



# PRICING STRATEGIES

Products & Services

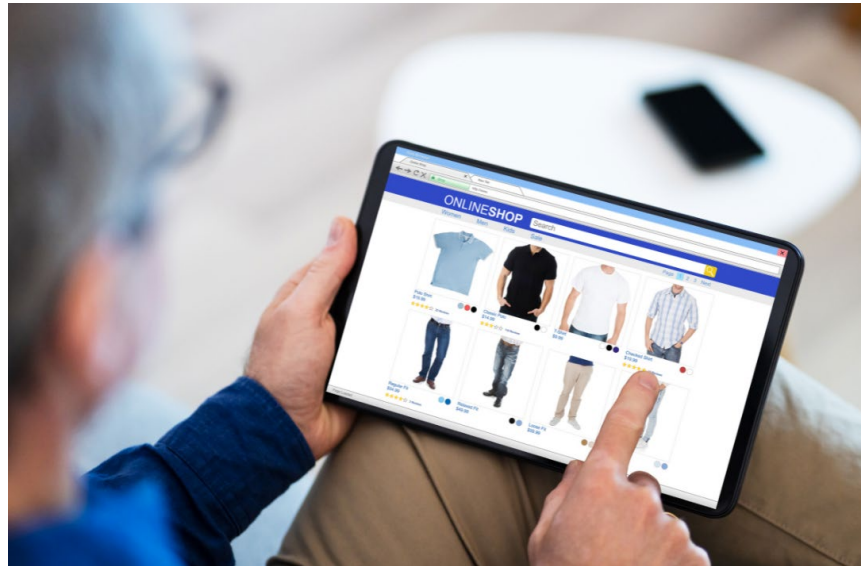
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FOR THE LIFE OF YOUR BUSINESS

Who is selling

Products?



Who is selling

Services?



# Pricing Strategies

## Products & Services

- Science and art
- No magic formula
- Multiple models/strategies

## Why Important?

- Best price for product/services
- Maximize profit margins
- Defines value

## Tips

- Be very clear about what want to achieve with pricing
- Be very clear about product/service positioning



# Pricing Strategies

## Factors to Consider

- Know your customer
- Know your costs
- Know your revenue target (profit margin)
- Know your competition



# Pricing Strategies

## Know Your Customer

- Market research – talk to existing/potential customers
  - Informal surveys
  - Informational interviews
  - Trade association reports
  - Trade journals
  - Blogs, podcasts, articles
  - Industry thought leaders
- Understand what customer values
- Know what problem solving for customer
- Customer needs to believe in value of product/service – getting their “money’s worth”

### Survey Tip

- Don’t just ask, “Will you buy [product/service]?”
- Always follow with, “Would you pay [X]?”



# Pricing Strategies

## Know Your Costs

- Direct and indirect costs (products/services)
- Variable and fixed costs (products)
- Materials – cost of goods used in production or providing service
- Labor – hourly wages, salaries, benefits
- Overhead
  - Rent, taxes, insurance, depreciation, office supplies, utilities
- Packaging
- Shipping
- Marketing/Promotions
- Advertising
- Product samples
- External contractors/consultants
- Printed materials
- Merchandising/POP materials



# Pricing Strategies

## Know Your Revenue Target/Profit Margin

- Know your revenue target (profit margin) want to achieve
- Research industry profit margins
- Make sure covering “all” costs
- Evaluate profit margin by product categories/segments or target markets
- “Fire” non-profitable customers
- “Kill” non-profitable products/services



# Pricing Strategies

## Know Your Competition

- Research products/services in market comparable to yours
- Use competitor pricing as initial gauge
- Get “net” pricing; not “list” prices
- Do you offer additional value? Points of differentiation?
- Prepare product comparison – features, benefits, value, add-on services, support
- Talk to consumers – how are competitor’s products/services perceived in the market versus yours



# Common Mistakes

## Underpricing

- Most likely to occur

### Why?

- Imposter syndrome
- Underestimating true cost
- Discounts/sales
- Undercut competition = hoping for increased volume
- Leaving money on the table
- Can lead to customers viewing product as “cheap” or undervalued

### Tips

- Research competition’s pricing
- Price you think should charge – then add 20%
- Pricing should make you slightly uncomfortable
- Monitor costs & pricing – raise price over time



# Common Mistakes

## Overpricing

### Why?

- Overestimating perceived value
- Cost too high
- Commodity market
- Product/service positioning vs competitors
- Branding/marketing

### Tips

- Research competition's pricing
- Revisit cost structure - alternatives
- Look at value from customer's perspective
- Talk to "lost" customers – ask why didn't get business



# Pricing Tips

- View pricing from customer's perspective
- Don't "race to the bottom" – low end price
- Price on value, not commodity – focus on messaging
- Discount with caution
  - Add value to bolster price/perception
  - De-feature product/service to hit lower price point
  - If discount, get something for it
- Don't have constant "sales" – just trains customers to wait to purchase
- Establish anchor pricing
- Secret of ending price with an "odd" number (direct to consumer sales)

