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Price It Right!



An Insider's Guide to
Pricelists and Distributors

Product pricing is a complex game,

and every player follows a
different set of rules.



Pitfalls?

The most obvious pitfall is that the price is
too high

If the Buyer can't afford it...they won't buy.

Consider that food costs should run under 35% for most ingredient products, and only slightly higher for prepared items.

The less obvious
pitfall: pricing too low.



Buyers will be leery of products which hit below the expected price point, and will question what has been compromised to achieve such a deal:

Quality

Quantity

Ethics

- Quality

A lesser grade of product would explain a discounted price.

- Quantity

Offering product in a smaller package reduces costs.

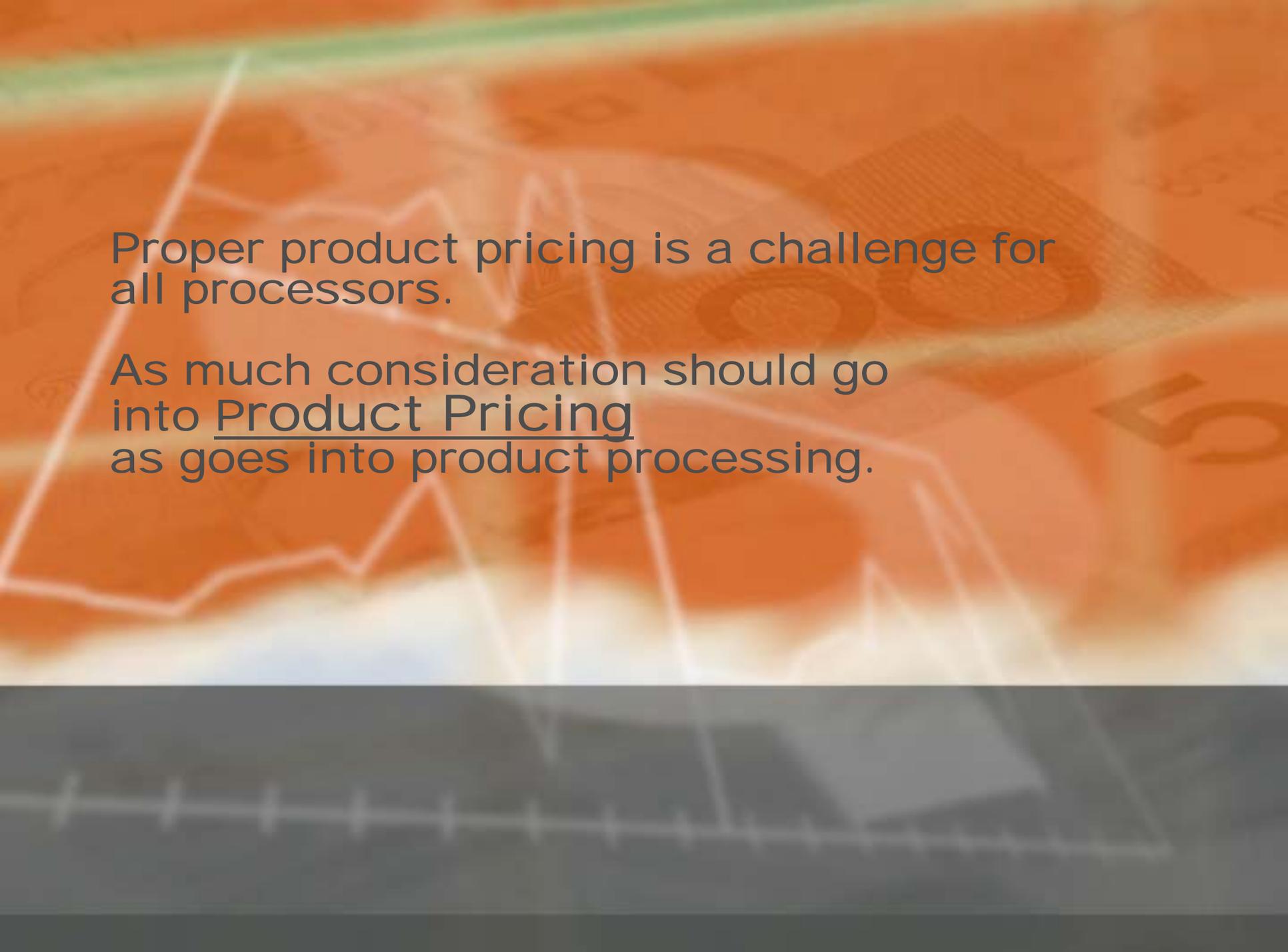
Remember that not all Buyers are equally informed and may not consider the weight or volume of the case.

