

# Increase Sales and Profits with Pricing and Distribution Strategies

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Product, Price, Place and Promotion Strategies

SCORE Greater Seattle

R2026 03//2026 revision



# History and Small Business Resources

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## SCORE

- National non-profit over 300 chapters
- 11,000 volunteers.
- Served > 10 Million entrepreneurs since 1964.

## SCORE Mentors

- Meet with expert business mentors and specialists.
- Advise, educate and encourage business leaders
- Short- or Long-Term Relationship

## SCORE Small Business Workshops

- Register for workshop and mentoring at <https://seattle.score.org/>)

## SCORE Website

- Information, business plan templates, newsletters, etc.
- Online training
- [seattle.score.org](https://seattle.score.org)

## SBA Website

<https://www.sba.gov/offices/district/wa/seattle>

# Introduction

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## PRESENTER



Name: Bill McDonald

[william.mcdonald@scorevolunteer.org](mailto:william.mcdonald@scorevolunteer.org)

Volunteer with SCORE:

- Business Mentor
- Workshop Instructor

Previously:

- Global marketing and sales (manufacturing)
- Market and Business strategy (services)
- Owner of a small local business (consultancy)

## INTRODUCE YOURSELF

- Your Name
- Background
- Business Idea

# Agenda

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- **Small Business Essential Workshops** (10 mins)
  - Review Strategic Marketing and 4Ps (15mins)
  - Define Product, Place, Promotion and Price (25 mins)
  - **Break** (10 mins)
  - Pricing for Products (30 mins)
  - Managing Profitability (25 mins)
  - Closing and Surveys (05 mins)
- 120 mins

# Small Business Essentials Workshops for All Businesses

Creating a Quick Business Plan in 3 Hours (Lean Canvas)  
(Take first!)

Successfully Starting A Business  
(3 hrs)

Marketing- Identify and Reach Target Customers  
(2 hrs)

Pricing Products and Delivering Satisfaction  
(2 hrs)

Digital Marketing to Grow Your Business  
(2 hrs)

Tax Essentials for New & Existing Business Owners  
(2.5 hrs)

Financial Basics for Small Business.  
(Take last!)

These workshops are ideal for one-person businesses (17.5 hrs)

Building a Formal Business Plan (Optional)

[Small Business Essentials Workshop Series](#) | SCORE

Price

Place

Product

Promotion

# A “Lean Canvas” 3-hour Business Plan\*

## Develop a business case for the solution

1. Complete a \*lean canvas and focus on
  - a) Describe the problem/opportunity being solved/exploited
  - b) Describe your product/service(solution).
  - c) Describe the unique value it provides customers
  - d) Define the customer segments (target market.)
2. Determine approximate cost to produce/deliver and potential selling price
3. Determine the impact to the sales and profitability of your business

<b>PROBLEM</b> List your top 1-3 problems	<b>SOLUTION</b>	<b>UNIQUE VALUE PROPOSITION</b> Single, clear, compelling message that states why you are different and worth paying attention to.	<b>UNFAIR ADVANTAGE</b> Something that cannot easily be bought or copied.	<b>CUSTOMER SEGMENTS</b> List your target customers and users.
<b>EXISTING ALTERNATIVES</b> List how these problems are solved today.	<b>KEY METRICS</b> List the numbers that tell you how your business is doing.	<b>HIGH-LEVEL CONCEPT</b> List your X for Y analogy e.g., You = Flickr for Videos	<b>CHANNELS</b> List your path to customers (inbound or outbound).	<b>EARLY ADOPTERS</b> List the characteristics of your ideal customers.
<b>COST STRUCTURE</b> List your fixed and variable costs.		<b>REVENUE STREAMS</b> List your sources of revenue.		

LEAN CANVAS (BY ASH MAURYA)

\*Part of Business Essentials Workshop Series

# Review Product, Price, Place and Promotion (4Ps)\*

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**Strategic Marketing Mix:**  
Your unique combination of all the P's that makes your business a success.

