

HOW TO PRICE YOUR PRODUCT OR SERVICE

Calculate your direct costs



Calculate your cost of goods sold or cost of sales



Calculate your break even point



Determine your mark up



Do some research on what the market media is



Scan the competition



Revisit your pricing regularly





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There are a few different ways to do this, however the easiest, most used calculation is the following.

Step 1: $(\text{Fixed costs} + \text{variable costs}) \div \text{number of units} = \text{cost per unit}$. Calculate the total cost associated with producing and selling the product, and divide it by the number of units produced to find the cost per unit.

Step 2: $\text{Cost per unit} \times (1 + \text{markup percentage}) = \text{sale price}$.

This will require you to determine your mark up, however this decision will largely be based on what your competitors are doing. Keeping in mind some products will have a large mark up (these products are usually ones that don't move quick) others will have a smaller mark up but they are potentially the ones that turn over quicker.

Also remember to know your discount threshold, make sure as you are pricing if you intent to put this item on sale at any point there is still enough margin in it.

The biggest mistake we hear business owners say is "It's ok I'll do it so it won't cost as much". Remember your time is most likely more valuable than any employees because if your working in the business you can't be working on the business.

Always factor in your time to do something because if something happened and you couldn't do it, you would need to pay someone to do it.