- Ethics

How does a supplier's regard for fellow producers affect the price?

Would **YOU** be willing to saturate the market with your product at a loss, just to increase brand awareness?

Should you compete at a fair market price?



Proper product pricing is a challenge for all processors.

As much consideration should go into Product Pricing as goes into product processing.

ASK YOURSELF:

What is a “fair market price” for my product?

How does this price compare to that of my competitor’s in the same territory?

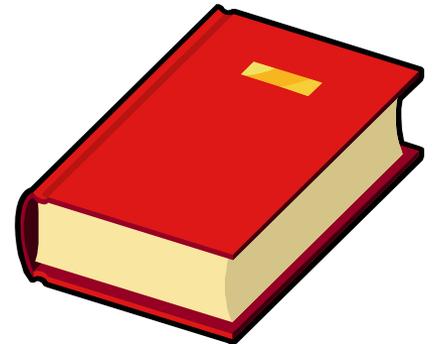
Can I hold this price for the next 6 months? 12 months?

Is there room in the price for a sudden turn in the market?

Telling the Pricing Story...

How do you justify your price?:

- What is the protein level?
- Is your product whole muscle or MDM?
- Is your product value added?
- What is unique about your company, service, delivery and product?
- Is your product fresh or frozen?
- What is your product's shelf life?
- Is it Organic? All natural?

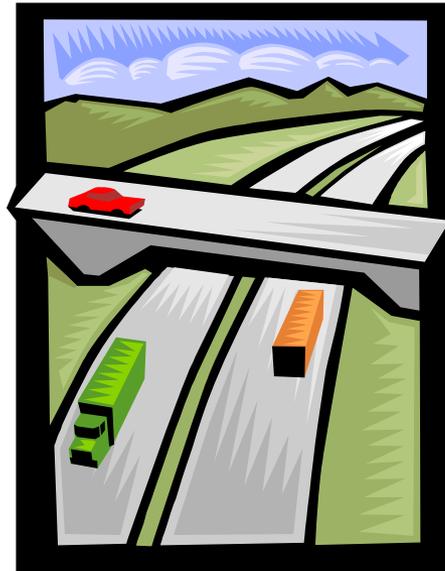


Product Benefits and Features also affect pricing.

Product	Benefits	Features
Fully Cooked Teriyaki Steak Strips in sauce	No labour required No shrink Consistent quality Controls food costing	Fully cooked IQF, Frozen No MSG 200 g portions

Product Pricing Guideline

All suppliers,
no matter how large or how small,
must operate from
several different pricelists.



This is the starting point.

These prices represent the **minimum costs** for your product in order for your company to sustain operations.

BOTTOM LINE

Deriving the Bottom Line --

These prices are calculated based on the costs of:

- start-up investment/ raw ingredients
- labour
- packaging
- operational overhead
- marketing allowance (samples, salespeople, POS materials)
- R & D allowance
- transport/ delivery
- elements of unpredictability.

THESE PRICES CAN NOT BE REDUCED

The Price of “Lunch”

Sandwich	Sauces				Boxes	Labels	Plastic	Other	Payroll	Over Head*	Total Food	Dist Price	Marketing	3% Profit	Profit Margin
	Bread	Veggie	Cheese	Meat				Packing			Cost				
Ham & Cheese Kaiser	0.23	0	0.21	0.36	0.05	0.04	0.03	0.01	0.48	0.20	1.61	\$1.90	\$0.06	\$0.23	12.3%
Breakfast Muffin	0.18	0	0.21	0.35	0.05	0.04	0.03	0.01	0.48	0.20	1.55	\$1.85	\$0.06	\$0.24	13.2%
Chicken Deli Sandwich	0.23	0.30	0.00	0.65	0.05	0.04	0.03	0.13	0.48	0.20	2.11	\$2.50	\$0.08	\$0.32	12.6%
Meat lovers Wrap	0.24	0.2	0.21	0.90	0.05	0.04	0.03	0.13	0.48	0.20	2.48	\$2.95	\$0.09	\$0.38	12.9%

