

PRICING TASK

Hey peeps!

The formula you use to price your products or services could make or break you.

Lots of people under-charge and don't make enough to grow in any way, and some over-charge and out-price their target market, so it's good to start with a basic formula to make sure you are paying yourself for your time and also making some sort of profit to sustain the business, but at the same time asking for a realistic and attainable price. You also need to take into account all the varying factors unique to your business, such as your target market and ideal customers, the existing competition, and the perceived value of your goods.

The general trend with new business owners is to under-charge, either from lack of confidence, lack of experience, or lack of market testing. If you want your business to be profitable (ie, sustainable), you need to snap out of it, quick smart.

First up, be confident in your products, and yourself. Remember, your ideal customer WANTS to purchase from you, at the appropriate price point. You don't need to make excuses for why this costs this and that costs that, because your ideal customer doesn't question it. Of course it helps if you've done some sums and believe you have got the right price point, and this is where experience comes in. No matter what formula you use, your pricing will go through a period of trial and error before you hit the perfect number. And this trial and error, is where Market Testing comes in. You should try a few different price points to see what the market is happiest to pay.

So, what formula should you use?

At a very basic level, you should start with something like this for products:

MATERIALS + TIME + OVERHEAD + PROFIT = WHOLESAL

WHOLESAL x 2 = RETAIL PRICE

Of course this will be different when offering services, so you'll need to do some research into existing services and look at what sort of price points you are competing with, and how you will differ to those, depending on your expertise, your point of difference, and your ideal customers.



Follow a formula for at least 5 of your products or services to come up with a “retail” price. You can then look at your competitors (or as I like to call them, potential collaborators!) retail prices and see where you match up and where you don’t. DO NOT be tempted to lower your prices simply because somebody else is “doing it cheaper”. You’ll be doing yourself a disservice.

The general pricing formula I will use:

Product/Service

Price

