

FRONT-END OVERHAUL



Remember what the S stands for in MSRP

by Gabe Trahan



Three years ago while looking for unique items to place on NCPA's Front-End Marketplace, I missed an appointment with a big-name television personality who is a writer and successful businesswoman. I took too long chatting with the company that had bought the rights to the Smith Brother's cough drops. The star was gone, and her representative was not impressed with my tardiness.

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The representative informed me about a new line of vitamins that would soon have the celebrity's name and an endorsement. The representative did not mention the quality of the new vitamin, just the cost and the retail. He said: "The MSRP is set at \$9.99." This is where I get ugly. He

continued, "but since you are talking about community pharmacies, your members can sell them for \$10.99."

Community pharmacists are good at what they do, but I had no idea that they could get more money for a product than anyone else! He said, "People expect to pay more when they go in to a family-owned pharmacy." And then the representative said with a somewhat loud voice, "That is because of people like you, people who mislead us with suggested prices! And by the way, go shop at one of our stores and you will find we are darn good at being competitive, and you may save some money and be treated better." Now if you think I may have messed up on a deal of some big brand vitamins, you can rest at ease. I have yet to see this vitamin line anywhere.

I must point out that the antitrust laws prohibit a manufacturer and retailer from agreeing to charge the MSRP. But, a manufacturer could unilaterally drop a retailer if the retailer offered discounts below the MSRP.

When you are buying any new product, always ask these two questions. What is the high and low retail for this item/line? And who is successfully selling the product at the high MSRP? Sometimes an MSRP is just that, a manufacturer's suggested retail price. Unfortunately, MSRP can paint a false picture of high profit. At times you should look at an MSRP as the sticker price of a new car.

There are instances that an MSRP may seem too high! Again, do your research and ask the right questions. I've seen many gift lines reduced in price because the person in charge thought that "nobody will ever pay that high price for that item." I've witnessed a pharmacy that was marking up lift chairs for a cash sale price \$100 over cost. I asked why and the response was, "I don't think we could get more for them." That method could hurt others in the industry and manufacturers may terminate you because it could diminish the value of their brand.

So ask questions, question the numbers before you use an MSRP, don't let a bad suggestion ruin your image, and don't be afraid to make some money. ■

Gabe Trahan is NCPA's senior director of store operations and marketing. Gabe uses more than 40 years of front-end merchandising experience to help NCPA members increase store traffic and improve profits. Visit www.ncpanet.org/feo to watch videos, read tips, and view galleries of photo examples by Gabe. Follow him on Twitter @NCPAGabe for additional tips.