

3 STRATEGIES

TO PRICE YOUR PRODUCT EFFECTIVELY

PRICING 101

A good pricing strategy is a necessity to have a chance to succeed. Pricing correctly will help you achieve more sales. Let's take a look at the pros and cons of these three pricing strategies to help you determine the right price for your product.



The most straightforward method of pricing: Product Cost + Mark up = Product Price.

COST BASED PRICING

This simple method of pricing ensures that you won't be making a loss and you can determine your profit margin. This method however does not take into account the customers purchasing the product.



**COST + MARK UP
= PRICE**

Example: Cost-Based Pricing Calculation Table

Cost per Unit (RM) <i>Template 9C</i>	Mark Up (%)	Mark Up (RM)	Selling Price (RM)
5.00	30%	1.50	6.50



Identifying similar products in the market, comparing them & pricing your product accordingly.

MARKET BASED PRICING

The difference or similarity in prices challenges your competitors directly & ensures that your price is most likely accepted by customers. This method however ignores the cost of your product & may eat into your profits.



**PRICE BASED
ON
COMPETITOR'S
PRICES**

Example: Competitive Analysis Framework for Products

	Product A	Product B	Product C	My Brand
Selling Price	6.00	5.50	7.00	6.50
Product: Unique Features	Most popular and favourite brand	Most affordable product	Industry's standard for quality	With added healthy ingredients
Product: Strength	Available in all convenience shops	Best value for money	Superior taste and texture	Good quality and affordable
Product: Weakness	Not available online	Not the best tasting product	Most expensive	Only available online
Customer Review	Favourite product	Good value for money	Good quality product	Good tasting and health benefit

*As businesses vary from one another, you may add or change the criteria for your business.



Identifying your customers' perceived value of your product in terms of quality, portion & other external factors.

VALUE BASED PRICING

Obtaining well-researched data helps you make effective, well-informed pricing decisions. This method however requires in-depth consumer research & may require some trial and error.



**PERCEIVED
VALUE OR WHAT
THE CUSTOMER
IS WILLING
TO PAY**

Example: Value-Based Calculation Table

Selling Price (RM) <i>Customer willing to pay based on needs and value</i>	Cost per Unit (RM)	Profit Margin (RM)
7.00	5.00	2.00

NOTE: A suggested pricing policy would be to determine and check your pricing with all three strategies.

MAKE USE OF THESE THREE PRICING STRATEGIES SIDE BY SIDE TO DETERMINE AND VALIDATE YOUR PRICING DECISION!

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