fair Trade Commission

In the United Kingdom: The offices of Fair Trade

DISTRIBUTION

208.05 THE SUPPLY LINE

You will need to get your products and services to the customer on time. More buyers and more destinations pose distribution challenges. New transport routes and new services will have to be investigated. You may be faced with unfamiliar distribution structures.

If you supply goods – key questions and tasks

- What changes are needed in your distribution requirements? Identify new destinations to be served and estimate the increased volume of products. Find out the structure of distribution in new markets. Consider speed and frequency of delivery and size of loads.
- What distribution arrangements will best achieve the customer service you are seeking? Decide between direct delivery and the need for warehousing. Decide on function of warehouses (bulk, intermediate, local distribution) and their locations. Define adequate stock levels and how to maintain them.
- What transport services should you be using in future? Decide on the attractiveness of alternative systems in terms of cost, frequency and reliability. Decide which services to handle yourself and which to contract out.
- What organisation do you need to support your distribution? Check your information handling requirements. Decide how to control remote locations.

If you provide services

- How will you reach your new customers? Decide whether you need to provide a service direct or need a presence in local markets. Consider relative advantages and costs of: establishing a subsidiary or branch; linking with local firms; or using an agent or broker.

NETWORKING

208.06 NETWORKING WITH OTHERS

Most Businesses recognise the benefits of developing their employees' knowledge and understanding of the industry they work in and the markets they are doing business in.

Networking with others allows smaller businesses to share experiences and ideas and to improve in-house knowledge. Businesses can network with educational establishments, trade organisations, local civic organisations and other businesses. Businesses that actively participate in networks generally find the partnerships more effective than passive participants.

208.07 HOW NETWORKING WORKS

Networking involves interacting with others for assistance and support.

When you network for business purposes you will have the opportunity to do some of the following:

- Meet in organised or informal forums
- Receive news bulletins and invitations to events of general interest, e.g. exhibitions, lectures by prominent business people or industry experts
- Participate in debates on topics relevant to your industry or field of business
- Contribute to or participate in surveys or research in your field or business sector

You stand to gain from the experiences of other businesses and share new ideas on a variety of subjects including:

- Training and recruitment
- Talent management
- New products and markets
- Industry developments
- Industry laws and regulation

You may meet customers, competitors, suppliers and service providers who are all looking for similar benefits and to widen their contact base.

When choosing a network or partnership to join, you will need to think of your primary requirements, e.g. market information, training and development opportunities, or expert advice. Aim to balance your needs with the level of participation and involvement you are prepared to commit.

Benefits of networking

Active networking and participation in network partnerships can help you meet people and build mutually-beneficial business relationships.

For a start-up or small business, networking can provide a lifeline of support and business generation through benefits such as:

- Benchmarking opportunities against competitors and similar-sized businesses
- Comparing and discussing issues of common interest, e.g. legal and regulatory developments, staff retention, supplier networks, customer service and computerisation
- Developing ideas, innovation and knowledge of best practice
- Staff exchanges and secondments, e.g. an expert from an association or business network may join your business to oversee a specific project or you may second a graduate joiner to a supplier to learn about the supply process

- Joint skills development for staff in your business sector which can save costs across the board because of economies of scale
- Raising your business profile by becoming an established and regular networking member, getting your face and the business name known and being an active networking partner
- Expanding markets by generating business contacts such as customers, suppliers and partners
- Establishing overseas partnerships, e.g. through international exhibitions and conferences

You have the opportunity to further your personal, professional and career development and your business' growth by learning from others' experience, and how they have dealt with similar problems or situations.

When it comes to seeking advice or help to address a weakness or need – for example people development – some businesses are reluctant to participate in a network for fear of being embarrassed by admitting a problem or a competitor taking advantage. However, for most businesses that participate in network partnerships, the benefits of taking an active role usually outweigh any potential concerns or reasons not to network.

Different kinds of network

There are many types of network. Often they set joining criteria to take members with common attitudes or requirements, e.g. size of business, professional background.

You can establish links through a number of different channels. Some of these include:

- Education and research organisations – to explore development initiatives and to access studies or research into products, markets, customer preferences, best practice etc.
- Learning networks – managers and other employees can attend training and development activities tailored to their responsibilities, keep up-to-date with best practice and current thinking, and hear from high-profile speakers and researchers. Approach relevant trade associations and industry bodies and ask them about their seminars and events.
- Trade development opportunities
- Employers' federations – e.g. the Federation of Small Businesses. You can find support and best practice on employment issues and lobby for/against proposed changes to law and regulation.
- Regional/local organisations – e.g. Chambers of Commerce, for advice, support and local news.
- Business groups - which represent business people, professionals and their interests.
- Community organisations – action groups representing local, ethnic or social interests.

