

PRICING FOR PROFIT

TIP SHEET

1. Lowest price is not the law. It is the death spiral that you cannot win. Your product pricing strategy should not be the lowest price, rather to be priceless in the eyes of the customer. Pricing is not a numbers game; it is a game of perceived value for the customer.
2. Customers buy product benefits acting first with their hearts and then using logic to decide on which features they want.
3. Change the product size, packaging, and unique selling proposition to create new competitive advantages before considering dropping the price.
4. If you lower the price there is an expectation that the reduction will result in higher volumes of sales. If your gross profit is 40% and you drop your selling price by only 10% you have to do 33.3% more business to make the same gross profit.
5. Know your real costs of production (COP) - labour, product, overheads, utilities, debt, marketing. Use industry standards to compare and monitor how you are doing relative to others.
6. Learn the price range your consumer is willing to pay for your product. Where is the right balance between product value and price in the eyes of the target consumer?
7. Price determines the market channel you can sell into.
8. Many products are sold direct to the consumer verses through retailers to achieve the higher returns and profits. Direct selling has higher risk.