



45.0°N 81.3°W

BRUCE
county

Be an explorer.



Harold J. DeVries

Business Advisor, Facilitator, Mentor

How much is too much?

Considerations for setting prices for your product or service in business.



Harold J. DeVries

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Your
Facilitator

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OBJECTIVE:

To determine how best to set the price for your product/service in business.

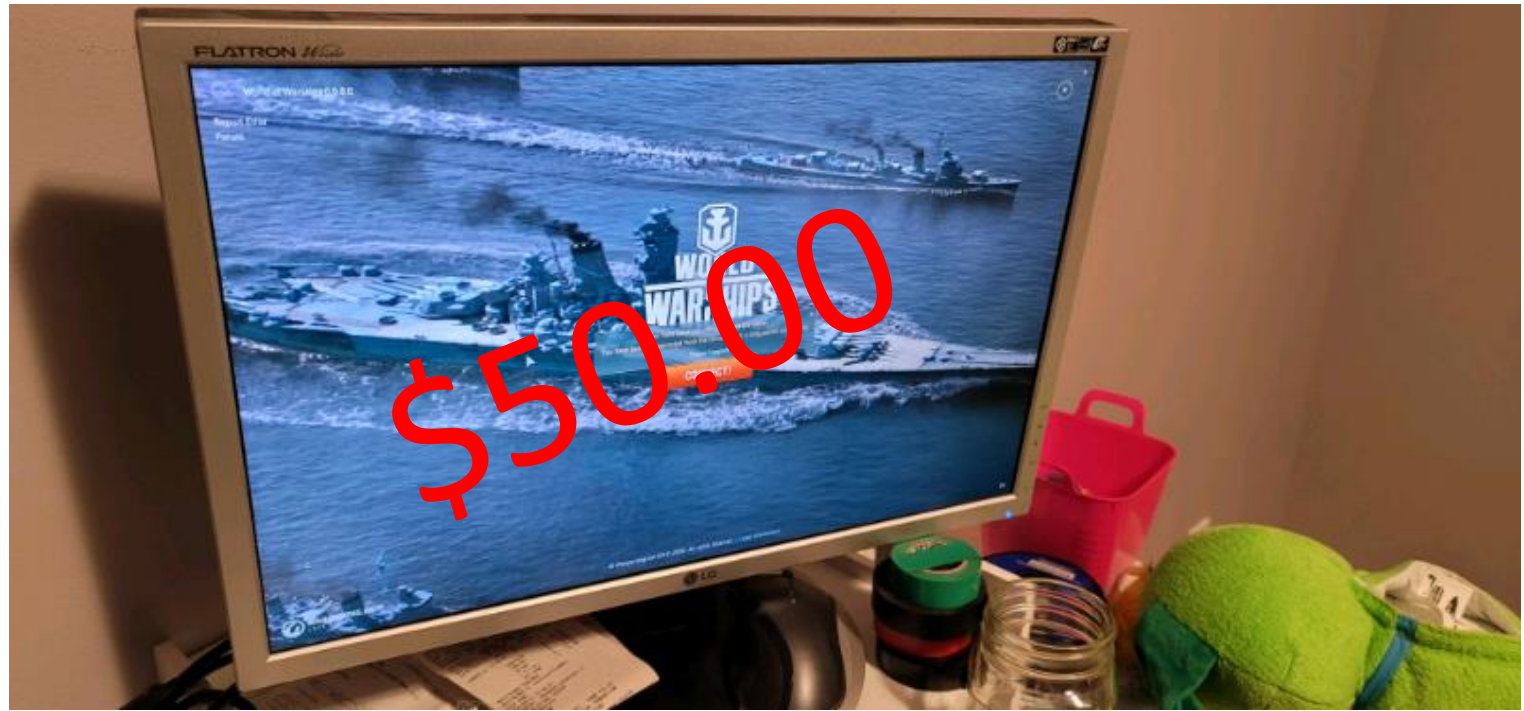
How much is too much?