Various forms of networking:

- Organised meetings/conferences – structured ways of networking
- E-based discussion and debate – co-ordinated on many websites
- Business trips – sponsored by a relevant trade organisation or similar can provide a coordinated way of establishing foreign contacts and learning about overseas markets
- Social events – an informal way to meet people with a common purpose for attending
- Survey and focus groups – allow you to meet fellow-contributors and the organisers

Finding network partners

Many businesses find networking partners through:

- Personal introductions by an existing network member
- By contacting the organisation or body they are interested in directly

General business networks

You can get recommendations from your business advisers, e.g. your bank manager, lawyer or accountant, for networking groups/organisations matching your business requirements.

Contact a trade association for your sector for details of network group meetings or open days and for information on how you can attend on a trial basis.

It's a good idea to attend trade conferences and seminars to meet employer-participants with similar businesses. You can gain useful knowledge through talking to the training providers or conference coordinators.

Your local chamber of commerce will advise you on needs and skills development activities or initiatives.

International networks

Many businesses have international dimensions, e.g. foreign suppliers or customers, overseas branches or staff with a foreign background.

Some belong to international networks of similar businesses because it helps them to manage those international dimensions better and to benefit from them.

Benefits from international networks include:

- Information on developments in an overseas industry/sector or market
- Staff exchanges to facilitate understanding, to help developing countries and to share practices and knowledge
- Skills building and training processes, e.g. employment processes, overseas export/import requirements, health and safety standards
- Understanding of regulations and documentation, e.g. for overseas customs or licensing authorities
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In the United Kingdom: The British Council provides businesses with introductions to high-quality professionals in key industrial sectors from important developing international markets.

The Federation of European Employers (EEIG) is a legal framework that allows businesses in the EU to establish links with each other and work together in business without losing their independence. However, there are some drawbacks, eg the members of an EEIG have liability for its debts and liabilities.

TRADE SHOWS AND EXHIBITIONS

208.08 MEET POTENTIAL CUSTOMERS

Trade shows and exhibitions are specialist market places where:

- Visitors can find out about products or services
- Exhibitors can promote their products and services
- People in the same kind of business can make contact

Trade shows are designed to let entrepreneurs meet many potential customers face-to-face in a brief period of time inexpensively. According to the Trade Show Bureau, more than 4,300 were held in the United States in 1994, attracting 85 million visitors.

Because trade shows generally take place at a single location, have short runs (usually one to three days), and bring together thousands of exhibitors and potential customers, they are a very powerful marketing medium.

Business-to-business shows typically do not allow selling on the show floor, generating sales leads is the most common reason exhibitors participate.

It is possible during the course of one trade show to personally meet most of your important clients and suppliers, making shows a good way to establish and reinforce relationships.

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Common reasons for exhibiting include:

- Generating sales leads
- Generating actual sales at the show
- Enhancing your image and visibility
- Reaching a specific audience
- Establishing a presence in the marketplace

- Improving the effectiveness and efficiency of your marketing efforts
- Personally meeting your customers, competitors and suppliers.
- Prospecting for new customers
- Introducing new products and services
- Demonstrating your product in ways not possible using other marketing channels
- Recruiting distributors or dealers
- Educating your target audience.

Using a trade fair to promote your product or service

At their most effective, trade fairs are an important part of the marketing mix (the combination of marketing tools that you use, such as advertising, direct mail, personal sales and press conferences). They can help to build new business by offering some unique benefits, including:

- A chance to demonstrate your product or service face-to-face
- A direct way to test new markets or launch new products and services
- Many potential customers concentrated in one place
- A chance to find out about what customers want
- Many potential suppliers concentrated in one place
- Good opportunities for networking

Aside from buyers and sellers, trade fairs can attract journalists, media, politicians and other 'movers and shakers' in particular fields. It can be a good idea to invite your existing customers to visit your stand too – face-to-face contact will revitalise relationships that exist mostly through email or on the phone.

At their least effective, trade fairs can be an expensive waste of time. Make sure you know what you want to achieve. Make your goals specific and measurable – for example, "sell \$x of products directly from the stand" or "get 50 new sales leads". Choose your fair carefully and give yourself plenty of time to plan. When it's over, follow up the contacts you made. Evaluate what you got out of the trade fair (based on your goals) so you can build on your experience for the next time.

Choosing the right trade fair

Finding the right trade fair is essential. If the area of interest it covers is too specialist or too broad, for example, is it unlikely to attract visitors who want to buy what you have to sell.

If you are exhibiting

Start by making a profile of the customers you want to reach (known in marketing as prospects). Identify aspects such as special interests and if they are in a particular location. Then take a look at the most likely trade fairs for your industry sector, and try to match them with your prospects.

Likely trade fairs – identifying the right one

For a comprehensive listing of trade fairs, visit the Trade Fairs and Exhibitions website. You can search the list by type, date, organiser or venue. You can also contact specific venues, ask a relevant trade association or contact your local chamber of commerce to find out what's on in your area. You can search for your local Chamber of Commerce website.

