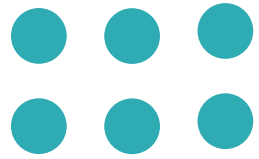




Pricing for Profit

- Presented by
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- Certified Quickbooks Trainer



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After 20 years in Industry analysing company data to support commercial business decisions, I founded Business Works with a vision to offer real-world solutions to businesses.

We have grown into a trusted partner for companies seeking a better understanding of their numbers, great customer service, and business growth.

With a team of 12, we are large enough to provide all the finance support SME business owners need, plus the value-added services that help them to flourish and grow.



Pricing

“Pricing is what you pay.
Value is what you get”

Warren Buffett



How confident are you that you are charging the right amount?



Agenda

- Mindset
- Commodity Pricing
- Unique Selling Point (USP)
- The “Perfect” price
- Pricing Strategies
- Scope Creep
- Mindset



Mindset

It's your business – you decide what you charge..

Articulate what you do, why your more is worth more

Tell them the price – with confidence

Give them time to think about what you have said – shut up...

Only discount on your terms..




Reasons to charge enough

- I. Provide a service you are proud of:
 - I. enough time built in to do a proper job – no cutting corners
 - II. If you have a team, be able to afford experienced/trained people, or pay to train them
- II. Provide the quality product you are proud of:
 - I. No cheaper ingredients
 - II. Time to great the finish you were looking to achieve etc
- III. You don't end up being a busy fool – working all the hours
 - I. It destroys your joy..



Commodity Pricing





How much is your product or service worth?

- Whatever someone is prepared to pay for it!



How much would you pay for a pair of black heels?



TU £22



NEXT £58



HOBBS £139



Louboutin £645



You need to have the right balance

- Price
- Produce/Service
- Proposition





Commodity Pricing Summary

- Whatever someone is prepared to pay
- Get the balance right
- People buy the first time based on perception



What is your “More”

- UPS – Unique Selling Point
- USB – Unique Buying Point
- Point of difference
- “More”



What is your “More” cont.

- Where do you fit, in the market place?
- What is your “More”?
- How to reduce price sensitivity?
- Do your customers just buy on price?



