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## **CREATE FUTURE VALUE** **SURVIVING PRICE INCREASES**

Bought gas lately? It's pushing up against the four dollar per gallon level (it's already there in the Chicago market), and will probably soon go beyond that - maybe all the way to the six dollar level by 2010!

Politicians will promise solutions, and demagogue the oil companies (the usual stuff). Blame will be placed at many doorsteps, including ours, we greedy Americans driving our gas guzzling SUV's.

The solution to this problem of spiraling gas prices (or should I use *energy prices*, the more general term?) hides behind many doors, maybe some we haven't even thought of yet.

One thing is certain though, no matter whose political claptrap we choose to swallow (this is after all, an election year), there is no short-term solution to the energy crisis. NONE!

So we have to live with it.

People are angry, very angry, and they'll get angrier - this is just the beginning. Americans want things now, not ten years from now. We're a very impatient population. There are reasons for this, and we could write a book on this subject alone. So what? We can rant and rave about gas prices, the greedy oil companies, silly government regulations, incompetent politicians, and piggish, fuel wasting drivers, but there's STILL going to be *no* short-term solution.

No relief in sight. I feel sorry for the next president, he or she needs to be very careful about making promises. I still remember Nancy Pelosi announcing seven things the new Democratic congress was going to do as soon as they took control - one of those was to bring down gas prices! Something tells me these words will be re-run over and over again some day soon - it *is* an election year.

But let us now analyze this situation. The constant and inevitable rise in energy prices is a classic out of control price increase situation that we can all relate to, and one we can learn from as well.

Let's talk about what it is exactly, that makes us so angry about gasoline price increases, here's a list:

## WHY GASOLINE PRICE HIKES MAKE US FURIOUS

1. The first and most obvious thing about energy prices is that they affect everyone - hardly anyone escapes. This causes a common enemy to emerge that everyone decries, and everyone talks (gripes) about. So this issue is constantly in our faces, irritating us like something scratching at an open wound.
2. The villains of gasoline price hikes are easy targets: Oil companies (who make too much profit), the President (who is incompetent, and in the oil companies' pockets), OPEC members (who are greedy dictators who hate us).
3. Price increases seem arbitrary, and without a reasonable basis. Every time we turn around, gas prices go up without apparent reason. Just about the time we've adjusted to the latest price increase, here comes another wave of even higher prices.
4. Short of trading our gas hogs in for the proverbial "pregnant roller skate," or simply staying home, there is absolutely nothing we can do about this constant assault on our financial wellbeing. We are powerless.
5. We don't know when or where relief is coming from. In fact, there's no relief in sight - no light at the end of the tunnel.
6. Since we don't know where this is coming from, and we don't know when it's going to end (if it ever does), it's financially destabilizing and scary - for both us personally and for our country.

So, we have a universal problem, wrought by dishonest, greedy institutions, foisted on us at their will (not ours), we're powerless to do anything about it, there's no relief in sight, and we fear for our future.

It's like being handcuffed to a madman with a club in his hand. He keeps beating us, and we can't get away - NO WONDER WE'RE MAD (*and* SCARED)!

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But there is another dimension to this upward spiraling gas price issue, and that is the very real problem of gas price increases going through our economy like grassfires, spawning price hikes in other areas - like small fires trailing in their wake.

These gasoline related price hikes are mainly due to transportation costs, and the cost of related raw materials. And here's the real message of this article:

You will be facing rampant price increases related to energy costs that you must pass on to your customers, or *you* will be the one in trouble. So, acknowledging that everyone hates price increases, how do you accomplish your task with a minimum of pain and anger from your customers - and both survive the whole thing?

## **SOFTENING THE BLOW OF PRICE INCREASES**

Let's look at the list of reasons why people are angry at gasoline price increases, and see what we can come up with.

First, let's recognize the overriding source of frustration in almost all situations, not just gas price increases. This universal source of frustration is the lack of control, or the inability to do anything about your circumstance. Being out of control in difficult situations makes us all angry and scared.

So if you want to soften the blow of price increases to your customers, let them feel like they're in control. This is the first rule.

So how do you do it? By being honest with your customers, and offering to work with them, to meet them half way. Here are some ideas:

- a) Offer to hold the price increase for 60 days so that the customer can work the price increase into his budget.
- b) If You've been able to buy ahead of a vendor price increase, share this with your customer by letting him know what you've done on his behalf - you're looking out for him.
- c) Offer alternative products if possible so that your customer can meet his numbers.
- d) Offer compensating discounts - this means offer one-time deals on other products your customer buys (or could buy from you) in order to soften the impact of a sudden price hike.

All of these ideas will help the customer feel as if he has choices to consider when facing a price increase.

The second rule when giving price increases is to minimize the appearance of capriciousness in price increases. People get angry when they feel that price increases just come out of left field with no reasons behind them.

Here again are a few suggestions about how you can eliminate this source of anger:

- a) Explain the reasons you must increase your prices. If it's transportation costs, bring documentation to prove your point. If your price increase is based on raw materials, again, provide documentation.
- b) Give your customers as much notice on price increases as possible. Give them time to prepare for the increase (they have to pass on - or absorb - their price increases just like you). You don't like price increases without notice and neither does your customer.
- c) Talk openly and honestly with your customers about pricing. Things have to be paid for, so there's no sense in being bashful.

## **SUMMARY**

Finally, price increases often come at us unexpectedly. As businesses, we have little choice but to pass them on. Most of the time, this is our customer's only choice as well. The problem is not the passing on of price increases though; instead it's the *squeeze* period between the arrival of the increase, and the subsequent adjustment to the customer (or the budget), or the next guy down the chain whoever that might be.

I have experienced, and I think you'll experience too, that when you approach price increases with an honest presentation to your customer, and offer to work with him so that he can get through the "squeeze" period, everyone is happy (or as happy as one can be with a price increase).

Obviously, we've been talking here about price increases on major product lines. On minor purchases, you can usually just raise the prices as the price increases come to you (nobody's going to complain if a two dollar item they buy on occasion goes up by twenty cents).

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## **NEW PRODUCT BULLETIN:**

**INTEGRA has introduced a non-alcohol, foaming hand sanitizer called Insta-San.**

**You can find out more about this new innovation by asking your INTEGRA rep about INTEGRA's new line of hand cleaning products.**

**First gets the business, second gets the leftovers, third gets thrown out - which one are you?**

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