\*discussed in “Marketing-Identify and Reach Target Customers” Part of Business Essentials Series

# Review Product, Price, Place and Promotion (4Ps)

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- **Product** refers to a good/service that a company offers to customers.
- **Price** is the cost customers pay for a product.
- **Place** refers to where a company should sell a product and how to deliver the product to market.
- **Promotion** includes Direct/Indirect Selling, Digital Media, Advertising, Public relations

# “Flip side” of the 4 Ps – The 4 Cs Perspective (an aside)



# Concept Testing Your Product Design to Launch

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## Informal methods

- Tested with staff, family and friends
- Tried at conventions, test run with potential customers

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## Formal methods

- **Competitive Analysis (next slide)**
- Product/Service updated with comments

# Improve Your Competitive Product Research of Markets/Competitors

- Check competitors' websites and rating/ review sites.
- Purchase competitor products or visit their business.
- Create feature comparison charts grouping features by benefit (add your product to the chart) and add pricing.

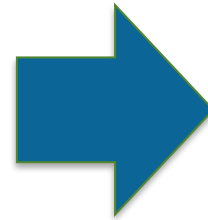
## Competitive Analysis



FACTOR	My Business	Strength	Weakness	Competitor A	Competitor B	Competitor C	Importance to Customer
Products							
Price							
Quality							
Selection							
Service							
Reliability							
Stability							
Expertise							
Company Reputation							
Location							
Appearance							
Sales Method							
Credit Policies							
Advertising							
Image							

# Improve Your Competitive Product Research of Markets/Competitors (Continued)

- Check competitors' websites and rating/ review sites.
- Purchase competitor products or visit their business.
- Create feature comparison charts grouping features by benefit (add your product to the chart) and add pricing.



## You need:

- Knowledge of the market.
- Confidence in your product.
- The ability to thoughtfully and competitively promote your product or service.
- Look for your competitors' strengths and weaknesses, missing features or services, etc.
- Understand how to create the most competitive and “valued” products.

# Additional Product Specifications

## PRODUCT PACKAGING

- Does your packaging convince a potential purchaser of your product's unique value?
- Is your package noticeable on a shelf and easy to find by your customers?
- Will your packaging maintain the integrity of your product during shipping?

## MAKE EASIER TO SELL

- Goal: get people to call you so you can sell your services!!!!
- Packages need to be described like “products” with more expensive packages having additional or more valuable services.
- Provide multiple offers (packages).
- You can still mix packages and hourly offerings.

	Bronze	Silver	Gold
Replace spark plugs			✓
Replace fuel filter if required			✓
Replace air filter			✓
Advise on timing belt		✓	✓
Oil and filter change		✓	✓
Check clutch operation (where applicable)		✓	✓
Air conditioning/heating check	✓	✓	✓
Air-conditioning sanitizing treatment	✓	✓	✓
Check fuel system for leaks	✓	✓	✓
Check mirrors and windscreen for damage	✓	✓	✓
Check for body damage	✓	✓	✓
Check for leaks in braking system	✓	✓	✓
Visually check condition of brake system	✓	✓	✓
Check cooling system	✓	✓	✓
Check and adjust tyre pressures	✓	✓	✓
Check battery and leads	✓	✓	✓
Check washers and wipers	✓	✓	✓
Check exhaust system	✓	✓	✓
Check drive belts (excluding timing belt)	✓	✓	✓
Check operation and condition of seat belts	✓	✓	✓
Check tyre tread wear and depth	✓	✓	✓
Check external lights and signals	✓	✓	✓
Check fluid levels	✓	✓	✓
Check bonnet catch and lubricate	✓	✓	✓

**Bronze**  
SAFETY CHECK  
AND TOP UP  
**£49**  
Includes Air conditioning  
sanitizing services.  
We will automatically check  
your engine oil, brake fluid  
and engine coolant topping up  
where necessary.  
Top up quantity limited to a  
maximum of half a litre. We  
will advise you if you need to  
add more and with your  
consent.  
We will Charge accordingly.

