

## BEER MAT MENTORING MEETING NOTES



THE PRINCE'S  
COUNTRYSIDE  
FUND



### (8) Setting the right price

*The first seven Beer Mat Mentoring meeting notes were essentially a shortened form the Germinate Enterprise workbook on starting a business. The remaining meeting notes are on a range of issues for those in business that can be covered in any order.*

First off: is the price right? What price will maximise your profits?

#### Price Up

The most common mistake is to undercharge. For some products or services, a low price can put customers off. They assume that cheap means inferior. Do you want a cheap hairdresser or plumber, cheap wine, a cheap boiler or a cheap holiday cottage?

I once worked with a consultant in a particular technology specialism, who decided to rebrand himself as a guru, buy an expensive suit, and double his fee to £2,000 / day. He remained just as busy as ever. Nice work if you can get it.

- What is your strategy: are you trying to sell a lot at a low price or a few high quality items at a high price?
- Many businesses set a price that is a bit more than the cost of producing the product or service. But for some items, especially if they are new or unusual or difficult to get hold of, customers might pay much more. It's not what it costs but how much it is worth to the buyer.
- Does changing the price have a big effect on how much you sell? This is true for commodities and easily comparable products. If so, reducing your price a little could increase sales so much that you make more money. If changing the price does not have a big effect on how much you sell, increasing your prices could make you more money.
- If you are selling your time, don't undercharge. 60% utilisation is good for a consultant – the rest of the time is unpaid selling or administration. And allow for holidays, sickness, office costs, etc. You may need to charge double your employee hourly rate or more; but your customers will save because they only have to pay for the time they need and save on National Insurance, pension, etc.

#### Big deal

It's not just the one off price you need to think about, if you often sell multiple units. What about discounts for quantity? One of my clients thought they were more expensive than the competition, but our research showed this was only true for single purchases. Generous quantity discounts meant they were cheaper than competitors in the most common order quantities.

If you sell something expensive and suspect this is a barrier for customers who don't know you, can you offer a sample or taster? Perhaps a free sample at shows, a low cost equipment check or service review, or a three months subscription for free if you sign up for a year, cancel any time. The sample offer could then be linked with a discount on the first full price purchase. But we are straying into lifetime value and sales promotion, to be covered in other meeting notes.

#### NOTES