

How to Price Right in Your Market

-What would be a fair price to you?-

Pricing your product or service may be one of the toughest things you will do; therefore you must do your homework. Furthermore, changes in price require careful planning. Pricing your product too low may have disastrous impact on your bottom line. On the flip side, overpricing may be just as detrimental. You must keep in mind what is your ultimate goal—vision and mission e.g. you may want your product to be known for its quality, rather than being the cheapest on the market. Keep in mind the following consequences of pricing wrong:

Underpricing

- Loss in revenue.
- Negative perception—*low quality*.
- Your customer may expect that price from there on.

Overpricing

- Decrease in sales.
- Loss of trust.
- Your customer will always be looking at your competitor's price.

Know your customer

A good rule of thumb when trying to find that “right” price is customer comes first. The more you know about your customer, the better you’ll understand what value they put to your goods or services. Put yourself in their shoes—what would be a fair price to you? You must understand how customers perceive value. Don’t base you’re your price on what they cost—base it on what the customer is willing to pay. Ask your customer and listen to what they have to say.

Know your cost

A fundamental principle is the need to cover your cost and factor in a profit. You must know how much your item/service cost to manufacture. Keep in mind that you need to include overhead cost, such as, rent, shipping or stocking fees. Furthermore, what quantity you need to sell to turn a profit. Creating a spreadsheet with all your cost is a fantastic start.



Know your competition

Never assume you have no competition! Be sure to consider substitute products or services that could substantially affect your business. Identify and profile your major competitors (Pricing, strategies, strengths and weaknesses, location, etc.) and differ from them.

Price change

Change in price is an inevitable fact. You may need to change price to control demand or to cover cost. Nevertheless, this change in price must have a strategy. First ask yourself, is my price too high or is it my cost? If your cost is too high, look for ways to lower your cost first. Keep in mind:

- Do not change your price to steep suddenly. Instead, have a strategic plan over a period of time.
- Do not say “My business is in trouble; I must raise prices” this scares people.
- Offer new offers, new combinations of benefits.
- Discounts or attach a free item to your sell.
- Run sales e.g. Wednesday is senior citizen day—20% off.

Side note

During this research we found the following web pages that you may find helpful. They contain articles and blogs that might help your journey.

- <http://www.inc.com/>
- <http://www.sba.gov/>
- <http://www.entrepreneur.com/>

