

Making: *The Price is Right.*

How to price your products and services.

Building up to the advertised price.

Created and Presented by Steve Carver ***

Expert, Free Counseling

Your Small Business Center, Lenoir CC

Call or email today for appointment: 252 522-8021

GREG HANNIBAL

There's never a black and white approach to pricing.
It's a moving target. Beware of Take It or Leave marketing.

Building up to the advertised price.

Price products and services by **establishing values.**

Basis of business cornerstone. The law: **Fair Market Value**
The price at which the property would exchange hands
between a willing buyer and a willing seller
neither being under any compulsion to buy or sell,
and both having reasonable knowledge
of the relevant facts.

Treasury Regulations sec 20.2031(b)

Selling Services Trading Time for Money

Requires: Knowing that your personal earnings have a constant -
direct relationship with the minutes and hours you are on the job
actually producing "sellable / billable" time.

Not to include commuting/driving time, biscuits and coffee time,
scheduling
appointments - training – marketing – housekeeping or management
time.

Example: Your personal take weekly take home earnings goal: \$ 1,000.00

Selling revenue after sales/ use tax.... \$ 2,550.00
(CODB) Cost of Doing Business: 50% < 1,275.00>
Your taxes, FICA, ss deduction: 16% < 204.00>
Your insurance deduction < \$ 71.00>
\$ 1,000.00

Weekly take home earnings goal: \$ 1,000.00

Gotta Sell \$ 2,550.00

| At work | Time selling | Sells Per hour |
|----------------|---------------------|-----------------------|
| 40 hours..... | 15 hours | \$ 170.00 |
| 30 hours..... | 10 hours | \$ 250.00 |
| 20 hours..... | 7 hours | \$ 364.00 |
| 10 hours..... | 3 hours | \$ 850.00 |

Mastering the calendar.

Target: 4 day week, 4 week month (28 days)

Divide your weekly income goal by 4 to determine the revenue needed each day.
Schedule appointments and jobs balancing the hours and your income goals.
Scheduling considerations have to include travel time, CODB, proximity to next appointment, preparation time.

Gotta sell \$2,550.00 per week.

4 day -> \$ 640.00 per day.

| Mon. | Tues. | Wed. | Thur. |
|---------------|---------------|---------------|---------------|
| \$700. | \$250. | \$160. | \$400. |
| | \$250. | \$160. | \$300. |
| | \$150. | \$160. | |
| | | \$160. | |
| \$700. | \$650. | \$640. | \$700. |

Challenge Question:

Your target weekly income after expense is \$1,200.00.

Your expenses are \$600.00 per week.

Time on job to 3 days @ 12 hours each day.

Question:

How much per hour will you need to earn to reach your income goal?

\$ ____ .00 per hour

Selling Products

1 Selling Rule: You cannot SELL RIGHT, if you do not BUY RIGHT.

We must Buy below FMV, So we can Sell above FMV.

***For openers, a safe place to start
Steve's 3 times Cost Rule.***

3 x Your cost is \$30.00

Logic: \$ 30.00 recover initial cost
\$ 30.00 recover your overhead cost (CODB)
\$ 30.00 providing taxes and profit.

\$ 90.00 Standard Retail Price

Your Standard Retail Price \$ 90.00
add ons - additional CODB .. Examples
\$ 5.00 Targeted advertising investment
\$ 5.00 Customer loyalty planned investment
+\$ 15.00 Special "Hook" planned discounts.
\$ 115.00 adjusted advertised (sales ticket) price.

Use **Fair Market Value** as a foundation for your strategy.

The law: The price at which the property would exchange hands between a willing buyer and a willing seller neither being under any compulsion to buy or sell, and both having reasonable knowledge of the relevant facts. **Treasury Regulations sec 20.2031(b)**

Marketing buying – negotiating values.

Fair Market Value, maybe financing available. *
Low dollar Retail, Cash price retail, "as is – where is"*
Wholesale*
Low dollar wholesale. Dealer invoice plus prep and accessories added. *
Dealer invoice including factory freight and floor plan cost.*
Low dollar wholesale. *

Below wholesale, Consignment*
 Orderly Liquidation Value. Distressed. * (typically have 2 weeks to 90 days to prepare)
 Forced Liquidation Value. Foreclosure. * Reserves auction. Pin Hooker. (typically, must sell within 30 days)
 Salvage Value*. Absolute auction.
 * not advertised.

Marketing selling – confidential values.

Retail, Promotional Advertised, MSRP + prep + freight + financing + negotiating and with trade in allowance factors.
 * not advertised.

