

Pricing Your Products and Services

How do you know if you have found that balance between pricing too high or low? Take a moment and ask yourself the following questions designed to help you determine whether or not you have set accurate prices for your product or service.

1. How do my customers perceive my product or service, in terms of price and value?
2. Do I know what is important to my customers in terms of price, quality and value?
3. How do my prices compare with my competitors?
4. What values and benefits do my customers get from my product or service?
5. Are my prices consistent with those benefits and values?
6. What is the current supply-and-demand relationship of my product or service?
7. Am I in an industry where the demand for my product or service has a short life cycle, and thus I need to cash in quickly?
8. Do I have a product with a recognizable name that allows me the luxury of overpricing?
9. Are my proposals for the most part being considered by potential clients? If not, do I know what the reason is?
10. Is my inventory moving as quickly as I thought it would? If not, do I clearly understand the reasons why?

Whether you own a product or service business, use the following self-assessment to insure you have the proper equation for your pricing model.

1. Have I accurately figured my start-up costs? If so, what are they?
2. What is my cost-per-unit?
3. In determining my cost-per-unit, have I figured in all money spent, including labor, supplies and packaging?
4. How many units can I produce or services can I provide in a year?

5. Do I want to make a profit in the first year, or will I be content to just break even?
- If I want to make a profit within the first year, what is an attainable profit goal? Has that number been added to my pricing equation?

Next Step: Compute Your Price

Enter the total of all your production costs
(include overhead, manufacturing, cost of raw materials, etc.)

Enter your desired profit figure
(if you expect to break even, enter 0)

Enter your expected quantity of units produced or services rendered

Now, ask yourself the following questions and, when appropriate, list the costs associated with each question you answered yes to. Make sure you are charging enough for your time or service to cover any additional costs suggested here.

1. Do you need to join professional or industry trade organizations to network?
2. Do you need to develop a Web site or sales materials to attract potential clients?
3. Do you need to travel and, if so, how often and what method of transportation do you need to take?
4. Do you need to buy equipment and/or software? What type and what cost?
5. Do you need office space so customers can come to you? What is the rent, monthly and/or yearly?
6. What supplies, materials or furniture do you need? What do they cost on a monthly and/or yearly basis?
7. What are your phone costs?
8. Do you need to provide ongoing maintenance once the client is secured? How often? What does it entail?
9. Do I have a clear idea of what my competition is charging?

10. What market position do I aspire to obtain? (i.e., am I going for lower quality and prices, or am I aiming to be the best and charge premium prices?)
11. Do I have an overall understanding of what the market will bear for my service or time?
12. Have I closely examined the supply-and-demand ratio for my service or time?
13. Do I have an established reputation within the marketplace as someone who consistently performs quality work?

The following questions will help you determine if your prices are indeed working for you as planned.

1. Have I kept tabs on my pricing model? How have my sales been affected by it?
2. Am I prepared to change my prices if I determine they aren't working for me?
3. Am I on schedule according to the goals I defined in the pricing model?

Are my products moving, or is there more or less demand than I anticipated based on research? Could any inequalities be resolved by varying my prices?