**Silver**  
SERVICE  
**£149**

**Gold**  
SERVICE  
**£209**

Silver and Gold Service also  
includes a complimentary  
Wash and Vac. Loan cars are  
available pre booked there is  
a £10 admin charge. All the  
above are subject to t&c's

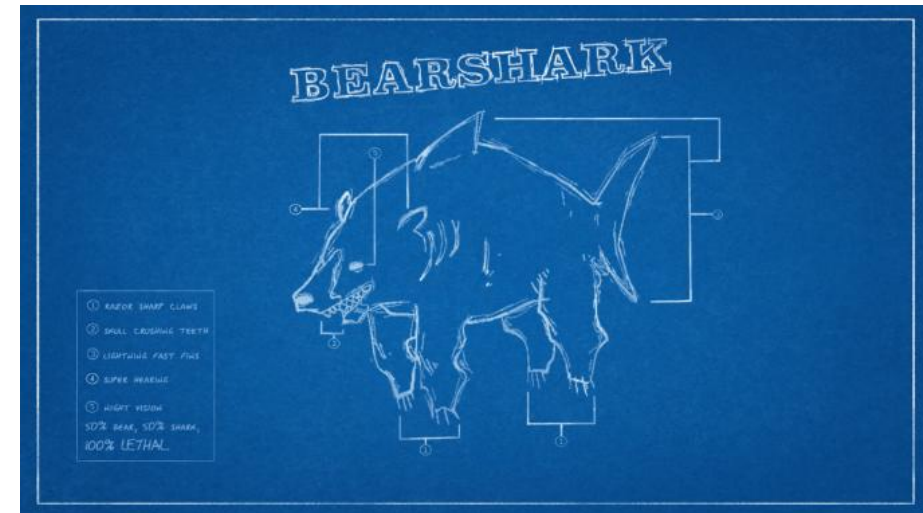
# Finalizing and Documenting Your Product/Services

## Finalizing the product:

- Freeze all changes and document final version.
- Confirm that the final features and benefits provide your unique value.

## Documenting your product:

- Create a specification with appropriate detail to produce, deliver or manufacture.
  - Diagram, blueprint, recipe, prototypes, etc.
  - Check with manufacturers for requirements.
  - Recipes, delivery instructions, etc.



# Place (Distribution) answers two questions

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1. Where can a customer “buy” your product?
2. Where can a customer “receive” your product?

# Distribution Strategies Overview

Distribution Model	How it works?	Advantages:	Issues:
<b>Owner Direct to Consumer:</b> <ul style="list-style-type: none"> <li>• Store front</li> <li>• Home delivery</li> </ul>	Business owners sells/ delivers product/service directly to purchaser. (May or may not be a physical store front.) Many services use this model.	High gross margin available and direct sales possible.	Could grow to experience higher overhead costs. To increase work capacity new employees need to be hired to support store growth.
<b>Owner Direct to Consumer:</b> <ul style="list-style-type: none"> <li>• Online Selling</li> </ul>	Business owner creates an Ecommerce website or use marketplaces like Amazon, eBay, Etsy, etc.	Access to wider array of customers & lower cost of selling. Ecommerce (owned) sites provides direct customer connections	Sales commissions and infrastructure management fees for Marketplaces might reduces gross margins.
<b>Self Retail Distribution</b>	Business owner (product - made) manages all distribution to small number of retailers.	Access to larger markets.	Products pricing leave room for retailer markup. Difficult to manage large number of resellers.
<b>Distributors or Wholesalers</b>	Business owner (products bought) provides distributor/wholesale products sold to retail locations.	Provides access to largest customer set. (includes marketplaces)	Sales commissions shrink margin and no direct connection to customers.

# Break (10 Minutes)

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# Pricing Basics: Concepts That are Common for Product/Service

To optimally price any product, you need to:

- Design your product to deliver unique “value” to customers
- Know your competitors' offerings
- Select the ideal pricing strategy for your Product.
- Determine the impact to your Profit/Loss statement (P/L).\*



\*(Part of Finance workshops.)

