**Don't Judge a Book by its Price**  
Brian Jud

Deciding upon the price of your book may have more impact on your sales and profits than any other marketing decision. Yet some authors and publishers determine the price by matching competitive prices, multiplying the unit printing costs by eight, or pricing their book at what “feels right.” Any of those choices may negatively impact your operating income (OI). Instead, base your book’s price on marketing strategy.

Let’s look at the choice of multiplying the unit printing costs by eight. Suppose your unit printing cost is $1.87 (of course, that depends on the quantity printed). Eight times this amount would yield a list price of $14.95. This covers your distributor’s percentage (70%), and even with a promotional budget of $1 per book and could yield $1.61 per sale. At that rate you would need to sell 621 books to generate $1000 of OI.

However, what if your competition is selling a similar book for only $11.95? If you matched that price and maintained the same cost structure you would only net $ .71 OI per book sold. Consequently, you will have to sell 1408 books (a 126% increase in sales) to reach $1000 of OI. A simple chart illustrates these circumstances.

|  |  |  |
| --- | --- | --- |
| List Price | $14.95 | $11.95 |
|  |  |  |
| Distribution @ 70% | $10.47 | $8.37 |
| Production | $ 1.87 | $1.87 |
| Promotion cost | $ 1.00 | $1.00 |
| Total costs | $13.34 | $11.24 |
|  |  |  |
| Operating Income | $1.61 | $0.71 |
|  |  |  |
| Books per $1000 of operating Income | 621 | 1,408 |
|  |  |  |

What should you do? There are at least three alternatives from which you may choose.

**Option 1: Price at $11.95 without changing the cost structure.**This alternative could be appropriate for those who intend to use the book as an altruistic endeavor, or to establish a foothold in a new market. This could also be the path for the those who choose to sell books in large quantities for corporate buyers.

**Option 2: Price at $11.95 and reduce costs.**Here, your objective is to lower your expenses to increase OI. For example, you might print a larger quantity, reduce the page count, eliminate expensive graphics or find a lower-cost printer.

Or, you may decide to sell only through a wholesaler with a 55% discount. Conversely, you might decide to sell directly to special-sales niches, eliminating distribution fees entirely. However, the increased revenue does not necessarily drop to the bottom line since your marketing costs will escalate as will the time necessary to perform the sales function.

If you set your price at $11.95 and reduce some of your costs, you could make more operating income by selling fewer books:

|  |  |
| --- | --- |
| List Price | $11.95 |
|  |  |
| Distribution @ 55% | $ 6.57 |
| Production | $ 1.25 |
| Promotion cost | $ 1.50 |
| Total costs | $9.32 |
|  |  |
| Operating Income | $2.63 |
|  |  |
| Books per $1000 of operating Income | 381 |
|  |  |

**Option 3: Price at 14.95**. You might decide to go with the higher price *and* implement all the cost-saving actions stated above. At first glance, this appears to be the strategy that would pour the most money into your coffers. But if you provide a premium-priced book that is seemingly identical to that offered by competition, most people would opt for the lower-priced one.

All is not lost because you can still apply creative marketing strategy. Eliminate side-by-side price comparisons by selling directly to non-retail buyers in corporations and associations. Here the buyers do not have ready access to competitive titles, and will view yours only in relation to how well it helps them solve their problems.

You can maintain a higher *price* while reducing the *cost*to the buyer by offering discounts or implementing other pricing strategies:

* *Discounts*. Consider *cash discounts* to reward buyers who pay their bills promptly (2/10, net 30) or quantity discounts to those who purchase in large volumes (such as in special-sales markets).
* *Promotional pricing*. Offering a money-back guarantee is one example of promotional pricing, as is seasonal pricing when you provide a discount for purchases made during periods of slow sales. Bundling is another example. And a reduced price "for this event only" illustrates special-event pricing.

These alternatives demonstrate that pricing is more intricate then simply multiplying your printing costs or mimicking your competition. Different printing quantities yield varying costs for the identical book and different distribution strategies result in dissimilar operating incomes. The answer to your pricing dilemma lies in your ability and willingness to apply strategic thinking to your marketing efforts. Choose the option that best suits your skills, markets, objectives and the time you have available to implement your plans.

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