

# Pricing for Profit



# Agenda

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- 02** Budgeting for Pricing

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- 03** Break-Even Point

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- 04** Different Pricing Strategies

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- 05** Summary – Your Pricing Action Plan

# Introduction - Why Pricing Matters

Pricing isn't just about covering costs—it's the single biggest lever for profitability. Many new founders underprice, fearing they'll lose customers, but this creates a poverty trap. Getting pricing right early builds a sustainable business.



## The Profit Equation:

- $\text{Income} - \text{Costs} = \text{Profit}$
- $\text{Income} = \text{Price} \times \text{Volume}$

## Three Pricing Mistakes New Founders Make:

- Copying competitor prices without understanding your own costs
- Charging what you'd personally pay (not what the market values)
- Forgetting to price in your own time/salary

## The Confidence Problem:

- Underpricing signals low value
- Your price trains customers what to expect
- Premium pricing attracts better clients who respect your work



## Practical Tips:

- ✓ Before setting any price, ask: "Can I run a sustainable business at this rate?"
- ✓ Test small price increases—you'll lose fewer customers than you fear
- ✓ Remember: 10 clients at £100 beats 20 clients at £50 (same revenue, half the work)



## Key Takeaways:

1. Pricing is strategy, not guesswork
2. Underpricing kills businesses—charge what sustains you
3. Price increases have massive leverage on profit
4. Your price signals your value to the market

# Budgets – Budgeting for Pricing

Budget / Profit and Loss Statement	Income	Expense
<b>Revenue</b>	£ 1,000.00	
<b>Cost of Goods Sold</b>		£ 465.00
Materials		£ 350.00
Direct Labour		£ 100.00
Raw Materials Transport		£ 15.00
<b>Gross Margin</b>		£ 535.00
Gross Margin (%)		54%
<b>Operating Expenses</b>		£ 465.00
Marketing		£ 45.00
Office Rent		£ 120.00
Shipping Costs		£ 50.00
Salaries		£ 250.00
<b>Operating Profit</b>		£ 70.00
Operating Profit (%)		7%
Taxes		£ 32.00
<b>Net Profit</b>		£ 38.00
Net Profit (%)		4%

Total of all income from sale of Product or Services  
Total direct costs to produce each Product or Service

Revenue minus Cost of Goods Sold  
Cost of Goods Sold divided by Revenue x 100

Total of all other expenses to run the business

Staff and proxy for your time

Gross Margin minus Operating Expenses  
Operating Profit divided by Revenue x 100

Operating Profit minus Taxes  
Net Profit divided by Revenue x 100

**Break  
Even**

$$\text{Income} - \text{Total Costs} = \text{Net Profit}$$

$$\text{Income} = \text{Price} \times \text{Volume}$$

$$\text{Price} - \frac{\text{Fixed Costs}}{\text{Units to Sell}} - \text{Variable Costs} = 0$$

Small price increases have outsized profit impact (example: 10% price rise can double profit margin)

## Key Takeaways:

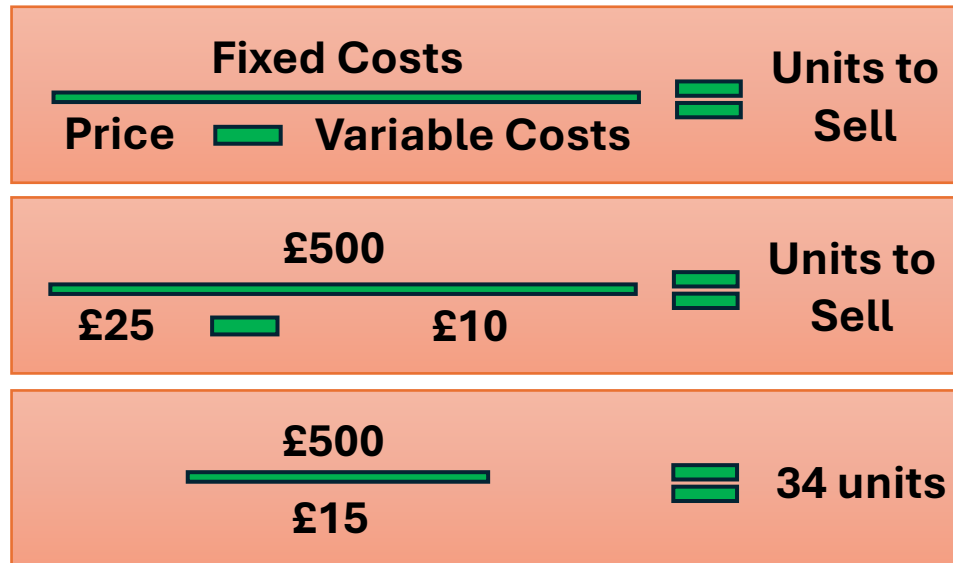
1. Track every expense—hidden costs kill margins
2. Add 15-25% buffer to your cost estimates (things always cost more than you think)
3. Your personal draw is a business expense, not profit
4. Set a minimum "hourly rate equivalent" and never go below it
5. Play around with different scenarios to see what works – update with actuals
6. A simple budget is better than no budget—start basic and refine