# Value-based



Value-based pricing emphasizes the perceived value of a product or service to the customer, setting prices based on the benefits and advantages provided to the customer.

## Pros

- Allows businesses to capture more value and potentially achieve higher profits.
- Aligns pricing with customer expectations and willingness to pay, increasing satisfaction and loyalty.
- Encourages innovation and continuous improvement, as businesses strive to increase the value they deliver to customers.

## Cons

- Requires a deep understanding of your target market and the ability to communicate your product's value effectively.
- Can be more challenging to implement and justify than cost-based pricing models.
- May be susceptible to changes in customer perceptions or market trends.



The "Inverted Jenny" is a postage stamp of an WWI airplane printed upside-down. Only 1 pane has ever been found. ~\$1,593,000

# Mark to Market (Dynamic)



**Mark to Market pricing adjusts prices according to market conditions**, customer demand, and other external factors. Businesses in industries with fluctuating demand or supply frequently adopt this model.

## Pros

- **Maximizes profitability by adjusting prices** based on market conditions and demand.
- **Encourages businesses to stay competitive** by responding quickly to changing market conditions.
- **Allows for quick response to competitor pricing strategies**, helping businesses stay ahead of the competition.

## Cons

- May be perceived as unfair or inconsistent to old customers.
- Can be **challenging to implement and manage, requiring sophisticated pricing algorithms and strategies**.
- Could lead to **confusion among new customers if prices fluctuate too frequently** or without clear explanation.

# Cost-plus



## Cost-plus

This pricing model adds a fixed markup percentage to the production cost of a product or service, ensuring a consistent profit margin per sale.

### Pros

- Easy to calculate and implement.
- Guarantees a consistent profit margin, regardless of market conditions or competition.
- Provides transparency to customers about cost structure and profit margins.

### Cons

- May not accurately reflect customer demand, market dynamics, or your competitive landscape.
- Can result in over- or - underpricing if costs are not accurately estimated.
- Lacks flexibility in responding to changing market conditions or customer preferences.

# Penetration

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Through penetration pricing, businesses offer their products or services at prices lower than their competitors to capture market share or entice new customers. This is useful for companies venturing into new markets or introducing new products.

## Pros

- Increases market share by attracting price-sensitive customers who may have otherwise chosen a competitor's product or service.
- Encourages customer trial and adoption by offering a low-cost entry point to the product or service.
- Can create a viral effect as customers spread the word, leading to increased brand awareness.

## Cons

- Can lead to lower profit margins, potentially impacting long-term financial sustainability.
- May be challenging to raise prices once customers become accustomed to the lower pricing.
- Could attract bargain-seeking customers who may not be loyal to the brand in the long term.

# Promotional



**Promotional pricing involves temporarily reducing prices** or offering special deals to attract customers and increase sales. This model is commonly **used in retail and e-commerce businesses.**

## Pros

- Can **generate excitement and drive short-term sales.**
- Useful for **clearing out inventory or promoting new products.**
- Encourages **customer trial, potentially leading to repeat business.**

## Cons

- Can **erode profit margins** if used too frequently or not strategically planned.
- May lead to **customers devaluing your products** or services.
- Risks **conditioning customers to wait** for promotions, affecting full-priced sales.



# Price Ski-ing

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**Price Ski-ing sets a high initial price for a new product or service to capitalize on revenue from early adopters, then gradually reduces the price to appeal to more price-sensitive customers.**  
This strategy is often used for **innovative or luxury products.**

## Pros

- Maximizes revenue and profit margins from **early adopters**, willing to pay a premium for new and innovative products.
- Creates a **perception of exclusivity and luxury, potentially increasing the brand's appeal and reputation.**
- Allows businesses to **recoup initial investments** more quickly.

## Cons

- May **not be sustainable in the long term**, as competitors may enter the market with **similar products at lower prices.**
- Can **alienate price-sensitive customers**, potentially impacting the brand's reach and market share.
- **Risks early adopters feeling deceived when prices drop**, potentially damaging customer trust and loyalty.

