Pricing Strategy
Key Considerations

When navigating the landscape of pricing as a start-up , it's essential to consider all your options and craft a plan that covers your costs, and also positions your business competitively in the market. Here a brief overview to get your started:

Cost Analysis:

You can start by understanding your costs. This includes both direct costs (material, labour, time) and indirect costs (marketing, overheads). Ensure that your pricing covers these expenses, while leaving room for profit.

Market Research

It's vital to conduct market research to understand customer needs, competitors pricing strategies, and the perceived value of your product or service. This will help you determine a price point and structure that aligns with market trends and expectations.

Value Proposition

Also known and your USP (Unique Selling Point), you should clearly define this before you look to create your pricing. What sets your apart from your competitors? Highlighting these areas can justify higher prices or differentiate you within a crowded market.

Pricing Models

Explore different pricing models to find the one most suitable for your business, considering long-term goals and your mission. Find some examples on the following page.

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Pricing Strategy
Examples of Pricing Models

Cost-Plus Pricing

Cost-plus pricing involves setting prices based on the total cost of production, plus an increase to gain desired profit margin.
Example: A bakery determines that the cost of producing a loaf of bread is £1.50, and they want to achieve a 50% makrup to gain profit - setting the selling price at £2.25 (£1.50 cost + £0.75 markup)

Competitive Pricing

This involved setting prices based on the prices charged by competitors in your market, with the goal of being competitively placed while remaining profitable
Example: A retailer will monitor the prices of similar products offered by competitors, and set or adjust it's prices to stay in line with these.

Value-Based Pricing

This pricing structure is when a business sets prices based on the perceived value of he product or service being offered to the customer. It focused on the solution and value-proposition offered rather than solely on costs and the pre-existing market.
Example: A luxury hotel sets it rates based on premium experience of the venue for the customers, such as amenities, location and exceptional service. The prices are higher than budget hotels due to the higher value of the offering.

Penetration Pricing

This involves setting initially low prices to quickly gain customers and a market share. This is often delpoyed when a company releases new products or enters a new market.
Example: A new restaurant offers discounts and promotions to encourage people in the door and gain recognition and reputations. By offering these low prices initially they aim to secure a customer base and brand loyalty.

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Premium Pricing

Premium pricing means setting higher prices in order to position your produce or service as superior to other on the market - similar to value-based pricing but with more emphasis on exclusivity and status.

Example: Designer fashion brands charge more than high-street brands, justified by craftsmanship, design, quality and exclusivity.

Dynamic Pricing

This involves adjusting your prices to evolving factors such as demand, customer behaviour, and competitor prices - this allows your business to stay relevant and encourages continuous revenue in line with market trends.

Example: Airlines prices their tickets using this strategy, with the cost of a ticket fluctuating based on a variety of factors such as demand, time of year, and how close to the departure date it is.