



Memorandum

To: Clients, Associates & Friends of Pro@ctive CPA
From: Mark Wyssbrod, Managing Member
Date: April 14, 2011
Re: Pricing Power

Introduction

When Uncle Sam looks into the mirror what do you believe he sees? Demographically speaking, he is starting to show his greys, go through his savings, leaning a little more toward socialism and taking on more and more debt. Not the best way to begin entering retirement! Does this remind you of anyone else? Perhaps the land of the Rising (can replace with Setting) Sun?

For years experts have been telling us the US will not turn into Japan. We will not face slow growth; we will not face two lost decades; a side-ways stock market for a generation; we will not have national debt of 250% or higher. Our demographics and current events and starting to make us a little more similar to our older Pacific neighbor.

Perhaps now is a time to look back at the last twenty years of Japan to learn a few financial lessons. We can learn and position our businesses and finances accordingly. We made need to liberalize immigration or begin having more offspring immediately to get a larger tax base to provide the promised Social Security and Medicare benefits.

We need to learn from Japan, but we also need to recognize we are much different. The national resources are different from an island nation. The business culture and social cultures are different from one another. We mustn't deny the similarities and we must look for solutions.

Mirror, mirror on the wall who going to be in debt most of all?

Good luck,

Mark W.

Pricing Power or Lack There Of

An expert once told me if you have the best customer service you can charge more. I have also been told by prior employers that if I worked hard and had great quality I would be rewarded. I found out these are half-truths! It depends on who your customer is, your customers' financial position and who your customers depends on. Additionally, does your customer value you or are you just a commodity?

- Understand your customer



- Do they want to purchase something from you?
 - If so, they may view you more as value
- Do they have to purchase something from you?
 - If so, they may view you as a commodity
 - Extra effort may be required to prove your value
- Working Hard Means Nothing, Means Everything
 - If working hard leads to a better product or service you can be proud of the quality and value you have delivered
 - If your customer leaves you for another provider because they found someone cheaper then your hard work is for not
 - Target customers who have gravitate towards and respect your values and philosophies
 - Don't be afraid of losing "bad" customers
 - This will free up your time in the long run to spend more time with the customers who appreciate you
 - You will not incur the stress of trying to satisfy someone who you will not be able to make happy
- Is your customer under financial stress?
 - Does your customer is in a financial hardship (business not going well, living outside their means, etc.)?
 - If so, they want to live a champagne lifestyle on a beer budget
 - To do this they must bargain for discounts or not pay their bills or dis-respect you until you reduce you price
 - Your customer will tend to favor prince and view you as a commodity because they cannot afford value

To discuss and learn more about your customer and your customers' customers give us a call.

Deadline Reminders

- **April 1** - Business Personal Property Tax Returns are due (for certain Georgia Counties)
- **April 15** - Individual Tax Returns are due (or extension and any tax for 2010 is due)
- **April 15** - 1st quarter individual tax estimates due
- **April 15** - Partnership Tax Returns or extensions are due (for calendar, 12/31, year ends)
- **April 20** - Georgia sales and use tax returns are due
- **April 30** – 1st quarter payroll tax returns due



Financial Ration of the Month

Debt Leverage Ratio

Debt Leverage Ratio = Total Liabilities / EBITDA

This ratio measures a company's ability to repay debt obligations from annualized operating cash flow (EBITDA).

Generally, the lower the ratio the better!

Current Black Swan Events

- Tsunami & Nuclear Meltdown in Japan
- Revolution and US\NATO support and military action in Libya

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