# Product Lines

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- A “line” provides a set of similar products/services but different levels of pricing and features.
- Models with more features largely have higher prices and margins. This allows sales staff to “upsell” to more profitable models.
  - Product levels must be separate does not compete in features and price.
- Makes selling easier as different models serve different customers needs providing support to sell “alternative choices.”

# Subscription

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The subscription pricing model involves customers making regular payments in exchange for access to a product or service. This strategy is frequently employed by SaaS companies, streaming services, and organizations with membership structures.

New trend more local home and auto service providers have created subscription-based pricing for routine maintenance products and services.

## Pros

- Generates predictable, recurring revenue, providing financial stability for your business.
- Encourages long-term customer relationships and loyalty.
- Simplifies budgeting for customers, offering a sense of cost certainty.

## Cons

- May not be suitable for all types of products or services.
- Requires ongoing customer satisfaction and value delivery to maintain subscriptions.
- Can be difficult to acquire new customers due to the commitment required, as some may prefer a one-time purchase.

# Flat-rate pricing

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In the flat-rate pricing model, a **set price is established for a product or service, irrespective of the time or resources required** to complete it. This approach is commonly **employed for products or services that are standardized and have relatively consistent costs.**

## Pros

- **Simplifies the buying process for customers**, making it easier for them to compare prices and make decisions.
- **Encourages efficiency, as businesses have the incentive** to complete projects quickly and minimize costs.
- **Reduces the likelihood of disputes** over pricing or project scope.

## Cons

- **Inaccurate cost estimates can lead to lower profit** margins or customer dissatisfaction.
- May **not adequately capture the value provided to customers**, especially for highly customized or complex services.
- Can **result in underestimating the required resources**, potentially affecting project quality.

# Hourly Pricing

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## Hourly

Hourly pricing involves charging customers based on the number of hours spent delivering a service. This pricing method is commonly used by consultants, freelancers, and service-based businesses.

### Pros

- Customers pay for the actual time spent on their project, ensuring fair compensation for your efforts.
- Easy to understand and implement, especially for time-intensive services.
- Facilitates billing transparency, enabling customers to track the progress of their project.

### Cons

- Can be difficult to estimate project durations accurately, leading to potential disputes with clients.
- May encourage inefficiencies, as there's no incentive to complete projects quickly.
- Difficult to compare prices across providers, as the total cost is not immediately clear.

# The Process for Determining Your Final Product Price

1. Choose your (Place) distribution strategy:
  - Do you sell directly to consumers, wholesalers or resellers
    - Research your market or industry. Example: search for “Standard Markup in the Shoe Industry.”
2. Evaluate the market:
  - Competitors: how do your products compare to your competitors and their prices?
3. Choose your “Pricing Strategy:”
  - Higher, matching, lower, value or cost plus.
4. Consider any “Profitability Pricing Strategies.”
5. Review your info, strategy and propose pricing.
6. Use pro forma spreadsheets to model the various financial scenarios
7. *Optimize your gross margins.*

# The Process for Determining Your Final Product Price

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7. Create a financial model (Pro forma).\*
  - Project sales: what is the expected volume you can sell at what price in the competitive environment?
  - Calculate your variable costs (COGS) for the projected costs and determine your gross margin.
  - Does that cover your total fixed costs (operating costs) and provide you with an adequate business profit?
8. Test with consumers, retailers and distributors etc.
9. Decide on final price!

