

The Business and Employment Centre

HOW TO PRICE YOUR PRODUCT OR SERVICE THE RIGHT WAY

**The Best Strategies for Pricing
Your Product Competitively**

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**A free eBook from The Business and
Employment Centre**

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How to Achieve “Winning Price”

HOW TO PRICE YOUR PRODUCT OR SERVICE THE RIGHT WAY

Setting a price for your product or services, especially when you are trying to sell on the Internet, can be the most crucial business decision. Setting a price is not as simple as it might sound. If you are looking to make profit your price should be more than your cost but it has to be lower than the ‘price the market can bear’, i.e. the price your customers expect to pay for your service. You have to keep these things in mind when pricing your products.

There are elaborate pricing plans that you should understand and be able to work with. What pricing plan you want to work with would depend on your business model.

Like the ‘Pricing to Penetrate’ plan. This plan would work for you if your aim is to penetrate the target market, quickly. To achieve this objective you will have to price your product low

But it’s important to decide how low you can go without hitting the bottom. You need to figure out the lowest you can go without running into debts and heavy losses. You should not have reservations about incurring initial losses if you will get long term customers in return.

But how do you determine the lifetime value of any customer?

Lock in your regular customers and make sure you take measures to make them stick to your particular brand. Penetration pricing is useful if you are going to make a long lasting impression. It can also be useful in circumstances where a lot of new players are jumping into the market.

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Your product should be the ultimate ‘sticky product’ which the customer can let go of. Online brokers for example, are so much more convenient that once hooked people don’t even think about alternatives.

Another way to ensure that the customer returns is to manufacture an exceptional product. When selling books online for example, a great book with a good price would ensure your instant popularity.

Amazon.com for example is the leading player among online book stores because of their heavily subsidized rates. Even though this business tactic might have cost them many a thousand dollars but they have managed to create a solid customer base which they can now bank upon.

Another viable example in real life is how companies that manufacture razors hit upon the idea that it would be much more profitable to resell razor blades than handles, and the rest as they say is history.

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Finding the right price for your product is the key to success, in both the long and the short term. The right price for your product would lie somewhere between the cost and the price a customer is ready to pay for your services. The cost would include the expenses on the raw materials and other fixed and variable expenses incurred in the manufacturing.

So much so, that it can also make your profits twice or thrice the present amount. Your products will technically fall into one of the two categories:

Commodity Products

There is a great amount of competition in this field, because the products of the different players in the field are the same it's only the price that they are competing on. You need to be razor sharp and constantly on your toes. How proficient and efficient you are the only things that would make you stand out. A little lax will mess things up again.

Propriety Products

These are authentic products. Genuine and special in their own standing. You compete with the other players in the market on the strength on the special strengths of your services. If you are good enough and in demand you can set a price that you ensure the best profit for you.

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The market on the Internet is fast changing. To keep up you might have to alter your prices frequently, owing to new competition and changes in demand etc.

Then there are certain products like computer hardware that are both commodity and propriety products. Computer systems are getting constantly upgraded and more and more sophisticated and the competition is cut-throat. It's a propriety product in the sense that a Macintosh can still afford to be much more expensive than a normal Windows systems because of the additional features it offers

Anyhow, no matter you do you can't afford to price your product wrongly because it can mean instant death in the market.

Price wars in this day and age are a part of everyday existence for any organization. To survive, you have to constantly be on your toes and deliver whatever you promise. If even one competitor lowers his prices everybody has to follow suit. But if you are not going to then you should have ample reason to stand your ground. A strong customer base which would stick with you no matter what, can be one good reason.