How much is too little?

How much is TOO
much?

- I will show you a series of photographs of items currently for sale on Kijiji.ca
- Your task is to guess the listed price for the item shown

How much is TOO
much?



21" LG Computer Monitor:

Like new, Older style wide-screen, Vga port to hdmi on back

\$25

\$50

\$75

How much is TOO
much?



\$3198

Black Stainless Steel 3 Door Family Hub Refrigerator I
RF265BEAESG/AC

New, Energy Star Rated Refrigerator

\$2148

\$3198

\$4478

How much is TOO
much?



2009 Forest River - Surveyor 23ft Model - SV 235RKS Sleeps 8 people, 2 front double bunks King bed in the back (power slide) couch, table, AC, fridge electric and propane, new furnace in 2018, stove, awning, new microwave in 2018, radio, bathroom, outdoor shower, freshwater tank 36 gal, grey and black tanks 30 gal each Dry weight 4064 lbs Loaded weight 6500lbs Electric brake and 7 pin harness Trailer is ready for camping.

\$18,000

\$23,000

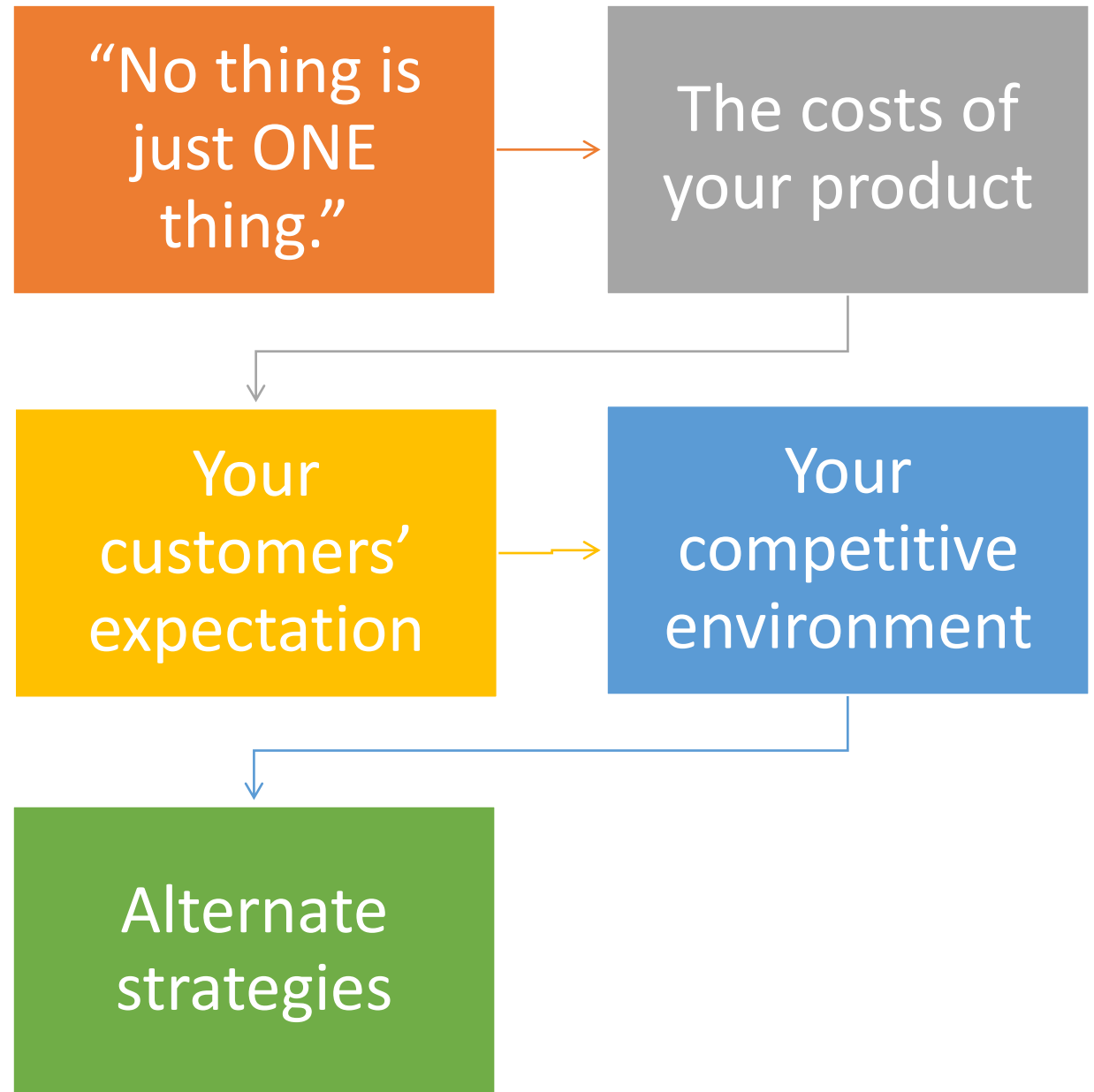
\$32000

How much is TOO
much?

Reflections:

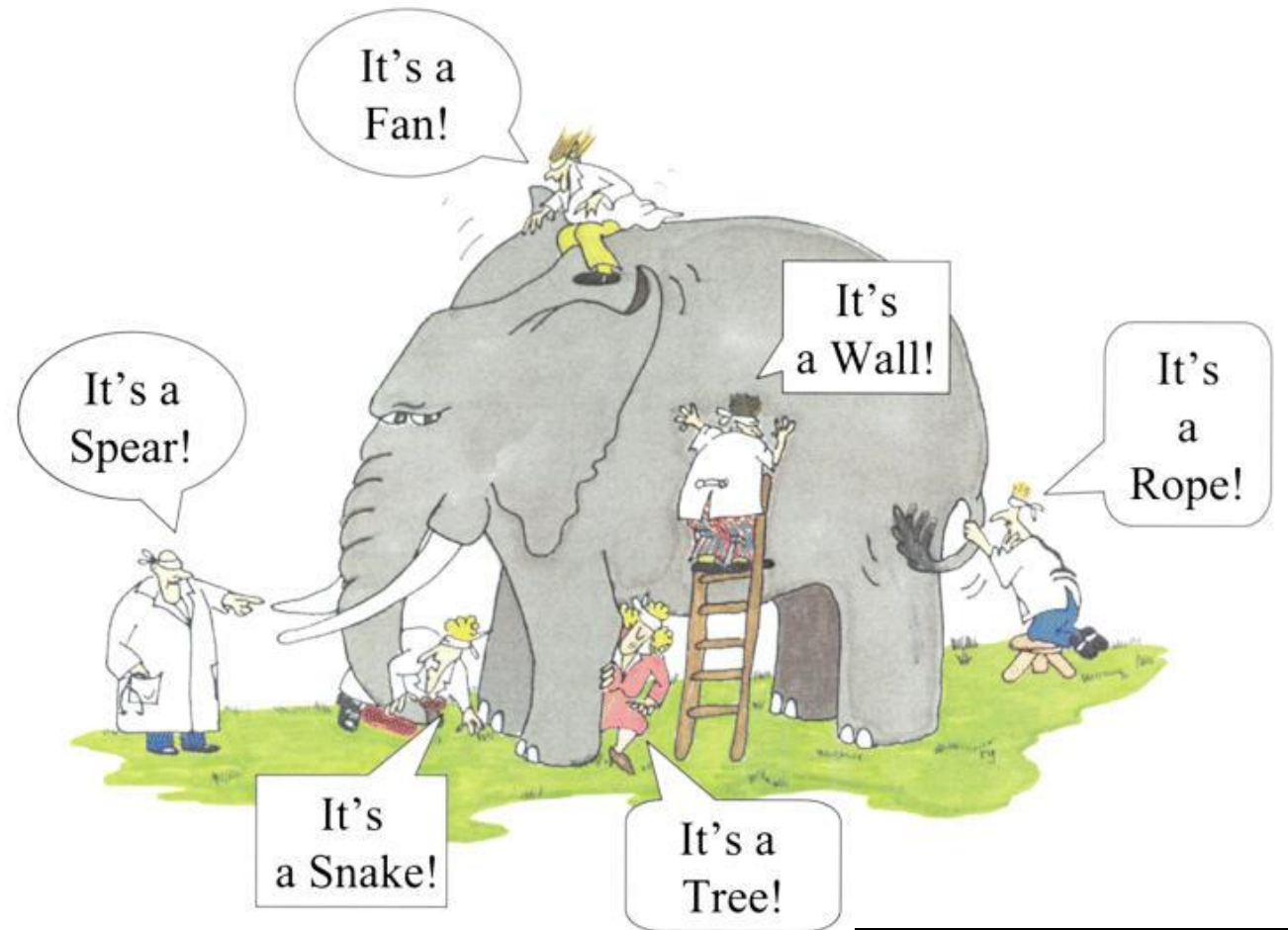
- How did you determine what the list price was?
- What factors did you consider?
 - What would I be willing to pay for it?
 - What is the going price for similar units?
 - How much do I need to get out of it?

