



PRICES NEED SCIENCE NOT GUESSWORK

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PRICE is well known to be the single most powerful determinant of profit, so why continue to use guesswork more than science?

What is the right price for your product and service? Do you really have an educated idea? Have you gone to the trouble of testing and checking different prices, or is it just an annual finger in the air exercise for you, after a quick look round at the competition? Perhaps you're more the "cost plus target margin" sort of guy?

Have you ever stopped to ponder that almost everyone who has ever bought anything from you would almost certainly have paid you more; sometimes a lot more? Setting your prices lower than you could do is like holding four of a kind in a hand of poker and seeing two pairs.

AUSTERE TIMES

In these more difficult and austere times, you might now reflect on just how important your pricing strategy is to the dream of that Aston Martin in the drive. Seriously successful companies like Google, Dell, Nike and IKEA, and even those we love to hate like Ryanair – all offer crystal-clear propositions founded on and reinforced by bold and innovative pricing strategies. Pricing is not an afterthought, it's the beating heart of a winning formula.

Only in a Monty Python sketch are your customers ever likely to come in and negotiate you up to a higher price. But it's a complicated zone in which to tread carefully. We will scream blue murder at Amazon for the late delivery of a CD sent across mountains, oceans and whole continents, from the other side of the world to your front door, but will unilaterally leave a voluntary 10 per cent tip to reward the arduous and complex logistical challenge of delivering a pizza all the way from the kitchen to our restaurant table.

EFFECTIVE PRICING

The secret to effective pricing is to find multiple ways of placing yourself in the shoes of the customer, to be bothered enough to invest the necessary time to understand their situation and what it is that they value enough to pay for and to build your pricing model accordingly. Fairness and credibility are the critical backbone to every sustainable pricing strategy. So what should you do?

Firstly, put your prices up if you offer good value. Don't be scared. Think about it. You instinctively know that lower prices would mean lower profits, unless you're redefining your whole sector a la eBay. So, why not go in the other direction and make more money? Secondly, offer differentiated prices to those who appreciate different aspects of the offer. Think Ryanair. If you want a cheap flight to Krakow, you need to remember to get in early because by booking last minute you will have paid about 50 times more than the guy now sitting to your left.

EASY TO FIND

And finally, keep your prices easy to find, easy to read, easy to understand and reflective of your market positioning. It's always a mistake to con your customer, even if you can get away with it in the short term. That cheap Rolex you've had your eye on is a fake. As a rule of thumb, we do still get what we pay for.

Alex Pratt is a serial entrepreneur and the author of "Austerity Business: 39 Tips for Doing More with Less", published by Wiley, £12.99.



(L-R) Lynton Stock, Susan Hutter and Bobby Lane

Picture: Micha Theiner/City A.M.

The three musketeers of start-up accountancy

Donata Huggins meets the team that has taken a fresh approach to number-crunching and financial services for small businesses

ACCOUNTANTS are supposed to be boring, right? Well that's what I thought until I met Lynton Stock, Susan Hutter and Bobby Lane. They have taken their number-crunching skills and mixed in some entrepreneurial spirit.

In 1988 Stock and Hutter were working at a big accountancy firm. They had risen from the ranks, become partners and were doing well. But after a disagreement over the direction of the company, rather than putting up with it or moving to another firm they decided to go it alone.

"It was the beginning of the 1990s recession when we started out. It was a scary time. We were lucky in the sense that a lot of our previous customers quickly migrated to our new firm but we had committed ourselves to dealing with a lot of debt at a bad time. We made it our priority to clear it and we managed it in the first year." From this entrepreneurial start they have done something more interesting.

In 2005 Bobby Lane came to them with his frustrations with accountants for entrepreneurs: "The problem with accountants is that they swoop in every six months, tell start-ups what they are

doing wrong and then leave. What could be wrong for a start-up in the first six months might not be in the next six months," Lane explains. "I felt that there needed to be some strategic input."

Stock felt that this was the way the industry was moving. Of course, accountancy firms have always had consultancy wings, but Shelley Stock Hutter would provide start-ups with strategic management advice. They created an add-on company, Denver Chase, and mixed their accountancy service with this idea. Initially, some might be sceptical of this. Surely they must use this as a way of colonising start-ups and taking a share in their profits? But it turns out, they don't. They never take a stake in a company. "I kind of think it would impair what we can offer, kind of make us less impartial," Lane says. "This approach worked well through this recession, clients can scale up or down our services depending on how much they feel comfortable spending. We've found that clients that cut back in 2009 have come rushing back as soon as they recovered."

But it hasn't all been plain sailing, they have had challenges along the way. "Staffing was an issue for a long time: we

need technical experts – equipped with all the right financial skills – but we also need people who have the interpersonal skills to be able to come into a small business and tell them what they are doing wrong with some tact," Hutter explains.

They have chosen to take most of their bookkeepers straight from school to tackle this. "We like to train people ourselves; prevent people picking up bad habits," Hutter suggests. None of the three have Oxbridge backgrounds themselves. Hutter for instance wanted to get out of school and start working as soon as possible. Despite being offered a place at LSE to study economics, she was determined to be financially self-sufficient as soon as possible. So she opted for a foundation programme at the then City of London Polytechnic, now London Metropolitan University, to fast-track herself to a career in accountancy.

Their attitude towards risk has seen the business grow rapidly. Lane claims Denver Chase is experiencing a 25-30 per cent growth spurt this year purely from the new bespoke services – pushing Shelley Stock Hutter's overall turnover this year to £4m. Impressive for dull number-crunchers.

CV | SHELLEY STOCK HUTTER LLP & DENVER CHASE

Lynton Stock	Susan Hutter	Bobby Lane
Age: 52 Born: London Studied: Manchester University Lives: Stanmore First ambition: Professional tennis player Favourite business book: Taxation magazine Talents: Bridge and tennis Reading: Ken Follett Motto: "Always under-sell and over-provide."	Age: 53 Born: London Studied: 1-year foundation course at City of London Polytechnic, 1976 First ambition: Ballerina or a princess Favourite business book: 7 Habits of Highly Effective People Motto: "You always regret the things you don't do, not the things you do."	Age: 37 Born: London Studied: University of Westminster First ambition: Pilot Favourite business book: Marketing Judo Talents: The ability to find something positive from every Spurs match Motto: "You can achieve anything in life if you want it enough."