

Worksheet – Introduction to Pricing

The concept of “price” is a topic many entrepreneurs ponder as they begin shaping their business ideas. Use this worksheet to document your thoughts, ideas, and action items as they relate to pricing in your business. The questions below follow the topics discussed in the course. You can use the fillable PDF form fields or print the worksheet and write in the space provided.

Pricing is the method followed by a business to determine the selling price for its products or services.

What is Pricing?

As explained in the course, pricing is influenced by the cost of production, promotion, and placement of the product being sold. In the space below write down the products of services for which you still need to define a price. Also, list prices for any products and/or services that you might need to review. There are no wrong answers.

Do you know the cost of running your business?

If you price your products or services below the cost of running your business, do you think your business will succeed? As explained in the course, before you determine the price of a product or service, you really need to know what it costs to run your business. Some examples of costs are raw materials, property and equipment leases; loan repayments; inventory; utilities; financing costs, such as interest on loans; salaries/wages/commissions; markdowns; shortages, such as not having an item in stock; damaged product; employee discounts. You should also think about your desired profit.

In the space below, jot down the fixed and variable costs of running your business. Use this space to write down any concerns you may have about existing prices for your products or services given the new information. For example, do you think your prices are too low? Perhaps your “family discounts” are too generous to sustain your business. There are many variables that affect your costs, so the more you know about your business, the better prepared you will be to make decisions about it.

Pricing Objectives

Now that you have a general idea about how costs affect your business, it's time to think about what your objectives are. The course explains various objectives such as increasing sales, increasing profit, increasing revenue, etc. In the space below, write your objectives. Objectives will likely change as your business or market conditions change, so regular reviews will help you maintain the proper pricing objective.

Sales Promotion

The course explains various pricing strategies to help increase sales. Most business owners are familiar with Discounts and Sales; however, other strategies such as Skim Pricing, Penetration Pricing, Leader Pricing, Premium Pricing, and others may be worth exploring. Use the space below to write any thoughts, ideas or questions you may have about pricing strategies as they relate to your business and your sales objective. This is a good place to identify any areas of confusion you might have, where a business counselor may be able to assist.

Pricing Models

As explained in the course, small business pricing models generally fit into the following three categories: Cost-Plus Pricing, Customer-based Pricing, and Competition-based Pricing. Use the space below to write the pricing models you use for your products and/or services. Also, consider the pros and cons of changing your existing pricing model to another one. For example, perhaps you are currently using *Cost-Plus Pricing* for a specific product or service. What if you changed to *Customer-based Pricing*? Or *Competition-based Pricing*? If these pricing models are new to you and your business, you may consider experimenting with them to see if the results warrant further investigation.

Review Common Pricing Mistakes

Running a business is a lot of work! There never seems to be enough time to do everything properly. However, to keep your business running, you need to try your best to avoid some common mistakes. Answer the following questions to get an idea about where you fall in the spectrum of risk. Use the space below to write down any questions or concerns you have about these common mistakes.

- ✓ I have created and use a pricing strategy for my business.
- ✓ I have accurately estimated my costs based on real data (e.g., not guessing or “ball parking”)
- ✓ I am aware of other pricing strategies that do not require me to compete solely based on “lowest price.”
- ✓ I regularly monitor my pricing strategies to ensure they are working or need to be changed based on market conditions.
- ✓ I am aware of legal issues that could affect my business.
- ✓ I am aware of antitrust activities with scheming to fix prices, allocate markets or customers, or collusion to reduce competition.
- ✓ I treat my customers fairly by not engaging in illegal forms of price discrimination or loss leader pricing.

RESOURCES:

This worksheet is intended to help you document your ideas and possible solutions to common challenges small businesses face daily. You are not alone! If you would like talk to someone about your business, the SBA has a broad network of skilled counselors and business development specialists waiting to help your business start, grow, and succeed. Below is a short description of our resource partners:

- There are more than 1,000 **Small Business Development Centers (SBDCs)** located around the country. SBDCs provide management assistance to current and prospective small business owners.
- **SCORE** is a powerful source of free and confidential small business advice to help build your business. More than 10,000 SCORE volunteers are available to share their experience in lessons learned in small business.
- **Women's Business Centers (WBCs)** assist women and men in achieving their dreams by helping them start and run successful businesses. Over 90 WBCs are located around the country.
- The **SBA** has over 60 **District Offices** located throughout the country to help you start and grow your business.
- The **SBA Learning Center** is a powerful virtual campus with online training, videos, tools and links to local resources.
- The SBA's **Office of Women's Business Ownership (OWBO)** serves as an advocate for women-owned businesses. The office oversees a nationwide network of 110 Women's Business Centers that provide business training, counseling and mentoring geared specifically to women, especially those who are socially and economically disadvantaged. The program is a public-private partnership with locally based nonprofits.
- The **Veterans Business Outreach Program (VBOP)** is designed to provide entrepreneurial development services such as business training, counseling and mentoring, and referrals for eligible veterans owning or considering starting a small business. The SBA has 15 organizations participating in this cooperative agreement and serving as Veterans Business Outreach Centers (VBOC).
- **Procurement Technical Assistance Centers (PTACs)** provide local, in-person counseling and training services for you, the small business owner. They are designed to provide technical assistance to businesses that want to sell products and services to federal, state, and/or local governments. PTAC services are available either free of charge, or at a nominal cost. PTACs are part of the Procurement Technical Assistance Program, which is administered by the Defense Logistics Agency.

Find all your local resources in one place using our handy zip-code tool: www.SBA.gov/local-assistance

For more information about SBA programs and services, please download the *2014 Resource Guide for Small Business*, available for download at the following URL:

http://www.sba.gov/about-sba/what_we_do/resource_guides