8 Expert Tips To Help You Price Your Product

A part of business that many entrepreneurs find challenging is putting a price tag on their product or service. How to balance salability with the need to make a profit is often the question.

When pricing your product or service, consider the factors below:

1. Where will your business sit and who are your customers?

This is as much about the value you want to give your ideal client as it is about their profile. Basic Bananas' Christo Hall recommends positioning yourself above your market. Look at your brand and the quality and the value that you can provide. You want your market to not only perceive value in your product, but actually receive it. You want them to walk away from you feeling that they've gotten more benefit than they paid for.

2. How is your brand perceived?

There are various ways you can influence value perception. Many high-end brands will come out with a high-priced model of their product, not so much to sell that model, but to influence the perception of their brand so that people will see their lower-priced items as being good value for money.

Celebrity endorsement is another way to achieve this.

Yet another is leveraging what people know of your knowledge, your track record, your reputation, etc. to make the choice of your product or service a no-brainer. Credibility in your space can be attained in three ways: Marketing, testimonials, and demonstration (through articles or video resources, for instance).

3. Does your pricing reflect quality?

One of the most common problems in pricing is that people want to price as low as possible. The trouble with lean pricing is that consumers often associate cheap with poor quality, while expensive equals value.

Too, if you don't charge enough, you may not make enough to stay in business, meaning you'll be no help to anyone.

So deliver value, and charge appropriately for it. If your coaching can earn a client $200,000 over a year's time, you shouldn't feel guilty charging $10,000 for your expertise. The bigger your outcome, the higher you can price your product or service.

4. More is not always better.

Beware of creating too many options for your customers. You run the risk of confusing them, and confused customers do not buy. If you've got an array of 50 different products or price tiers, some simplification is in order.

5. Consider the math.

Pulling a number out of thin air without considering what it costs you to deliver is bad for business. Track your expenses - get as granular as is reasonable. Consider your fixed costs - rent, internet, team, CRM, etc. Know your variable costs - the occasional consult, commissions, welcome packs and so forth. Even your lunch is an expense.

Work out as well your effective hourly rate. How many hours of your life does it take to deliver, and how much does it work out to per hour?

Review your P&L (profit and loss) monthly. Take into account every tool, every line item. Be aware of your profit margin.

6. Research and develop.

Do regular R&D to understand how you're creating value for your customers and what kind of results they need. Adjust, tune and modify accordingly. It may be a more affordable product line, or it may be a higher-tier offering on top of your most expensive item.

7. Take care of your buyers.

If numbers and circumstances warrant a change in pricing, think of the customers who have already bought from you. A grandfather arrangement when you raise pricing on recurring services, or first choice of a lower-priced option, will go a long way towards retention.

8. Do nines and sevens really work?

A lot of studies have been done on the effectiveness of round numbers versus not-so-round, and whether ending in nine or seven is the way to go. Apparently if not overused, nines and sevens do work. Round numbers too get good results in some cases. However, testing with one's audience is still a good idea.

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