

# Pricing Optimizer Tool

New entrepreneurs often make the mistake of thinking that they will beat the competition by offering a cheaper product or service.

But pricing your product too low can create the impression that it offers little value. On the other hand, pricing your offering too high can put it out of reach of your target market.

Finding the “just right” pricing for your product or service requires upfront research and ongoing experimentation.

**The ideal price should cover your costs and reflect the VALUE you’re offering your customer.** In many cases, the value you’re providing will be more (perhaps much more) than merely the sum of your supplies:

For example, let’s say that you’re running a photography business specializing in pet photos. Your supply costs for creating a photo book may include printing, packaging and delivery. Together, those costs add up to just \$22.

BUT... that number doesn’t include the cost of the time it takes you to meet with the client, arrange the photo shoot, do the photo shoot, design the photo book, and process the order. Nor does it include pleasure, pride, and amusement the client takes from the final product.

When you include all those elements, including the “intangible benefits,” a more accurate price might be upwards of \$300!

Here are some key questions to guide you as you set your first, trial price and then test it in the market.

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- 1. How much does it cost me to produce the product or service?** (Be sure to factor in the cost of your time!)
- 2. How much is the problem I’m solving currently costing my customer?** (Consider what the problem is preventing them from fixing, doing, or experiencing. For example, not documenting a puppy’s first year costs a pet owner the grief and regret of lost memories.)
- 3. What are the intangible benefits of buying the product or service?** (Consider how your offering affects the customer’s emotional state, their self-perception, and their social status. Such benefits deserve a high price tag.)
- 4. How much are competitors charging for similar products?** (You or a friend may need to do some “mystery shopping,” posing as a customer to get information about your competitors’ offerings.)
- 5. How do I want to position the product in the market?** (How do you want customers to see you in relation to your competitors? For example, do you want your offering to be seen as a bargain, luxury, budget-conscious, or eco-friendly choice?)

**6. How much do your customers say they're willing to pay?** (Use customer discovery conversations and/or surveys to get this data.)

**7. How much do I want to earn from the product or service?** (Your income goals should play a factor in your pricing.)

**8. How does the trial price I've arrived at feel to me?** (New entrepreneurs often underprice their offerings, so aim for a price that feels like a bit of a stretch.)

**9. How quickly are customers saying "yes" to the trial price?** (If you're not encountering any objections about your price, you might be pricing your offering too low.)

**10. How will I continually evaluate my pricing?** (Remember to keep an eye on your bottom line as well as on what's happening with your competitors. And listen closely to your customers; their feedback will help you identify the true value you're bringing to your target market.)