

Sales Operations and Pricing

Successful retail operation of a Christmas tree lot relies on having both a perception of fair value by the consumer, and a positive interaction between your staff and your customer.

- *How does one find the right price for the trees?*
- *What is required to provide excellent customer service?*

Meeting customer's expectations on those two points is the only sure formula for profits.

Prices

Offering the right value proposition on the tree is really a matter of knowing who your customers are and ordering the right trees for those customers. If the customers you serve are mostly budget driven, then that informs your purchasing decisions. If on the other hand, there are more large affluent family homes in your area, then those customers are going to be primarily driven towards getting exactly the tree they want and are resigned to pay nearly any price that delivers to them the exact tree they desire.

Determining the correct price is no small matter. A whole host of factors come into play. What is the purpose of the Christmas tree lot? For most it is to make a profit, but that is not always the case. Some have offered Christmas trees as a loss leader. Others have been operated by rehab centers to provide activity and occupational opportunities for their clients. But the presumption of this guide is to optimize returns and maximize profits by finding the maximum price most consumers will be satisfied to pay. How does one go about that?

There are a number of ways to go about figuring out the optimum price. A starting point is the tree grower's suggested retail price list, if they offer one. However many Christmas tree growers have little direct retailing experience and the market is diverse and subject to the variables of distance and site costs. Santa & Sons Christmas Trees offers its wholesale customers a suggested retail price list with low, medium and high pricing

levels derived from real world retail data of its own and from the experience of its wholesale customers.

With or without a suggested price list, it is a good idea to go through the exercise of tabulating and projecting costs, factoring in overhead and including profit to give yourself some idea of what you need to charge for a tree. But this method tends to underestimate real costs and really only produces the minimum selling price, not the optimal one. Still, knowing the correct minimum selling price is a good place to start.

Another way of calculating price is by looking around at what the competition is doing. Again, I think this is a real good thing to know but a very bad way to optimize pricing decisions. Christmas tree lots are differentiated by location and neighborhood, size, decor and infrastructure, customer service levels and by the quality and selection of the trees for sale. Christmas trees offered for sale on a dry wood tree stand in front of a grocery store will command a far lower price than that same tree offered properly displayed with a water stand within a well-lit, decorated Christmas tree lot. And there is really no way to know if your competitors know what they are doing, even if they are established Christmas tree lots. Costs tend to be underestimated and sales volumes tend to be overestimated, so following their lead will not get you to the optimum price.

- *In the end, to determine the right price, one needs to be familiar with each tree's minimum cost, and your competitor's pricing, but then it's time to let the customer determine how much they are willing to pay. How do you achieve that trick? Pay attention!*

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