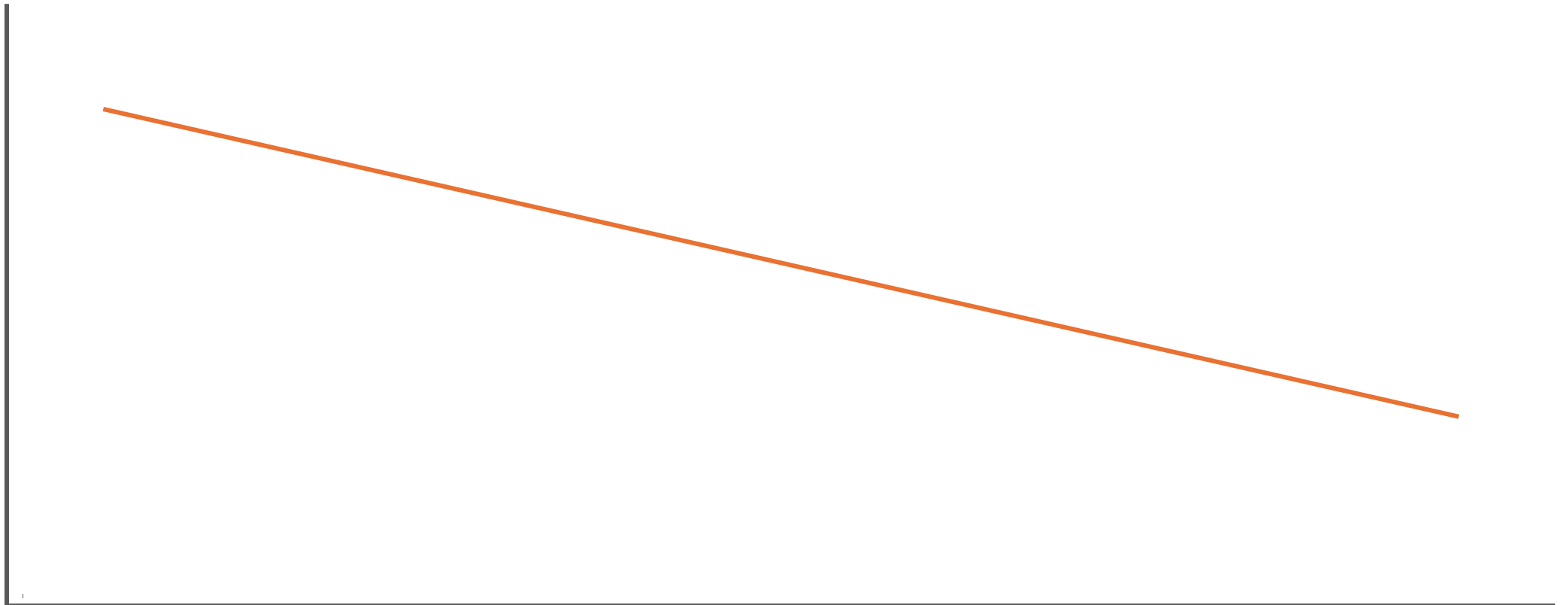
Price elasticity

Basic

Mid range

Top quartile

Best of the best





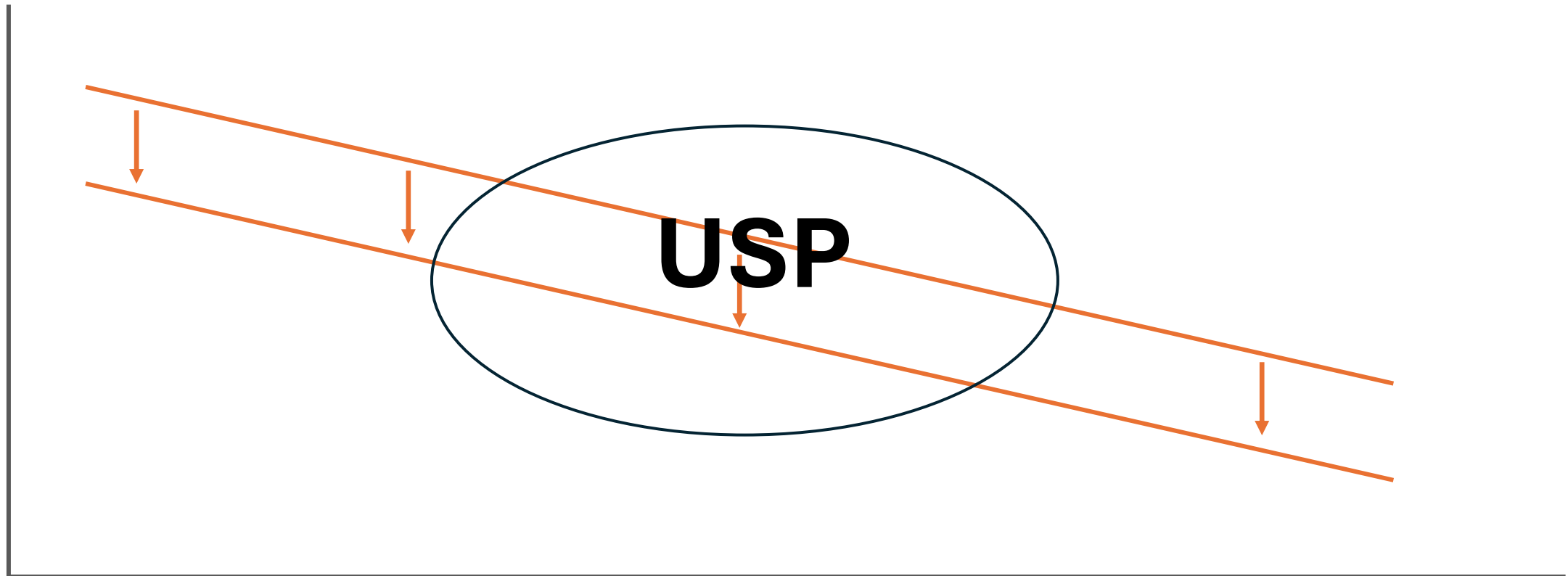
How do you influence Price elasticity

- Why do people buy your product/service?
- Why do people buy from you?
- What makes you or your product/service different?



Price elasticity

Basic Mid range Top quartile Best of the best





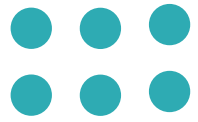
USP Summary

- What is your more?
- Understanding what drives your customers buying decision
- Reducing price sensitivity



Are you charging your perfect price?

- How do you know if you should increase your prices?
- What is your perfect price?
- Why reducing prices has a massive impact on profit



Signs you are not charging enough

- Do you win every customer/client on price?
- Is your more worth the more? If so, should you win every client/customer?
- Signs you need to put your price up?
 - No time
 - Full order book
 - Everybody says yes
 - When did you last increase your prices?



The economics graph of the “perfect price”





How a small change in price can have a huge impact on profit

| | P = £1 Q = 100 | P = £0.8 Q = 120 | P = £1.2 Q = 80 | P = £1.2 Q = 120 |
|-------------------|---------------------------|-----------------------------|----------------------------|-----------------------------|
| Units | 100 | 120 | 80 | 120 |
| Sales Revenue | £ 100 | £ 96 | £ 96 | £ 144 |
| Variable Cost | £ 50 | £ 60 | £ 40 | £ 60 |
| Gross Margin | £ 50 | £ 36 | £ 56 | £ 84 |
| | 50% | 38% | 58% | 58% |
| Fixed Costs | £ 17 | £ 17 | £ 17 | £ 17 |
| Net Margin/Profit | £ 33 | £ 19 | £ 39 | £ 67 |



The economics graph of the “perfect price”





What is “your” perfect price?