Retail, Start serious negotiating, MSRP + prep + freight + financing + negotiating without trade in allowance factors.*

MSRP (mfg. suggested retail price) *
 Retail, Competitive, with financing *
 Fair Market Value, maybe financing available*
 Bare bones Lowest price Retail, financing and warranty after trade-in.
 Lowest dollar Retail, Cash price retail, “as is – where is” *

Marketing selling – advertised values.

Retail, Promotional Advertised, MSRP + prep + freight + financing + negotiating and with trade in allowance factors.

Retail, start serious negotiating, MSRP + prep + freight + financing + negotiating without trade in allowance factors. *

MSRP (mfg. suggested retail price) *
 Retail, Competitive, with financing *
 Fair Market Value, maybe financing available*
 * not advertised

Marketing values. Examples.

Retail, Promotional Advertised ... (value added options).....\$ 13,875.
 Retail, Start serious negotiating (5% less of Promo Advertised)..... 13,000.
MSRP (mfg. suggested retail price, approx. 22% over invoice) 12,200.
 Retail, Competitive, with financing..... 11,900.

Fair Market Value (approx. 15% over invoice) \$11,500.

Bare bones Lowest price financed retail 11,250.
 Lowest dollar Retail, cash price 11,000.
 Wholesale... (Dealer to dealer transfers) 10,550.

Low dollar wholesale. Dealer invoice plus prep and Accessories added..... 10,400.

Dealer invoice including factory freight and floor plan cost \$10,000.
 Below wholesale, Consignment 8,500.
 Orderly Liquidation, Distressed. 7,000.
 Forced Liquidation, Foreclosure. Reserves auction, Pin Hooker..... 6,000.
 Salvage Value. Absolute auction..... 4,000.

Marketing Model. Tag - Pricing levels.

Showroom Examples.
 Retail, Promotional Advertised\$ 13,875.

| | |
|--|------------|
| Retail, Competitive, with financing.....(less 15%).....\$ | 11,799. |
| Bare bones Lowest price financed retail | \$ 11,250. |
| Lowest dollar Retail, cash price | \$ 11,000. |

PRICING STRATEGIES

1. Your Simple Formula ... Determine your product cost, add the dollar value gross profit, add a percentage or dollar value to cover your CODB, add special targeted advertising promotion cost percentage or dollar value.

The subtotal is your "bottom line - cash sale price.
Now add PLANNED negotiating or discounting value.

The total is the advertised - ticket - sale tag price.

2. Keystone Pricing Double everything. Doubling the cost of the product to arrive at a 50% markup.

Pros: Works as a quick-and-easy rule of thumb that ensures an ample profitability margin.

Cons: Chances are that depending on the availability and how competitive a product is, it's usually unreasonable for a retailer to mark up a product that high.

3. Manufacturer Suggested Retail Price (MSRP)

This is the price the manufacturer recommends that you as a retailer use to sell their products to the general consumer. The reason manufacturers first started doing this was to help standardize prices of products across multiple locations and retailers.

Pros: As a retailer, you can save yourself some serious headache by taking yourself out of the decision-making process and going with the flow.

Cons: You're unable to carve out or sustain an advantage over any of your competitors by being able to compete on price or availability.

4. Multiple Pricing

This tactic is where a merchant sells more than one product for a single price, a tactic alternatively known as product bundling pricing.

Pros: Traditionally, retailers using this strategy to create a higher perceived value for a lower cost which can ultimately lead to driving larger volume purchases.

Cons: When you bundle products up for a low-cost, you'll have trouble trying to sell them individually at a higher cost creating cognitive dissonance for consumers.

5. Discount Pricing

Everyone love sales, coupons, rebates, seasonal pricing among other promotion related markdowns, and that's exactly what this refers to. There are several scenarios in you might consider going down this road. The more obvious ones being to increase foot traffic to your store,

offloading unsold inventory, and attracting a more price-sensitive group of consumers.

Pros: Great for attracting a larger amount of foot traffic to your store and getting rid of out-of-season or old inventory.

Cons: If used too often, it could give you a reputation of being a bargain retailer and could hinder consumers from purchasing your products for regular prices.

6. Loss-leading Pricing:

Encourages shoppers to walk into a store knowing they were having a sale on a **hot-ticket item** only to buy not just that one item but several others while you were at it.

Loss-leading pricing lures in customers with a product they want at a lower price than competitors and benefiting from the additional products they'll purchase while in your store.

