



# Kestrel Business Assist

## Setting Prices – are you getting paid what you are worth!

Setting prices for your products or services can be a nervous process.

Despite the temptation, don't fall into the trap of setting your prices too low. Remember, it is much, much easier to bring prices down than it is to put them up!

It is also far more effective at increasing profitability than cost reduction with the additional benefit of being a positive action, not a negative one.

Some of the issues to consider in your pricing strategy are;

### Evaluate your Costs

- Concentrate on the total costs of the product or service provided. For a service these include insurance, licences, legals, marketing. For a product include back up, installation, warranty etc.
- Consider all costs. For example, allow for additional charges as volume increases. Inventory, additional storage, loans for business growth cash flow. Include your marketing time, which could be up to 20% of your billable hours. What about your training, research and other social media time?
- Does one size fit all? Simple price structures are critical for the web, but are we throwing money away. Which customers *should* be charged extras, freight, credit charges, handling fees etc or are just more time consuming? Have you allowed for them? Include pricing tools such as calculators on your web page where possible.
- It may be better to separate price components that are out of your control and consistent with your industry, variations such as "on road costs" and airport taxes

### Sell your price.

- Demonstrate Value. What does your price include and what are the benefits?
- Don't discount away your profit. How many additional units do you need to sell to return the same amount of profit? Will a discount only bring forward a sale? Use discounts to facilitate a trial purchase.
- Product and service" bundling". One thing that works for my service based consultancy is having indicative prices for projects listed on my website. For example the cost of a business plan or sales training is bundled. This allows prospects to get a feel for the costs involved and opens dialogue for their individual requirements.

### Understand your market

- Keep an eye on the opposition, but set your own position. Be confident.
- What pricing will your market accept? Do you understand the need your client has?
- Set short term or long term pricing. Be flexible.
- Set profit targets. Aim to increase profits not sales.
- Establish Customer trust - this can take price off the negotiating table.

Take your time developing your pricing strategy. It will repay you many times over.

What have your experiences been? How has your pricing strategy differed on your web site to other marketing avenues? What has worked and what hasn't? Let us know.

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