Remember to  
Value and Cost  
your Time

# Budgets – Break-Even Point

## A Worked Example



- **Total Fixed Costs:** Rent, Marketing = £500
- **Variable Costs:** Materials per unit = £10
- **Price per Unit:** £25



Break-even is not your target but your minimum

Understanding the relationship between costs (Fixed and Variable), volume of sales and Price, means that you can make adjustments to improve profitability and ensure you have a sustainable business.

# Pricing – For Profit and Sales

## Competition

- Is your product or service readily available from other businesses?
- Are there differences in quality, service or price?
- Is competition active in your market?

## Commodity vs Premium

- **Commodity:** You compete on price because your product/service is similar to everything else.
- **Premium:** You charge more because customers perceive unique value.

Selling Price £



## Customer Budget

- What is your customer willing to pay?
- Which segment of the market are you targeting?

## Costs

- How much does it cost to produce a Product or Service?
- Are costs going up regularly – rents going up, raw material costs!

A price is a combination of factors and will be determined by the relationship between them

# Pricing – Know your Worth



**TESCO**

**£1.40**



**Waitrose**

**£1.70**



**£2.00**



**£2.50**

The value of something is whatever someone else is prepared to pay for it!

# Pricing – Different Pricing Strategies



PRIMARK

£16.99

Cost + Mark-Up



BOSS  
H U G O B O S S

£139.99

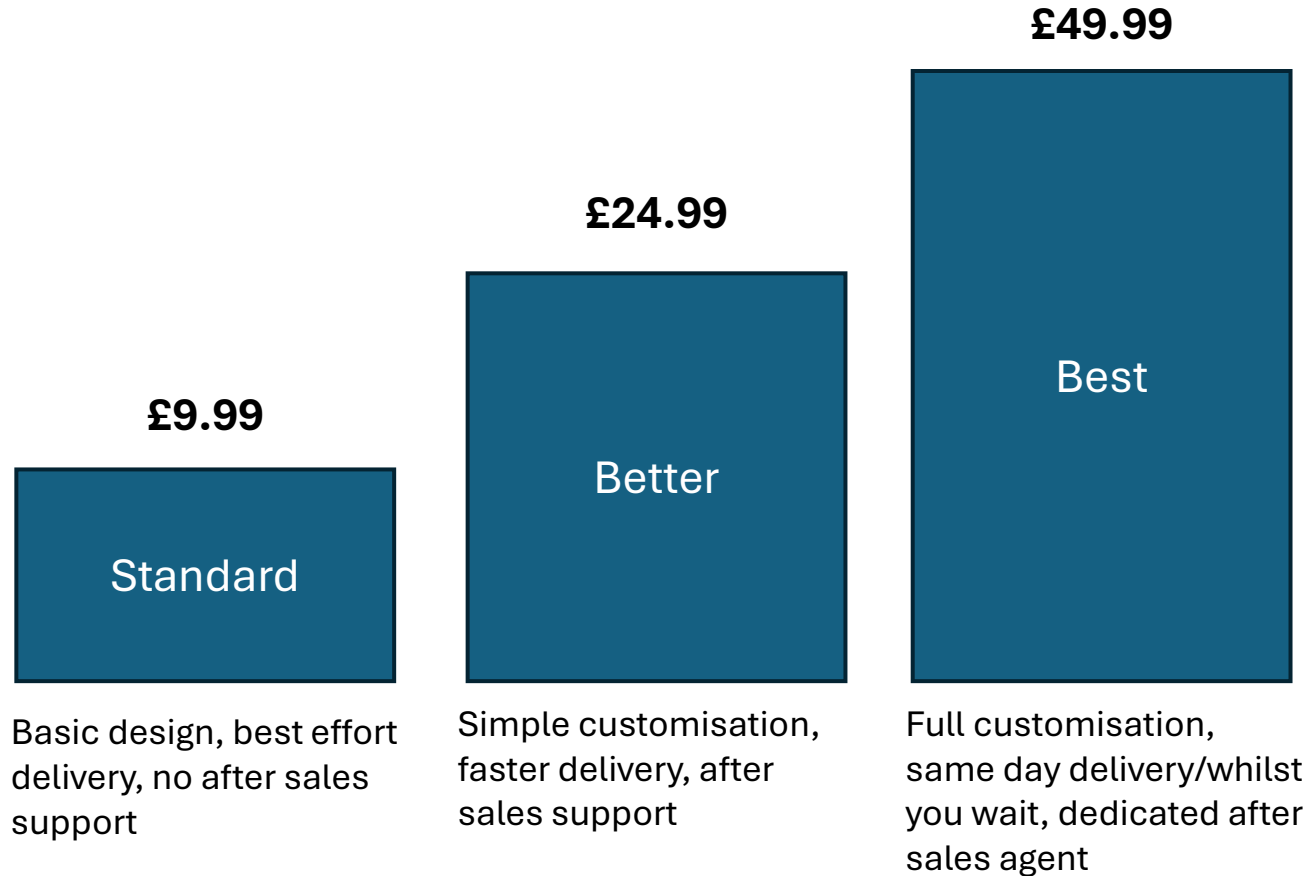
Value Based Pricing



- Start with cost-plus, then add value adjustment
- Price based on value delivered, not just time spent
- If you solve expensive problems, you can charge premium rates
- Specialization and clear outcomes justify higher prices
- Test pricing—you'll be surprised what customers will pay

Charge what you are worth, not what it costs!

# Pricing – Different Pricing Strategies



## Tiered Pricing



- Good/Better/Best structure gives customers choice
- Most will pick the middle tier, but the high tier makes the middle look reasonable
- Use anchoring: show a higher option first to make your main offer seem reasonable

Bundle services to increase perceived value (people value packages over hourly rates)

# Pricing Tactics – Practical Strategies That Work

You know your costs and your value—now let's talk tactics. These are battle-tested strategies for setting, presenting, and raising prices without losing customers.



## How to Set Your Initial Price:

- Start with cost-plus, then add value adjustment
- Research 3-5 competitors