Exhibiting – doing it yourself

When arranging your own exhibit you need to think through your aims and strategy and plan carefully how you will manage your exhibit.

Aims and strategy

- Who do you want to attract?
- What will you tell them?
- How will you stand out amongst your competitors?
- What image do you want to create?
- Will you be promoting or demonstrating particular highlights?
- What promotional materials will you use (such as screens, boards, display stands, posters, leaflets, brochures, samples and merchandise)?

Planning

- Do some publicity. Tell potential customers why they should visit your stand. Ask the organisers which media will cover the fair, and send advance information.
- Decide who will staff the stand. What technical know-how and communication skills do they need?
- Allow enough time to order and produce everything you need.
- List what needs to be done, by when, and by whom.
- Make sure everyone understands their responsibilities.

Practical details

- Find out what equipment the venue provides (e.g. screens, tables, chairs, platforms).
- Source the equipment you are providing yourself and organise getting it there.
- Book your space as early as possible to get the site you want.
- Make sure your display materials fit the space and work with existing equipment.
- Check fittings (such as power or Internet connections) for the electrical equipment you are using.
- Make sure you have enough stock of products and promotional materials.

Budget

- Work out a detailed budget to keep control of costs.
- Allow some contingency.

Merchandise – does it work?

Promotional merchandise is designed to remind customers of your business, and reinforce messages. But unless yours stands out above all the other free pens, coasters, plastic bags, badges and mouse mates, it will be a waste of money. Choose something your customers will use that creates the right image of your business. Try an Internet search for suppliers. Before you choose one, get several quotes and ask for samples to check quality.

Access and legal issues

When designing your exhibition stand you need to think carefully about:

- Access for disabled visitors to the building and facilities.
- Health and safety.

Particular points you need to concentrate on are:

- Will every visitor be able to get to all the areas, and take part in any hands-on demonstrations?
- Is everything you want to do covered by the venue insurance?
- Have you made sure there's nothing for visitors to trip over or injure themselves on? For example, ensure there are no trailing leads, stow away boxes of promotional materials or keep them safely under the table, and don't put hot drinks down on the stand.
- Is the electrical supply suitable for your installations?

On the day – hot tips

Ten tips for making the day go smoothly.

1. Find out what time the venue is available for setting up your stand, and get there early.
2. Check that all the equipment works before you go "live".
3. Give everyone on your stand a badge identifying who they are and the name of your company.
4. Have plenty of helpers on the stand during the day. Don't rely on one or two people – they'll get tired and won't be able to keep up the enthusiasm.
5. Make sure the helpers are well briefed. Give them a means of recording queries they need more help to answer.
6. Give enough time to each visitor to arrange appointments, not down details to follow up and enable them to put their questions. But don't overdo it – there will be many more to meet.
7. Take breaks away from the stand. Don't swig coffee or nibble food when you're on duty.
8. Don't spend your time talking to your colleagues. Visitors will be put off if they have to interrupt you.

Have plenty of promotional materials to hand out. Make sure they stand out later, when they are pulled out of the bag with dozens of other similar items. Staple your business card to the front and use a highlighter pen to pick out bits of particular interest to the customer. Make sure staff on the stand have a simple means of noting down expressions of interest that can be followed up. Don't put customers off by demanding a great level of detail now – you can collect that later.

International trade fairs

Attending trade fairs abroad, either as an exhibitor or a customer, can be an excellent way to test and open up foreign markets and find new suppliers.

If you're thinking of exhibiting, it's a good idea to make an exploratory visit first, in order to make contacts, do some research and see the competition. You should then be well placed to find the right fair and position your business effectively.

Getting help

Some obvious issues to consider are differences in language and legislation. More difficult to pin down are cultural aspects of doing business in other countries. Try getting information from the country's embassy in your country, international chambers of commerce or foreign trade associations. This way you can get more information on social customs and business etiquette in your target country.

Find an international trade fair

Don't go back to work after a trade fair and forget all about it. Following up after the event is probably the most important part of the whole process – if you put it off for too long, you risk losing all the benefits you worked so hard to achieve.

- Have a de-briefing with the staff involved to assess what worked and what didn't.
- Discuss how you can make improvements for the future events while your impressions are still fresh.
- Measure your success against the goals you established before the fair.
- Follow up all the leads you made. Depending on their interest and your business, follow-up could be anything from a sales visit to a phone call, letter or information pack.
- Evaluate the success of these leads. You will probably want to wait a few months to do this – moving from contact to customer can take a while.
- Follow up leads with other people who visited your stand, including media representatives who might be looking for post fair stories to run.
- If you intend to exhibit again, reserve your place so you get the best site next year.

