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Develop a game plan for pricing decisions

Let's say you want, but obviously don't need, four tickets to see the Lakers play in the playoffs. In this down economy, would you say a business, such as the Lakers organization, is justified in raising its rates to make ends meet?

After the 2008 NBA Finals, the Lakers announced a 5.5% increase for individual tickets. That comes to \$1260 for those four tickets at \$315 per seat for a "special" game. Regular games are \$260 per seat. Laker fans are certainly feeling the pinch in their own lives by soaring costs of necessities, so the question is, are higher end luxuries justified in steep price increases?

If you are a business owner you know how difficult it is to land customers and make a profit. Pricing is one of the most difficult marketing decisions that can make or break your profit. Too low and you kill your margin, too high and you can kill off your prospects. As a business owner you need to know your true, actual or real costs. Your accountant can help, but it takes time to determine it, and more time to continually watch it. And then a sharp pencil to fine-tune it.

The Lakers sell 13,600 seats to season ticket holders, which equates to 90.67%. The organization is mandated to sell 4%, a mere 600 tickets, at ten bucks each in the nosebleed section. In order to bring in more money, since games sell out, the Laker organization's decision to raise the cost of more than 90% of their seats may be painful to their customers.

In this current financial environment, price adjustments becoming much more difficult, especially when everyone is asking for price breaks, discounts, and incentives. That is why we found the Lakers decision to raise season tickets troubling from an economic decision making and a marketing viewpoint.

It is not surprising to price the "best" games higher, more and more companies are doing that. It's called yield. Hotels are known for pricing higher as they get closer to a specific event, holiday or convention and drop prices to fill rooms and build occupancy at other times.

To maintain your hold on clients and customers, ask yourself and your company or team these hard questions and then develop a strategy to deal with them:

- How do you respond to customers who continually demand price breaks?
- How can you improve the efforts of your sales force, so they cannot blame too high prices for a lack of results? These are your team members so educate them on the difference between real costs and actual costs.
- How much are you investing in advertisements, PR, sales promotion, direct marketing and marketing tactics that utilize the internet?
- How do you, as an entrepreneur, compete against low-cost, low price competitors, here and globally?

We cannot all play in the NBA. Someone has to win and someone has to lose. And with the current down economy, we may only be able to watch "winners" raise their rates and maintain their clients or customers. Time will tell if that strategy will hold up when winnings slip.