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How to Set (and Get) the Right Prices

By Jay Lipe

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Which product feature of yours is every buyer keen to know about? Which sales tool closes prospects instantly? Your price. Yet, despite the far-reaching consequences of a company's pricing, I'm surprised at how little time small business owners spend on it. Here are a few ways to bring pricing to the forefront of your marketing plan.

Price is a promise

Let's say you're shopping for cereal and come across two varieties. One is a well-known brand in a resealable 20 oz. package, which comes with a toy and sells for \$4.99. The other is a store brand, that's packaged in a non-descript plastic bag and sells for \$2.99. Which do you buy?

If price was your only factor, you'd buy the \$2.99 brand. But there are other factors. In this example, the \$4.99 box promises you the reputation of a well-known brand, a toy to entertain your kids and the convenience of resealable packaging. Remember that a price guarantees all the promises wrapped up in your product or service.

Determine your promises

Before you ever touch a calculator, first take stock of all the value factors that are bundled into your price. If your company sells a product, these might include: ·the performance of your finished good ·your distribution capabilities or ·your service and installation services.

If yours is a service, value factors might include: ·the bottom-line impact of your deliverable ·your company's ability to meet tight timelines. ·your experience level.

Pricing financially

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After taking stock of all your value factors, grab a calculator. First, add up all your direct costs (those incurred as a result of delivering your service) which include labor and raw materials. Then, add up all your indirect costs (all other costs that aren't direct) like rent, insurance and utilities.

Now, identify the profit your company needs to attain in order to fuel new investment and reward your employees. Finally, forecast what your annual unit volumes will be. Now, divide the total of your costs and profit by annual units sold, and you end up with a unit price. Sure, this is a simplified example, but the process is sound. This kind of analysis will help ascertain where your prices should be from a financial perspective.

Pricing competitively

It's important not to stop here. Instead, gather competitive pricing information from any of these sources: ·Intermediaries (distributors, brokers) ·Previous customers ·Prospects ·Ex-employees of

your competitors ·Trade associations

After digging around enough, you'll be able to generate a range of prices that your competitors fall into. Together with your financial prices, you'll now have two reference points.

Pricing by position

The last step is to and ask this question "How do we want to be perceived in our market?" In my book *The Marketing Toolkit for Growing Businesses*, I identify 13 possible price strategies you could choose from, but to make this easy, consider just three: ·Premium Price; the most expensive 1/3rd of your market ·Middle Market Prices; the middle 1/3rd ·Budget Price; the least expensive 1/3rd.

Based on the value factors you've identified and your chief competitors, which of these 3 price level best matches your product? The lesson in this exercise is that price positions your product.

The worst pricing decision you can make

"Because we're slow right now, we'll lower our prices. Then as business rebounds, we'll raise them." This is a bad marketing decision because lowering your prices immediately positions your product differently to buyers. Plus very few companies make attendant cost reductions, so margins erode. And when you try to raise prices again, customers who bought at the lower prices will expect to get more value factors for the additional price. A better strategy is to maintain your current prices while seeking cost reductions to maintain your margins.

Another bad pricing decision

"If I drop my price to \$15, then will you buy?" Here, you signal to a buyer that your list prices are not final. Sensing this, buyers will negotiate harder and the resulting price reductions will cut into your margins. Instead, think about coupling price discounts to the buyer with equivalent reductions in your offering. For example, you could say "OK I can lower my price to \$15, but I'll have to reduce our

warranty period from five years to two."

Sure, pricing is a financial decision. But it has wide ranging impact on your positioning, your selling efforts and your product offering. Remember the words of Thomas Paine "What we obtain too cheap we esteem too little; it is dearness only that gives everything its value."

Jay Lipe, CEO of

and the author of *The Marketing Toolkit for Growing*

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How to find the best airline prices on discount airfare!

By Mike Yeager

Locating the best airline prices on discount airfare just got easier. It used to be a cumbersome, time consuming task to buy your airline tickets, but not anymore. The ball really has shifted into the court of the traveler. No need to contact a travel agent and wait for them to get back to you. Today, you decide where and when you want to go, enter a few keystrokes into your computer and, like magic, all the information on airline prices on discount airfare and decision-making tools are at your fingertips.

Do you want to find the best airline prices on discount airfare for travel to Las Vegas? No problem, a few minutes on the computer and you'll be all set. Do you want to locate a company that offers streamlined airline prices on discount airfare to Cancun? Simply enter your destination, when you want to travel and your set.

All the information you need for cheap airline prices on discount airfare is on the internet.

These are amazing times we live in. Take advantage of the power of computers to find the best airline prices on discount airfare with offers far below what you could have found just a few years ago. Remember that when shopping for discount airline prices on discount airfare online you should know when you want to leave and how long you plan to be gone. Simply type in your time of travel and very quickly you'll receive back the answer you need.

Mike Yeager
Publisher

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