

# The YEBDC Small Business Information Column

by Sue Gingerich, Business Advisor

## "Pricing Strategies for Small Towns"

There are several major schools of thought on pricing products in rural communities. Price higher than the city to recover costs from lack of volume sales. (Low volume of sales often makes it impossible for small companies to volume buy, thus reducing the ability to increase profits on individual items.) Or... price competitive with the city. Which strategy is right for your business? There is one other pricing strategy and that is prestige pricing, pricing higher because the customer's perception of your product is superior to all others in its class.

Before deciding, which strategy is right for your business, review some facts of life first. Almost every rural shopper at some point WILL go into the city to shop. The FACT is that most small towns do not have the selection that customers need. Possibly small town stores should not try to carry everything their customers need. How could they? One of this -- one of that, each customer has such different tastes -- so how could a business owner possibly predict what every customer wants to buy? Many rural businesses stick to the "safe" bets, thus reducing their inventory investment.

Another fact, rural customers go into the city for other reasons too. They leave for a change, to go out for a special dinner or entertainment that they cannot get in our smaller communities. It's just human nature to want a change once and a while!

Compare today's rural customer to customers of years gone by; today's rural customer has access to more fuel-efficient dependable vehicles, (although gas prices are on the rise!) and better highways. All this makes it much easier to go into the city than it might have been years ago. Plus, many of today's customers drive minivans or trucks or SUV's, making it much easier to buy a lot more while in the city!

So, should a business try to price competitively with the city? Heck, the customer is going to go there anyway? How can a business stop them, based on all the above reasons? So why should a business in a small community price competitively? Well, it's like a lot of things. Change has to start somewhere. What types of things will start to keep the customers shopping at home? Price and selection? Yes, many of you will argue that you do not have the financial resources to increase your inventory, and rightly so. But you CAN price competitive. YES, profits will drop initially, because margins will not be as high. BUT as the word gets out, (and some additional advertising to communicate this fact wouldn't hurt) sales should start to increase. Unless of course customers do not like your business for OTHER reasons!

There certainly are times when you can price higher than the city. If you offer better value, service, or selection than your competitors, go right ahead and charge more, you deserve it. In this case you are giving the customer more for their dollar and will appreciate the fact that you meet their needs, without having to drive to the city! Saving money isn't always the bottom line. Getting the product that solves the problem is!

One thing that customers are today, more than ever is educated. They know where the best prices are, which are the best brand, who has the best selection, the best service, and the most knowledgeable staff. Ask yourself this, "Do I know as much about my competition as my customers do?"

Picking the right pricing strategy is a not a simple answer. Your pricing is linked to your product strategy and it is also greatly affected by your competition. So before finalizing your pricing strategy, do your homework. Make sure your business is NOT one of the reasons the customer is leaving town to shop in the city!

If you have a small business and have a question or problem that you think The YEBDC could help you with please call or write to: The Yellowed East Business Development Corporation, Box 249, Sangudo, Alberta, T0E 2A0  
1-800-556-0328 or 1-780-785-2900, e mail: [yebdc@yebdc.ab.ca](mailto:yebdc@yebdc.ab.ca), or access our Website at: [www.yebdc.ab.ca](http://www.yebdc.ab.ca)

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