

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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Pricing strategies are a sometimes-overlooked part of the marketing mix. They can have a large impact on profit, so should be given the same consideration as promotion and advertising strategies. A higher or lower price can dramatically change both gross margins and sales volume. This indirectly affects other expenses by reducing storage costs, for example, or creating opportunities for volume discounts with suppliers.

Other factors also determine your optimal pricing strategy. Consider the five forces that influence other business decisions: your competitors, your suppliers, the availability of substitute products, and your customers. Positioning how you want to be perceived by your target audience is also a consideration. Price a premium item too low, for example, and customers will not believe the quality is good enough. Conversely, put too high a selling price on value lines and customers will purchase competitors' lower-price items.

Some pricing strategies to consider are:

- **Competitive pricing**

Keeping your prices in relation to your competitors is the best way to do business. Stay alert about how much your next-door competitor is pricing their products and then price yours similar or lesser to theirs.

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- **Cost plus mark-up**

The complete reverse of the previous mode of tactics, this aims at fixing your prices according to your wish, as per the gain percent you want to keep and not the market. But just as this has the advantage of gaining you lots through setting cheap prices, this may also work adversely under certain circumstances. So think and decide wisely before setting the price.

- **Loss Leader**

Another effective strategy to woo customers and raise sales considerably is to sell relatively cheap items at a lower price to customers who have the potential to buy more expensive things. But this is a relatively temporary arrangement and can often prove to be a gamble.

- **Close out**

This is an interesting technique to try when you are clearing out your stock. This method involves selling your extra goods at extremely cheap rates in order prevent losses.

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- **Membership or trade discounting**

Know your customers. Short list the ones who can reap you profits and give them special offers so that they end up getting wooed into buying more from you and also keep coming back. So reduce prices, give discounts, do what it takes to get them back into your shop.

- **Bundling and quantity discounts.**

The simple one plus one free also works great. So give select customers a considerable discount on bulk purchases, either of the same kind, as in 5 shirts, or similar or related items. And to avoid losses, put offers on old stock or team up one new with old to clear out excess goods.

- **Versioning**

Putting different versions of the same basic product and then offering lower prices for the more basic models is a good way to not only get rid of those models to average people. But one can also team up offers like free servicing for a period with the higher priced ones to work as incentive for the high purchasing customers.

So go ahead and use these tactics to get the level of profit you've always desired.

Promotional Pricing

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Usually promotional pricing are used while launching a new product. It is used to stimulate demand for those products which have a lagging demand. The price target buyers are usually the ones looking for the deal. Some examples of these promotional event pricing are meant for special events. These are usually meant for certain events that could be Christmas or Easter.

There are rebate programs or allowances that are available while buying a home. Sometimes the seller offer a move in allowance or carpet replacement or renovation allowance or a rebate for all cash with no hassle with financing or purchasing of big items such as cars. There are many stores that would advertise no interest financing loans for their furniture purchased.

Car dealership also offers these pricing programs for their previous year models. These strategies in the sales field have been very successful but while using these strategies you have to be careful because customers are becoming more sensitive to the true value of the strategies. Another phase strategy that seem to work is buy one get one free or get two for d price of one.

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This is possible if the product cost is low, with healthy profit margin and also in case of over burden of inventory. Another important mode can be the mode of payment that is the extended payment term.

You need to pay a deposit and pay over a period of time. You would be able to get the product only when you pay up. This is very common among renovation n construction industry as the payment is made first as the initial cost, then when the project is half way and later while it is complete.

Sometimes the low cost warranty or no charge help in these business strategies. A good product usually has no return and a customer is convinced. Therefore these strategies yield a positive impact. The over use of these strategies has led to a customer skepticism. They look for the reality in the deal. The most often used promotional pricing is the “ going out of business” sale.

This sale may be misleading as it may mislead. It is a relocation of d same business. As a customer you should be aware that you are not being duped into such scheme. There are still many effective promotional pricing programs, so be smart as to how to develop your pricing strategies.