

# How To Set Your Product Price Correctly



**S**etting the correct price for your

product or service is a delicate state of affairs. You have to determine a price that will reflect your production costs as well as the value your buyers place on your product

Think about your production costs. These costs lie in both the fixed and varying expenses to manufacture or provide your product or service.

Fixed costs include rent, salaries, and property taxes - any disbursement that doesn't change a great deal of the time.

Variable costs vacillate depending on the measure of goods produced or services supplied. They include raw materials, hourly wages and sales commissions, sites and advertisements.

Analyze your market. How much are buyers willing to pay for your product? Conduct market research to test your

pricing scheme. See what rivals are charging. You might price your product higher than the norm if you provide better service and products than your rivals.

Assess your product's uniqueness. See how closely your product resembles a contending product.

Consumers will be reluctant to pay greater prices for your product if they may pay less for a competing brand.

Ascertain your product's price elasticity. Your product's elasticity is ascertained by whether price changes result in changes in demand. For instance, if slight changes in price results in important changes in demand; your product is looked at to be elastic.

All the same, if there is little change in demand even with substantial price changes, your product is inelastic. The greater the price elasticity, the closer you ought to price your products to your rivals' products.

Set a price. Take all these components into consideration before arriving at a decision.

## **Wrapping Up**

Ask trade or business affiliations for info on typical pricing techniques or average profit margins in your industry.

Use your pricing scheme to create a product image. If you price much lower than competitors, consumers may think that your product is priced less because it is inferior.

Alter your pricing. You might change your pricing, depending upon your goals. For instance, you may charge a lower introductory price for a short time period to attract a large number of fresh buyers.

If in doubt, price on the high side. It's always easier to discount prices than to raise them.



## **Beware of undercharging.**

Lowering your price far below that of rivals will produce the wrong image for your product.

Small businesses can't afford to undercharge because they often can't produce enough units to qualify for volume discounts.

Therefore, their take of each sale is slim.