- Bias toward pricing higher—easier to discount than raise

## Presenting Your Price:

- Explain benefits before showing the number
- Remove friction: offer payment plans if appropriate

## When and How to Raise Prices:

- Review prices every 6-12 months
- Raise prices for new customers first
- 5-10% to match inflation + value improvements
- Communicate raises clearly "Due to increased costs and expanded service, our rates will increase by X% effective Y date"

## Handling Price Objections:

- If someone says "too expensive," ask: "Compared to what?"
- Don't immediately discount—offer to adjust scope instead
- The right answer might be: "I may not be the right fit for you"



## Practical Tips:

- ✓ Grace period for loyal customers when raising prices
- ✓ Never apologize for your prices
- ✓ If 80%+ of prospects accept your price without negotiation, you're probably underpriced
- ✓ Set prices 10% higher than feels comfortable, then adjust based on response



## Key Takeaways:

1. Sell value first, price second
2. Raise prices regularly (at least annually) or inflation eats your margin
3. You don't have to win every customer
4. Objections are normal; have responses ready

# Summary – Your Pricing Action Plan

## STEP 1: Calculate Your Baseline (This Week)

- List all fixed monthly costs (rent, salary, marketing, insurance)
- Calculate variable costs per product/hour
- Determine your break-even: what you must sell to cover costs
- **Action:** Write down your "minimum viable price"—the floor you won't go below

## STEP 2: Research and Position (Next 2 Weeks)

- Audit 3-5 competitors' pricing
- Identify your unique value: what problem do you solve better/differently?
- Choose your positioning: budget, mid-tier, or premium?
- **Action:** Draft 1-3 pricing tiers (Good/Better/Best if applicable)

## STEP 3: Test and Refine (Month 1-3)

- Set initial prices 10-15% higher than feels comfortable
- Present prices confidently, tied to customer outcomes
- Track acceptance rates: if 80%+ accept immediately, raise prices
- **Action:** Quote 5-10 customers and note objections / acceptances

## STEP 4: Optimize and Iterate (Ongoing)

- Review prices every 6 months
- Raise prices 5-10% annually for new customers
- Experiment: test higher pricing on a segment, measure results
- **Action:** Calendar a quarterly "pricing review" to adjust based on costs, demand, and value delivered



You're not a charity.  
Profitable pricing  
isn't greedy—it's  
survival. Charge  
what you need to  
build a sustainable  
business, deliver  
great work, and sleep  
soundly at night.





**LAUNCH IT**

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