Payroll Calculation: 8 people making sandwiches, 8 hours, at \$10 /hr., at 2000 units /day plus 3 people packaging, 8 hours, at \$13 /hr., at 2000 units /day

Variable Over Head includes electricity, water, CO2, extra cleaning, etc.

NET PRICING –

Based on the **BOTTOM LINE** prices with a small cushion built in.



The “cushion”, 5% on average, that has been added to this price list will allow you to dig into your pocket to find a small rebate or discount, if necessary, either to the distributor or a distributor’s customer.

Most small distributors request Net pricing.

NET with PROGRAM –
This is MAIN price list.

Some distributors may request “Program”.

Program pays for flyers, tradeshow, etc; tools that the distributor feels will best promote your product to the customer.

Some distribution houses may also require an up-front listing fee, in addition to the Marketing program fee.

Sometimes, a company will be invited to become a “Preferred Vendor”, thus becoming a partner with the distributor.

Cottage Country Cabbage Rolls Inc.



DISTRIBUTORS PRICES

Western Territory
Prices in Canadian Dollars

Effective: January 1, 2008

PROD #	PRODUCT DESCRIPTION	CASE PACK	NET WT.	SHIP WT.	FROZ/ REFRIG	FOB Sundre	WESTERN Delivery
345	PRE- COOKED Cabbage Rolls	5 X 10 cts	2 kg	2.3 kg	IQF	\$ 55.81	\$ 59.74

FOB AND TOTAL ORDER WEIGHT IS CALCULATED ON NET WEIGHT. PRICES ARE SUBJECT TO CHANGE WITHOUT NOTICE. ORDER LEADTIME IS 48 HOURS FROM ORDER DATE TO PICK UP DATE.

TERMS ARE NET 15 DAYS.

MINIMUM ORDER IS 200 KG. LESS THAN MINIMUM ORDERS WILL BE PRICED AT THE 200 KG LEVEL PLUS A SURCHARGE OF \$100 PER ORDER.

ALL ORDERS FOR PICK-UP WILL BE AT MR. COOL'S COLD STORAGE.

If a distributor opts out of Program, provide a
Deviation Schedule.

Do not alter the Net with Program pricelist.

Deviation Prices

Prepared for My Favourite Customer

Effective January 15, 2008 through June 1, 2008

PRODUCT #	PRODUCT DESCRIPTION	Price Deviation	Net Price
345	Pre-cooked Cabbage Rolls	5.25	54.49

Cottage Country Cabbage Rolls Inc



Quoting Prices to Customers

This applies only when using a Distributor.

- Most customers do not see the Distributors Pricelist.
- Prepare an Approximate or Customer's Pricelist to be used for sales calls.
- Only the distributor's sales person will quote the exact price. Your Approximate Pricelist should include a comfortable 20 points.

Cottage Country Cabbage Rolls Inc.



APPROXIMATE PRICES

Western Territory
Prices in Canadian Dollars

Effective: January 1, 2008

Distributor's Code (Sysco)	PROD #	PRODUCT DESCRIPTION	CASE PACK	NET WT.	FROZ/ REFRIG	WESTERN Delivery
20978113	345	PRE- COOKED Cabbage Rolls	5 X 10 cts	2 kg	IQF	\$ 74.67

Direct Delivery?

Should you [opt for direct delivery](#) consider the potential obstacles:

- Daily rounds or shipment management, rather than focusing on production
- Invoicing and collecting from many individuals
- Contracted distributors prevent your direct delivery
- You establish yourself as a competitor to a major distribution house
- Although you may be able to offer a better price, the logistics may quickly dissuade you from providing this service.

It is best to understand how each distributor operates, and find the optimal solution in your effort to have them deliver product to your customers.



How do you calculate SUCCESS?



Right product
Right place
Right price
+ Right provider

SALE!