Pros: This tactic can work wonders, especially, when you consider complementary or additional purchases a consumer will make when their in your store, resulting in a boost in overall sales per customer.

Cons: Similar to the effect of using discount pricing too often, when you overdo loss-leading prices, people will become trained to expect bargains from you.

7. Psychological Pricing - Numbers

It's only \$99.99 , Now-> Under \$ 195. Per month.

Retail is a numbers game and surprising things happen when merchants take advantage of the different ways customers perceive their pricing, giving way to the term psychological pricing.

Pros: You tap into the irrational part of a consumer's brain and trigger impulse purchasing through perception of a bargain deal or steal.

Cons: When you're selling luxury goods, stepping down your price from a whole number like \$1,000 to \$999.99 will actually hurt the brand perception of what it is you're selling

8. Below Competition

Consciously pricing products below competition to lure consumers into your store.

Pros: This strategy can be killer if you can manage to negotiate with your suppliers to obtain a lower cost per unit while at the same time focusing on cutting costs and actively promoting your special pricing.

Cons: This can be difficult to sustain when you're a smaller retailer given the lower margins you'll be making.

9. Above Competition

Consciously price your products above competition and **brand yourself as being more luxurious, prestigious, or exclusive.**

This works for Starbucks when people pick them over Dunkin' Donuts and it's a scientifically proven fact as well.

Pros: This pricing strategy can work its “halo effect” on your business and products by giving consumers the perception that your products are of better quality and more premium due to the amount they’ll be paying for them.

Cons: It may be difficult to pull off if the location and surrounding demographic are too price-sensitive and have several other options to purchase similar products.

10. Psychological Pricing - Anchor Pricing. Show retail and sale prices = Save \$ ____.

List both a sale price and the original price to establish the amount of savings.

Pros: If you happen to list your original price as being much “higher” than the sale price, it’ll automatically trigger a response in the consumer of having found a great deal, pushing them to act on their impulsive buying habits.

Cons: If you’re anchor price is perceivably unrealistic it can lead to distrust and customer outrage given the age of information, where consumers can readily research pricing anywhere they happen to be thanks to their mobile devices.

11. Skimming (Profit Maximization)

The skimming method involves first charging a high price for a product, then gradually decreasing it after building a customer base.

Believe and Trust in Yourself.

"Don't wait until everything is just right. It will never be perfect.

There will always be challenges, obstacles, and less than perfect conditions.

So what? Get started now.

With each step you take, you will grow stronger and stronger, more and more skilled, more and more self-confident, and more and more successful."

Credit: Mark Victor Hansen, Author, current book "The Miracles in You."

I'm looking so forward to seeing you grow to the next level of entrepreneurialism.

Ask questions. Share comments. Email feedback to carvstv@aol.com

THANK YOU

God Bless You and Your Family

Steve Carver

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Disclaimer.... Summarized Free Advice

The information offered here is **general in nature**, based on years of small business experiences and observations and interactions with many

thousand entrepreneurs when presenting over eight hundred seminars and helping hundreds to start new businesses over a fifty-year period of time.

Seminar and Webinars presentations do not take into account the specific and private circumstances of attendees and/or participants and **should not be acted on** without full understanding of each individual current situation, future goals and objectives by a fully qualified certified and licensed advisor. In doing so you risk making commitment to a product and/or strategy that may not be suitable to your needs.

Respectfully submitted with Best Wishes,

Anthony Steven Carver

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|------------------------|---|
| Tuesday | Start a business, 24 things to know |
| Wednesday | How to Target and Find Customers |
| Thursday | How to cash flow and fund your business |
| Feb 22 Monday..... | Start a Home Based Business |
| Mar 08 Monday..... | Start Internet Selling Business-Basics |
| Mar 10 Wednesday... | Start Trucking Business |
| Mar 17 Wednesday... | Taxes, Record Keeping, Sales Secrets |
| Mar. 18 Thursday | Improve your credit score |
| Mar. 22 Monday..... | Start Lawn Maintenance Landscape Business |
| Mar. 25 Thursday..... | How to Target and Find Customers |
| April 08 Thursday..... | Start a salon or barber shop business |
| May 05 Wednesday | Forecasting and Negotiating Skills |
| May 11 Tuesday... | What's the business worth? Buy-Sell |
| July 15 Thursday... | Start a Home-Based Business |
| July 20 Tuesday..... | Marketing with DBS. Doing Business As. |
| July 29 Thursday | Cash Flow, 15 way to create positive c/flow |