**\*Part of Business Essentials Workshop Series**

Price

Place

Product

Promotion

# Determining Profitability

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Price

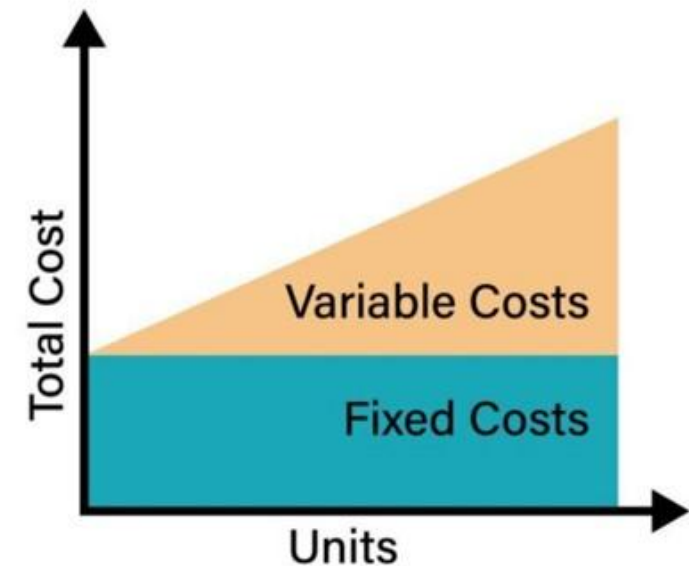
Place

Product

Promotion

# Understanding Your Business Costs\*

	Fixed Costs	Variable Costs
Definition	Costs that <b>do not change</b> in relation to Production	Costs that <b>change</b> in relation to production volume
Nature	Fix costs are time-related as they <b>remain constant</b> over a period of time	Variable costs are <b>production output</b> related as they vary with changes in volume.
When Production Increases or Decreases	Total Fixed Costs stays the <b>same</b>	Total variable cost <b>increase/decrease</b>
Examples	Rent, Insurance, Utilities, Ecommerce website, etc...	Sales commissions, Product ingredients, Hourly employees



\*Part of Business Essentials Workshop Series

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# Pro Forma Income Statement:<sup>\*</sup>

## What is Gross Margin?

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- Gross Profit:
  - The profit a company has after deducting all variable costs from sales.
- Gross Margin (GM):
  - The difference between total revenue and total variable cost expressed as a per cent (%). Can be calculated on a per product basis by dividing the variable cost of a product by its price.

<b>Estimated revenue to <u>your business</u> from a single product (price):</b>	<b>\$35.00</b>
Manufacturing cost of a single product (variable cost or COGS):	\$20.00
Gross profit per product:	\$15.00
Gross profit margin:	43%

Price

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# Pro Forma Income Statement: What is driving profitability? Volume & Same Price

Income Statement	Last Month	6 Months from now
Revenue (Same <b>Price</b> x Volume)	\$100,000 →	\$200,000 (+100%)
Cost of Goods Sold= <b>COGS</b> Variable Costs	\$40,000	\$80,000 (+100%)
<b>Gross Profit</b>	\$60,000 →	\$120,000 (+100%)
Sales, General and Administration= <b>SG&amp;A</b> Fixed Costs	\$35,000	\$35,000 (Same)
<b>Operating Profit</b>	\$25,000 →	\$85,000 (+240%)
Taxes	\$10,000	\$20,000 (100%)
<b>Net Profit</b>	\$15,000 →	\$65,000 (+333%)

\*Part of Business Essentials Workshop Series

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# Pro Forma Income Statement: Price Increase x Volume

Income Statement	Last Month	6 Months from now
Revenue (Same <b>Price</b> x Volume)	\$100,000 →	\$200,000 (+100%)
Cost of Goods Sold= <b>COGS</b> Variable Costs	\$40,000	\$80,000 (+100%)
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<b>Net Profit</b>	\$15,000 →	\$65,000 (+333%)

