

## **For Immediate Release**

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### ***Pricing with Confidence* Authors Name “Pricing Cheers and Jeers” Finalists**

#### ***Top Five Blunders and Successes in Setting Prices Announced***

CONCORD, MA (PRWeb)—Pricing blunders abound when the economy is down. The first response to the problem is price discounts. At the start, discounting seems to work, but over time, both revenue and profits decline. What’s a manager to do? Learn from best practices. Some companies get pricing right and others do it wrong. Introducing the *Pricing with Confidence* “Pricing Jeers and Cheers”, the finalists of the year’s most bone-headed and inspired pricing decisions. The list is compiled by Reed Holden and Mark Burton, authors of *Pricing with Confidence: 10 Rules to Stop Leaving Money on the Table* (John Wiley, 2008).

#### **Jeers to Motorola**

For allowing competitors with lower-priced phones to move ahead of the lead Motorola enjoyed with the Razor. To make matters worse, when Motorola fell behind in technology, it tried to buy market share by dropping prices on its high value phones. It didn’t work because Motorola phones weren’t cheap enough for the low value segment and it lost profits in the high value segments. A company which once commanded more than half of the handset market now enjoys less than 10 percent.

#### **Cheers to Nokia**

For its decision to offer phones at both the high- and low- price points. Nokia registered an 85 percent increase in net profits by being able to sell less expensive phones to tap the explosive India and China markets. At the same time, it offered fuller featured phones to go after the higher priced PDA segment. The result? Over a 40 percent global share of a very competitive market. Cheers to Nokia for knowing how to price for profits – even with low-margin phones.

#### **Jeers to Dell**

Dell used price discounting far too long in a declining market. It was clear to just about everyone that PC purchases were slowing in the primary markets of Europe, Asia, and the

US. Since Dell has been slow to introduce dramatically lower priced products to go after the high growth markets in China, India, and Russia, it had to rely on its regular stable of products and markets for growth. Price wasn't the way to get there and Dell found out after losing revenue share and profits. Their reactions of adding new products for growth have been a day late and a dollar short—many days and many dollars.

### **Cheers to Hewlett-Packard**

For its strategy to leverage its strengths in distribution and retail instead of pouring all of its resources to go head-to-head with Dell. HP's timing was perfect. It recognized that as PC buyers buy more notebook computers than desktops, they will want to touch the product before buying. The retail channel is the only place to do that. HP dropped its corporate advertising programs and poured those resources into channel programs. Prices are steady and revenue, profits and market share are up.

### **Jeers to United Airlines**

For pricing policies that are alienating its most loyal business travelers. United yield management and price sensitivity studies, no doubt, show that a loyal group of customers will in the short-term pay more for a product. But if you overcharge your loyal customers by more than 100 percent without a corresponding increase in value, customers will desert in droves, which is what United will experience until it smartens up.

### **Cheers to Southwest Airlines**

Unlike United, Southwest continues to focus on being an efficient airline that serves its customers with fair prices, on time departures and arrivals, and a reasonable box of snacks on each flight. Seats are roomy and comfortable. No assigned seats as yet, but customers who want to pay a little more can board first. The result? More business travelers are using Southwest. It's no surprise that both revenues and profits are up.

### **Jeers to Oracle**

Oracle is growing primarily through large acquisitions and aggressive price discounting. Several years ago, they acquired PeopleSoft. Oracle continues its growth through acquisitions of over thirty companies. The question is whether Oracle will be able to successfully integrate those companies and extract synergies. Preliminary results are promising, but the integration will need to speed up to really be successful. Our guess is that Oracle will continue to use price to close deals just like it had to report prior to acquiring PeopleSoft. Acquisitions can only plug the leak in profits and revenue so long.

### **Cheers to SAP**

SAP, on the other hand, is choosing to grow "organically" by adding services that customers say they value. Yes, Oracle is also acquiring some companies, but they are

generally small ones that are being bought for their skill sets rather than their revenue. SAP has consistently tried to leverage and grow its value proposition with existing customers. SAP currently holds a 21 percent share of the global market against Oracle's 11 percent. This is a close game but we think that SAP is pulling ahead.

### **Jeers to Toyota**

Toyota continues to have among the highest quality automobiles available. It has grown share with that quality. Yet we give them jeers for Toyota's continued focus on price incentives to move inventory. That might be reasonable in a growing market, but in a downturn, all it does is reward price-buying by customers. That undermines the image of a quality product. To make matters worse, Toyota dealers continue to be lousy representatives of such a high quality company, placing among the worst in the industry. Toyota needs to begin flexing its muscle and put better standards in its price discounting and dealer networks.

### **Cheers to Ford Motor Company**

For the first time in history, Ford has reacted to an economic downturn not by increasing dealer incentives and customer rebates but by reducing production to match the shrinking demand. The result? Ford is the only one of the Big Six carmakers that did not increase the use of price incentives. Yes, it is still losing money but the losses are peanuts compared to GM's record losses.

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### **About the Authors**

Dr. Reed K. Holden is Founder of Holden Advisors. He consults to senior executives in Fortune 500 companies, and runs targeted sessions with management teams to jump-start change in go-to market strategies to improve profitability. For recent thoughts and comments and an opportunity to speak with Dr. Holden, please see his blog: <http://reedholden.wordpress.com>.

Mark Burton is co-founder, vice president for Holden Advisors. As a formulator of the firm's project methodologies and analytical processes, Mark is the driving force in creating offering and pricing strategies for companies that are forging new markets ahead of the competitive curve. Mark also delivers *Pricing with Confidence* seminars to sales, marketing and product executives. For recent thoughts and commentary on current business events, please see Mr. Burton's blog: <http://markrburton.wordpress.com>.

### **About Holden Advisors**

Holden Advisors is a pricing strategy consultancy and training firm that works with marketing, sales, pricing, and finance executives to improve clients' offerings, pricing, and sales processes to fuel strong profit and revenue growth. You can read more about Holden Advisors and sign up for Holden's newsletter at [www.holdenadvisors.com](http://www.holdenadvisors.com).

