

Marketing Munchies Podcast Transcript

Season 2 Episode #7

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Announcer: Welcome to the Marketing Munchies Podcast series hosted by Dr. Bridget Behe. Each week Bridget and her guests will share information, insights, research-based findings, and her 30 years of experience to help your horticultural business connect better with current and future customers. Now, let's join our host, Dr. Bridget Behe.

Dr. Bridget Behe: Hi, and welcome back to the Marketing Munchies Podcast. I'm your host, Dr. Bridget Behe. Thanks for joining me this week!

I am really excited about talking about pricing—probably yet again. In 2018, that was one of the topics that I got more questions about than any other topic. You can imagine how excited I was to read the September/October 2018 *Harvard Business Review* article. It discusses a pricing paradigm that I have been talking about for years. It is called the “Good-Better-Best Approach to Pricing,” and it was written by Rafi Mohammed. Again, that was the September/October 2018 *Harvard Business Review*.

This pricing paradigm or pricing concept really talks about having three levels (often it is three: good-better-best—obviously), but sometimes it is four levels, where you can both appeal to the budget-friendly consumer, the consumer who is interested in a few more benefits, and then the consumer who is really interested in a premium product or service. The Good-Better-Best Pricing mechanism gives us a strategy where we can develop that product mix that appeals to a broad range of budgets. Now, you can find this anywhere from pricing insurance, which they talk about in the article—the *Allstate Insurance* company. You can find it on appliances. You can find it on a whole lot of different products. But, basically, the good product offering or if you are a frequent flyer—kind of the *Silver Medallion*—would be a budget-friendly offering where you could have a product or service that meets a minimum requirements but does not have a whole lot of bells and whistles.

Now, you might expect when you have got the Good-Better-Best paradigm, to sell maybe 20-25% of the consumers on the Good option. Now, research will tell us that we will probably capture about 50-70% of the market on the Better option, because people who have a little bit more budget often times do not want to go for the lowest product offering or the Good option. Then, the moderate option, if you are a frequent flyer that would be the *Gold Medallion* or the middle level, where you have got a little bit more added features—maybe a little bit more benefits. Then, the *Platinum* or the top-of-the-line really has substantially more features or substantially more benefits.

Now, as I said, this is probably only going to appeal to maybe 10% of the market who are really interested in upping what it is that they are buying and increasing the benefits that they get. Those benefits might be something like a higher-end service. It might be having a faster response

or a faster speed for something. It might be an extended warranty. It might even come with a guarantee itself.

...or structure the Good-Better-Best levels just about any way you want to structure them. For, say a landscape contractor, somebody who wants to do design and install, maybe the guarantee is not offered with the Good option. Maybe it is only a 1-year guarantee with a Better and a 5-year guarantee with the Best, and maybe that comes with some services. Maybe for the retailer, the Good is a product off the shelf. The Better is customized. Maybe it is a container garden that is put together with a specific container. Maybe the Best is changing that out two or three times per year. Not everybody wants every option and not everybody wants the high-end option. As competition increases, and you do have a 3-tiered pricing strategy—not for everything but for many things. When you do offer that budget-friendly option or the Good option, you can appeal to a consumer group who might feel that you are a bit out of their reach. Conversely, you might have some customers who are willing to pay for a premium service or a premium product, but it may not be the majority of consumers. With the Good-Better-Best options, you have got the range of benefits, the range of opportunities, and also appeal to a range of budgets.

Now, how to price these options is also pretty interesting, and it was discussed in the article. What they suggest, is that the Good be priced around 25% below Better, but that the Best price not exceed the Better by more than 50%. You are going to have to think about costs, especially if you are adding guarantees or you are adding services or you are adding extended terms, you are going to have to think about the cost as you structure them. This 25% below Better and no more than 50% above Better could be some good guidelines to help you structure your Good-Better-Best pricing.

As you are thinking about pricing strategies for this spring, I want you to maybe concentrate on a couple of key products or product combinations. Whether you are a landscape company or a retail garden center—even growers could have Good-Better-Best pricing. Good might not include delivery or delivery to a specific location. Any type of business could structure a product mix with some Good-Better-Best options. Think about this as a strategy for spring of 2019. Think about some key product or service offerings that you might offer, and see what that does to your revenue stream. If you add a Good and a Best option, you might see increased revenue, and, hopefully, you will see increased profitability.

Give that Good-Better-Best paradigm a little bit more thought. I know it has worked for years and years in a lot of different businesses, a lot of different industries, and I think it might just hold some promise for you.

Thanks again for listening this week! Hope you will join me again next week.

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Announcer: Thank you for joining us on this week's Marketing Munchies Podcast. For more information or to download the transcript of this podcast, please visit, connect-2-consumer.org. That's C-O-N-N-E-C-T, dash, the number two, dash, C-O-N-S-U-M-E-R, dot, C-O-M.

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