

8 Tips for Pricing and Discounting

- 1 In negotiating your agreement you will want to create a win/win situation. So understanding your partner's need for profit is an important starting point.
- 2 Research market prices and understand your competition. Do not assume that pricing will be at the same level as in the UK.
- 3 Position your offer carefully taking account of the 'competitive landscape' Agree this with your partner. Be clear about the relationship between your pricing, the specific benefits of your product and how the product will be promoted. Getting this right and being confident that your partner agrees with your strategy is key to maximising your (and your partner's) profitability.
- 4 Be careful not to under-price. It is difficult to recover an under-priced position. It is easier to negotiate down from an over-priced position.
- 5 If you understand the prevailing price structure in the marketplace then you are in a better position to negotiate a distributor discount. You are not put in a position where you simply accept a partner's view. N.B. Existing competition regulations may preclude fixed price agreements.
- 6 Any discount (or commission on the part of an Agent) is a payment for the work they do for you. Equate the level of payment you are prepared to pay to the role you expect them to play and the functions you want them to perform. A high performing partner who is 'low maintenance' is a valuable asset to your business.
- 7 Relate discounts or rebates to market-place volume achievement or other targets. Review these each time you agree targets.
- 8 If a partner asks for extra discount for a specific order, ask for a detailed justification taking account of all costs and any impact on the market-place or perception of your offer. You may expect the partner to also make some margin sacrifice.

The following modules offer a deeper insight into this topic:

Key Contractual Issues with Overseas Partners

Agreeing Targets

Language, Culture and your Business Proposition

You can find them in the SavvyAcademy.

Information you complete as part of the Modules will be automatically entered into your Plan. The more modules you complete, the more your Plan will build.