



POWER PRICING

Winning Strategies To Accelerate Profitable Growth

A highly interactive seminar that focuses on critical issues facing manufacturers:

- Discount Structure Design
- Pricing Optimization

An in-depth, full day seminar where participants will have the time to focus on the key pricing issues they face in their own organizations.

Topics Include:

- How to Develop Channel Discount Structures That Drive Profitable Growth
- Pricing Strategies To Optimize Margin
- Value Pricing Analysis
- Controlling Price Exceptions

Thursday, June 21, 2007

The Historical Chicago Mercantile Exchange Building

Cost - \$995 per person

Register online today at www.channelpricing.com, or call Gale Alexander

Presenters:

Sam Shapiro is the President of Channel Pricing Associates, a consulting firm specializing in the development and implementation of pricing, discounts, rebates and programs to recognize, compensate and motivate channel partners. Sam has over twenty five years' experience, and possesses an in-depth understanding of channel behavior. He is the author of many published articles on Channel Pricing.

Jerry Bernstein is an expert in pricing for manufacturing companies with engineered and technology based products with over 20 years of pricing experience. He has gained international recognition through speaking engagements at association conferences, as well as the publication of a number of articles on pricing. His work has been cited in the *Wall Street Journal* and *BusinessWeek*. Jerry has also served as a member of the Board of Advisors for the Professional Pricing Society for over 12 years



Channel Pricing Associates

One Northbrook Place

5 Revere Drive, Suite 200

Northbrook, IL 60062

Tel: (847) 498-7515.

Email: info@channelpricing.com

Web: www.channelpricing.com

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► THIS ISSUE'S FEATURE ARTICLE -
ALIGN YOUR CHANNEL AND PRICING
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Align Your Channel And Pricing Strategies

Discounts Are Often Reactive

We often find that manufacturer pricing is reactive and deal driven. It may be that you've reacted to a particularly large opportunity; or management wants a growth rebate; or product managers develop promotions to drive sales.

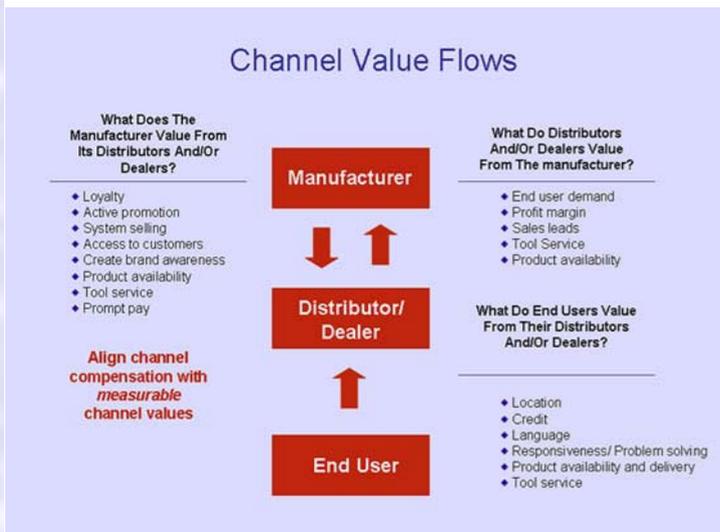
Eventually, these deals find their way into your discount structure. You end up creating criteria that justify the deals you have sold.

This reactive approach to pricing causes problems. It may be that the large distributor with the special deal is using that price to undercut other distributors. Some-

times manufacturer sales representatives find themselves in the awkward position of having to explain to a distributor why the distributor's competitor can sell at a price below their own cost. Another unintended consequence of a deal driven pricing approach is the impact on the street price and channel margins. An incentive that encourages distributors to load up on inventory may also encourage them to unload product into the market at prices that generate unsustainable margins.

Meeting Competition

Sometimes you have to meet competition. If your price is too high you will lose business. You have uncooperative competitors who are constantly issuing price exceptions to win business. In these cases, you must respond. It could be the case, however, that your initial price is wrong. If so, the best strategy may be to align your price with the market.



Target Street Price

A starting point is the price to the end user. What price enables you to win or maintain the business? That is the target street price. There are many ways to identify the target street price. Once you know your target street price, you can develop discounts for the channel based on their margin needs and your value - add requirements.

Value-Based Channel Compensation

Should all distributors and/or resellers earn the same discounts? If you have multiple channel partners in a market, you may find that some perform better than others. Some may be more loyal or more actively promote your line. Some distributors or resellers may be more technically competent and can more effectively communicate the value of your product. A value-based channel compensation system works well in this situation by differentiating those distributors that align with your needs while creating incentives for others to do the same.

Examples Across Industries



High Tech - A leading computer manufacturer found that its distributors and resellers were focusing on the very largest accounts and installed base. Resellers were ignoring small to medium sized accounts that provided the biggest growth opportunity for the manufacturer. Channel partners were following the path of least resistance - taking orders on business that was already developed;

they were not proactively generating demand in new markets.

The solution involved a reconfiguring of distributor and reseller discounts and rebates. Going forward, channel partners will earn lower margins on sales to large existing accounts and higher margins when they sell into new accounts.

Industrial Market - In the industrial market, a leading manufacturer of safety equipment found that its discount pricing structure was too complicated and volume-driven for the Canadian market. The manufacturer had simply exported its US discount structure and programs into Canada where it was a much weaker player. Thus, the manufacturer was having a hard time convincing distributors in Canada to proactively sell its line.

The solution was to simplify the pricing structure, and focus on a core set of values. Canadian distributors now earn greater margins if they actively promote the manufacturer's products in marketing events and end user seminars with industrial customers. Other programs, including rebates and market development funds are now dependent on distributor marketing activities.

Distributors and Resellers Have Long Memories.

A disjointed set of pricing programs, while possibly picking up a deal here or there, can lead to a gradual, or in some cases, rapid, erosion of channel partner loyalty. Once you lose them, it is difficult to get them back. Distributors that are fearful their competitor has a better deal on your line will seek out alternatives. Even the distributors that are getting the best deal prefer a consistent structure so that they know where they stand. While they may have a good deal, they fear that their competitor has a better one.

Distributors and resellers thrive on consistency. They want to know where they stand relative to their competition and what they need to do to optimize their margin and return on your product line. The best way to motivate your channel partners is to offer a consistent set of policies that start with a competitive target street price, and offer an appropriate margin based on value-add.

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We are pleased to present this issue of "**Margin Trends, The Channel Pricing Newsletter.**" Our goal is to provide insightful articles and up to date information to help you make informed decisions with regard to your channel pricing strategies. In each issue, we will share with you some of the challenges that our clients face, and solutions we have implemented to help them improve the way they do business, allowing them to increase their sales and profit margins.

Channel Pricing Associates is a highly specialized consulting firm that helps manufacturers develop pricing, discount structures, rebate, deal registration and other programs to motivate channel partners and accelerate profitable growth. We would be pleased to discuss your channel concerns and to evaluate whether there are channel pricing issues with which we can assist your company. Please contact Sam Shapiro, President, by email at shapiro@channelpricing.com, or by telephone at 847-681-0143.