Agenda:



“No thing is just ONE Thing”

Richard Bartlett- How to Think Like an Economist



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Cost Plus Pricing Model

- “The amount of profit you earn in your business is directly related to your ability to control the costs not the price that you charge.”

- What does it cost to produce and sell your product?
- How much of each unit sold do you need to cover overhead (operating expenses)?
- How much profit do you expect to earn on each item sold?

Cost Plus Pricing

Material Costs:

- Raw Materials
- Purchased Parts
- Finishes
- Packaging

Labor Costs:

- Paid Labor
- Proprietor Unpaid

Selling expenses
(commissions):

Overhead:

Profit:

Buying Triggers

-
- Status: 10% of the Market
 - Value: 70% of the Market
 - Price: 20% of the Market

Customer Expectations:

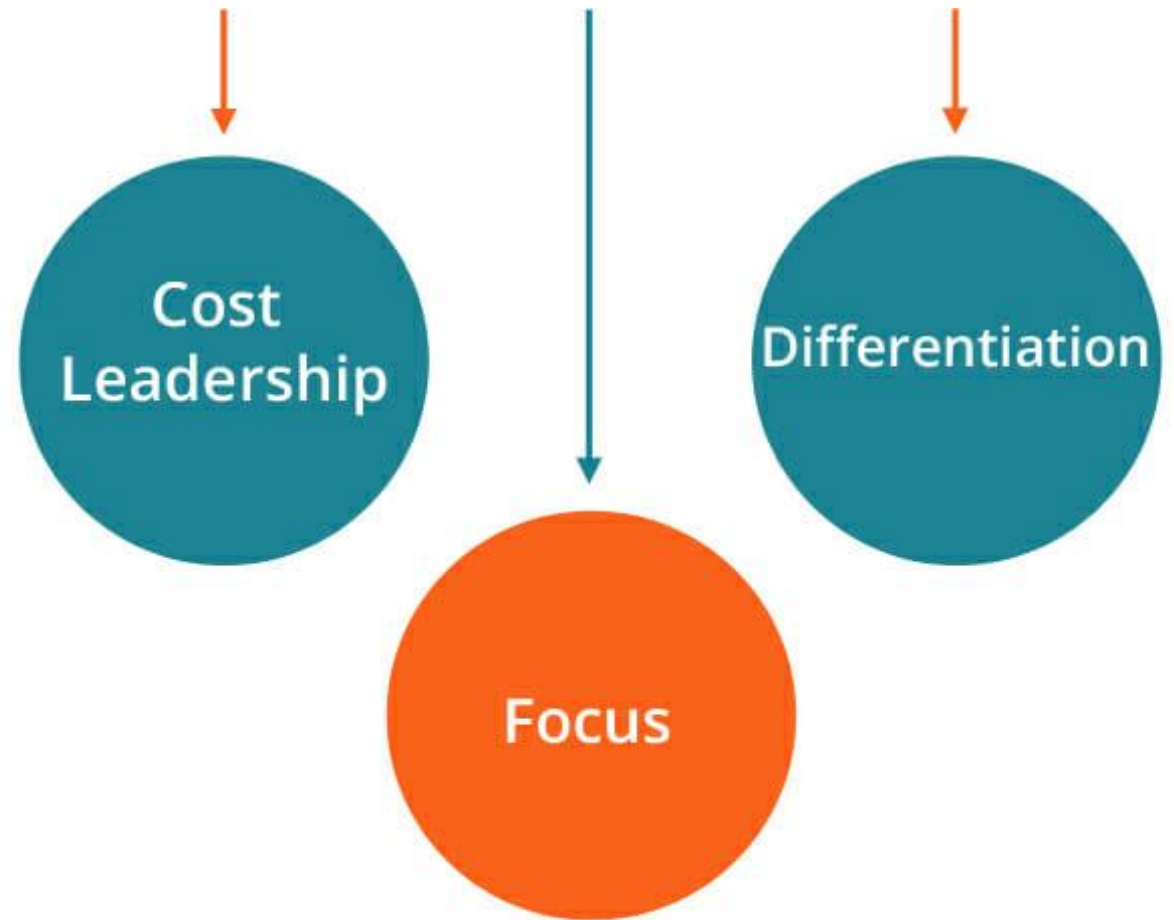
From your market
research:

