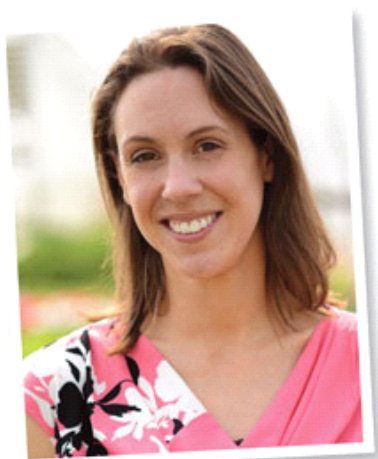


Columns

7/31/2017

Matching Experience with Pricing

Jennifer Polanz



Jennifer Polanz

Remember when you could buy a cup of coffee for less than \$2.00? Yeah, it's been a while, hasn't it? The coffee industry, and of course, cup 'o joe giant Starbucks, is a great example of an industry that keeps evolving to reinvigorate sales.

In this issue, we're focusing on investments in your facilities and technology. After all, your facility tells your customers all they need to know about your business. Is it clean? Have you kept it up-to-date and refreshed? Or is it old and tired? Are signs faded and worn, tables broken and products dusty?

I'm going to come back around to that coffee, but first I want to share an experience from earlier in the spring. I went to visit garden centers and found normal to premium pricing (\$4.99 to \$5.99 4-in. annuals, \$25 to \$40 for 8-in. hanging baskets, etc.) in a facility that I wouldn't describe as "premium." I'm definitely not knocking the premium pricing, but I also feel updates to facilities and retail areas are essential to "selling" that premium pricing. In other words, you get a whole lot more buy-in from your customers when the experience matches the pricing.

Let's revisit the coffee scenario. In 2014, Starbucks launched a huge remodeling effort designed to make stores feel cozier and more community-oriented. Everything from furniture to sight lines was taken into account. Think about the Starbucks experience for a moment. You're not paying \$2.95 for that Venti iced coffee in a vacuum. You also expect ambiance, soft music, a friendly barista and a branded cup, right? Would you pay \$2.95 for that same coffee (without the Starbucks branding) at a gas station with flickering lights? Probably not.

According to a story on TheStreet, the coffee giant saw its gross profit margin rise from 55.8% to 57.9%. In a subsequent New York Times story that ran in 2015, the company was able to raise the price of coffee that year despite a well-known and dramatic drop in the price of coffee beans. Why? It's not about the coffee, it's about the experience.

The remodel revelations aren't exclusive to Starbucks, either. I spoke with researcher Tracey Dagger, who

studied the effects of store remodeling on existing and new customers. You can find out just how impactful a remodel can be. But, before you make decisions, read Ellen's story about the process of building new or renovating to make sure you're prepared. Then you can turn to retail expert John Johnston digs into how to up your game.

Last month, we took a dive into the confusing and wonderful world of online sales. One interview that didn't make it in last month was a Q&A with Jonn Karsseboom, owner of The Garden Corner in Tualatin, Oregon, and self-described rebel. Find out what he thinks about online sales (which he's doing). **GP**