\*Part of Business Essentials Workshop Series

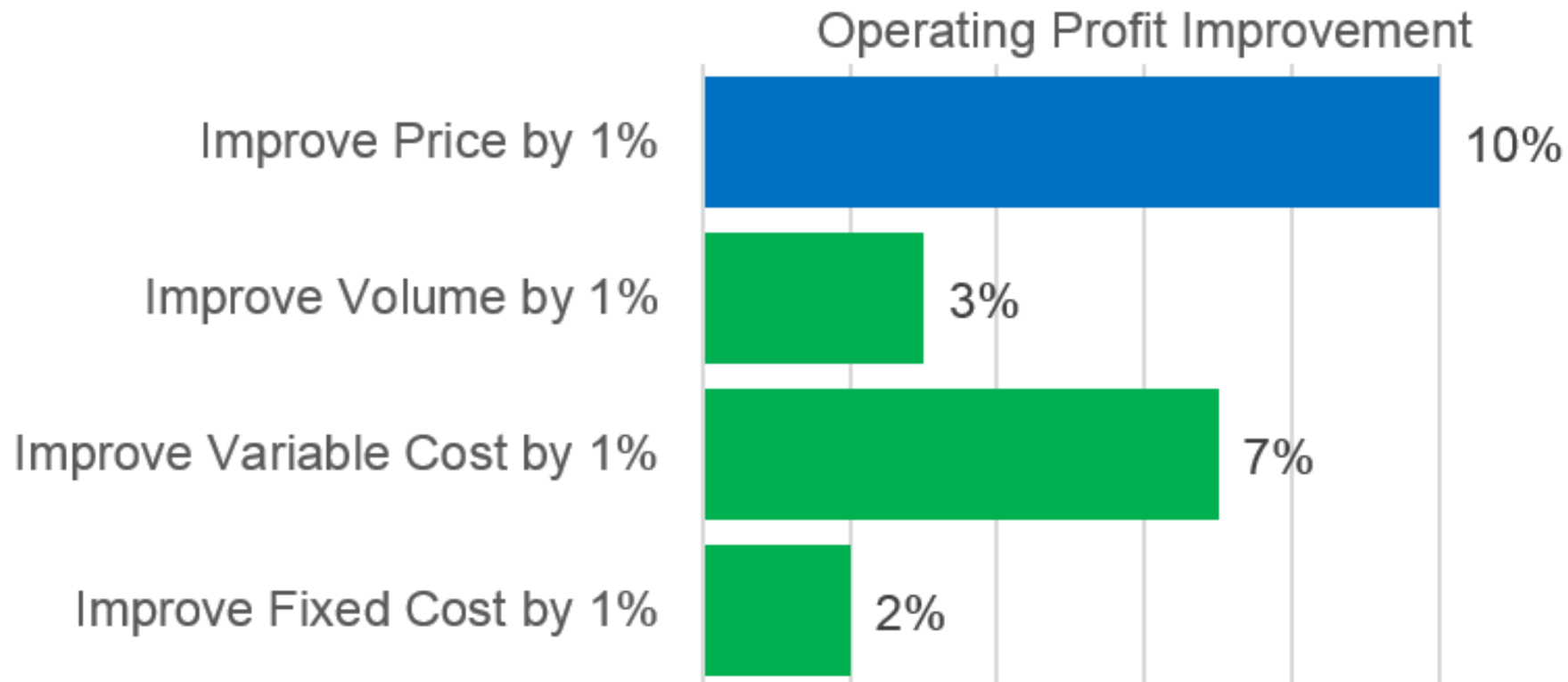
Price

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## Operating Profit Improvement if You...



Source: <https://www.rautavuori.com/>

# The Goal of Pricing Your Services

- Personal services are priced to maximize the monetary value of your available time.
- The “value” of your time is determined by the number of “billable” hours you have each year.
  - Typically, there is a maximum of 2080 hours.
  - 52 weeks @ 40 hours/week per year.
- All businesses spend some hours running their business that cannot be directly billed to clients. (Non-billable hours.)



# Agenda - Closing Remarks

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- Small Business Essential Workshops
- Review of Marketing and 4Ps
- Development of product, services, and distribution
- Pricing for Products
- **Closing and Surveys**

# Closing and Surveys

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- Complete the evaluation with your very frank comments.
- Indicate at the bottom of the evaluation form if you'd like to get a mentor.
- Resolve to thoroughly plan your business before you launch it.
- Use follow-up resources
  - Download PDF workshop presentation copy
  - Download A “Lean Canvas” 3-hour Business Plan
- Setup meeting with a Local Business Mentor
- Not all issues will be addressed today
  - Follow-up with me or your Mentor

# THANK YOU FOR YOUR PARTICIPATION

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U.S. Small Business  
Administration

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