

Bye Bye Old Strategic Price Points?

by Nancy Zwiers

Have we seen the end of strategic price points? Throughout the past decade, there has been an upward pressure on costs; manufacturers have been steadily reducing the costs of their toys to continue to hit strategic price points, namely \$4.99, \$9.99, \$14.99, \$19.99, \$24.99, \$29.99, \$39.99, \$49.99, etc. Strategic price points are usually clustered around these prices because they reflect value benchmarks that consumers embrace.

It used to be hard to find an odd-priced toy, \$18.99 for example. But with costs going up, it looks like manufacturers are finally giving up their hold on these magical prices. In the most recent selling season, we noticed an increase in the number of non-strategic price points that are on store shelves. Funosophy's guess is that if manufacturers are being forced to up their prices, they hardly want to jump up a full \$5 increment to hit the next price point.

Funosophy first noticed this trend during a Preschool Instore Insight (our in-depth competitive landscape review approach). Upon closer analysis, we discovered that 36 of the 74 SKUs in our database were at non-strategic price points; that is 49 percent, nearly half. Furthermore, in most cases, every price slot between the strategic points was filled with at least one SKU, as shown in the excerpt chart below:

Price Point	No. of SKUs
\$14.99	9
\$15.99	3
\$16.99	4
\$17.99	3
\$18.99	4
\$19.99	12

We decided to expand our observations to two other categories and took a sampling of SKUs and prices from vehicles

and large dolls. We found the same results, as shown below:

Category	No. of SKUs	SKUs at Non-Strategic Price Points	Percent of SKUs at Non-Strategic Price Points
Preschool	74	36	49%
Vehicles	26	10	38%
Large Dolls	53	27	51%

Potential Implications of This Finding

A potential implication of rising prices is that we might be on the cusp of seeing more added value, feature-rich products. The thought process might go like this: If a product is already slightly above the \$14.99 price point, why not add an extra bit of zing to the product and move the price from \$15.99 to \$16.99? It is a fairly low risk.

Another consequence might be the formation of a higher strategic price point for certain formerly established categories, which ultimately the consumer will have to embrace. We are seeing this in fashion dolls. The traditional opening price point of \$9.99 has evolved to \$14.99 and even \$19.99. This might allow for more innovation because of higher margins.

Finally, as retail prices continue to rise, the typical giftable price point might increase as well. For example, in the early 90s the most popular price for a birthday party gift was \$10. In the early to mid-2000s, that price had climbed to \$15. How soon will we be looking at \$20 as the most popular price for a birthday gift? When that happens we could experience a spontaneous expansion in the size of the toy market. ■

Nancy Zwiers is CEO of Funosophy, Inc., a leading consulting firm and girls' brand invention firm. For more information on company services, contact information, and/or Funosophy's collaborative invention services, call (562) 436-5251 or email nancy@funosophy.com.