What is the range of
price that your
customer expects to
pay?

- Floor Price (lowest)
- Ceiling Price (highest)
- Median (price)

Your Business
Strategy

Cost Leadership
OR
Differentiation



Competitive Environment

- How are you positioned in your market?
- What do your competitors charge?



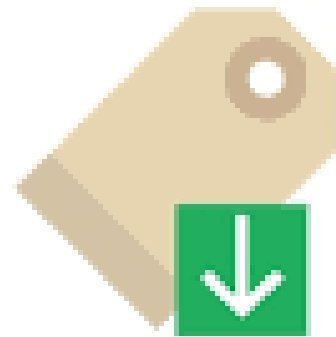
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Competitive Environment

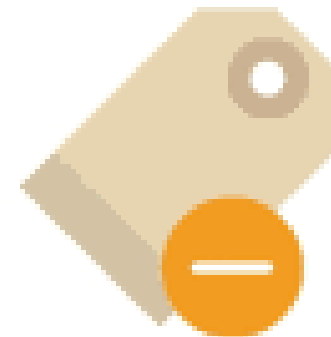
- The **HIGHEST** Competitors price
- The **AVERAGE** Competitors price
- The **LOWEST** Competitive price

Competitor 1



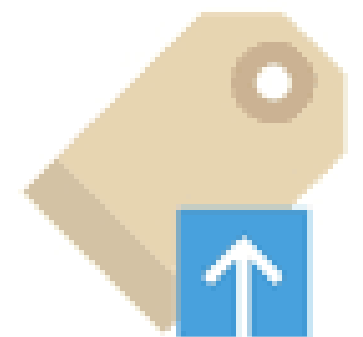
\$90

My Price



\$95

Competitor 2



\$99

Three Prices: How to decide...

- More about Strategy and Marketing
- Ensure that you cover your costs (including profit),
- Do not assume that the lowest price is the best price.

- Cost Plus Price =

- Customer Cost Price =

- Competitive Price =

Alternative Pricing Strategies:

- Penetration Pricing
- Promotional Pricing
- Psychological Pricing
- Bundle pricing
- Skimming
- Gouging

THE MARKETING MIX



Tips and Suggestions:



One price for all!!



The lowest price is not always best.



The highest price is not always best.



It is easier to lower your prices than it is raise .



If, after a transaction, your customer insists on giving you a tip, you are not charging enough.



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