The “Perfect” price for profit

- How do you know if you should increase your prices?
- What is your perfect price?
- Why reducing prices has a massive impact on profit



Pricing strategies

- Upselling
- Value Pricing
- Time specific
- Quantity
- Bundle
- Mid Tier



Upselling – increasing the average value of a sale

- Higher model of product
- Additional products
 - More of the same product in one go
 - Additional products
- Buy more frequently
- More services purchased



Time specific offers

- Certain days
- Certain times of year
- Times of day – happy hour



Quantity related offers

- BOGOF
- Buy two get one free
- Two for
- Bulk discount



Bundle pricing – another version of upselling

- Insurance:
 - Breakdown cover
 - Legal cover
 - No claim discount protection
- Barber doing a hair cut and a shave link offer
- Do you want chips with that!

Bucket flight

- Bags
- Meals
- Travel insurance
- Transfers
- Airport parking
- Specific seats



Mid tier pricing

| | MOST POPULAR | |
|--|--|---|
| <h3 data-bbox="695 544 965 586">Simple Start</h3> <p data-bbox="654 639 1006 786">For Sole Traders or small businesses managing VAT, Income Tax and preparing Self Assessment.</p> <p data-bbox="794 846 868 872">£14</p> <p data-bbox="677 915 983 1001">£ 1.40 /mo</p> <p data-bbox="654 1039 1006 1150">for 6 months, then £14/mo (All prices +VAT @20%) Offer ends 19/03/2024.</p> <p data-bbox="733 1233 927 1268">Choose plan</p> | <h3 data-bbox="1289 544 1505 586">Essentials</h3> <p data-bbox="1230 639 1564 786">For small businesses working with suppliers. Manage VAT and Income Tax with up to 3 users.</p> <p data-bbox="1360 846 1434 872">£28</p> <p data-bbox="1243 915 1549 1001">£ 2.80 /mo</p> <p data-bbox="1220 1039 1572 1150">for 6 months, then £28/mo (All prices +VAT @20%) Offer ends 19/03/2024.</p> <p data-bbox="1299 1233 1493 1268">Choose plan</p> | <h3 data-bbox="1913 544 2007 586">Plus</h3> <p data-bbox="1791 639 2125 751">For businesses managing projects, stock, VAT and Income Tax. Up to 5 users.</p> <p data-bbox="1926 846 2000 872">£38</p> <p data-bbox="1809 915 2114 1001">£ 3.80 /mo</p> <p data-bbox="1786 1039 2137 1150">for 6 months, then £38/mo (All prices +VAT @20%) Offer ends 19/03/2024.</p> <p data-bbox="1865 1233 2058 1268">Choose plan</p> |





Value Pricing

- What would your clients pay more for:
- SLA (service level agreement)
- Extra face to face time
- Extra time with you rather than your team
- Meetings at your premises or theirs
- Soft copy report/bound report
- Gift wrapping



Pricing strategies summary

- Upselling
- Value Pricing
- Time specific
- Quantity
- Bundle
- Mid Tier



Scope Creep

When you give a price for a job but end up doing way more than you costed for!

Can you just?

I thought the price included...



Scope Creep

Set expectation

- Agree up front what's included in the cost
- But more importantly – what isn't included in the cost!
- Ideally have it in writing – something to refer back to



Scope Creep

1. Client has agreed to the slow service delivery, but now needs it sooner – of course and the additional charge will be!
2. Client has agreed to meetings at your site, but is short of time, can you go over to his/her office – of course and the additional charge will be!
3. Client has decided to do their own VAT, but now is struggling – of course we can help the additional charge will be!



Scope Creep

It will only take you a minute..

Maybe, but maybe that because:

1. Years of training/education
2. Years of experience
3. Kit/Apps/Software



Scope Creep

So, yes, we can help – we are of course helpful people..

But the cost is £xx, and

- If you are on premises, its good to have software that allows you to raise an estimate/quote/proposal for the additional work that they can sign on the device
- If you are offsite, then send a proposal over, and only start the extra work once they have agreed to pay for it



When do you charge, expect payment

- When they take the goods away
- On acceptance?
- A % on acceptance/deposit?
- On completion?
- Monthly via DD?
- What terms?

- If they don't pay you its either a gift or theft!



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Summary

- Whatever someone is prepared to pay!
- Look at your proposition balance and USP
- Think about why your customers buy from you – how do you add value
- Look at Pricing Strategies
- Don't do work for free
- Put your prices up???



Fair

It's about being fair

Fair to **YOU** and fair to your customers/clients

Other webinars

Bookkeeping for Business Owners

10 am

Tuesday 22nd Jan



Other webinars

Owning a Business – what are my responsibilities

10 am

Thursday 30th Jan



Other webinars

Financial Management – Know your Numbers

10 am

Tuesday 4th Feb



Thank

You



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