Pricing

PRICING ASSUMPTIONS

■ COSTS:

[ ] x [ ] = [ ] LABOR COST PER UNIT

LABOR HOURS PER UNIT — LABOR RATE PER HOUR

+ [ ] MATERIAL COST PER UNIT

(retailers: put your average product cost here) A TOTAL PRODUCT COST PER UNIT

[ ] ANNUAL FIXED OPERATING EXPENSE

÷ [ ] PROJECTED # OF UNITS SOLD

B TOTAL OPERATING COST PER UNIT

+ = $ A+B BREAK-EVEN PRICE

■ OBJECTIVES:

- To break-even
- To reach a desired profit or return on investment level of [ ] %
- To recover cash from product development
- To be a leader in product / service innovation

PRICE ADJUSTMENT: UP OR DOWN [ ]

■ MARKETING MIX ISSUES:

- Product / Service Characteristics:
  higher price / low volumes / higher production costs
  lower price / higher volumes / lower production costs
- Promotion:
  higher price / higher advertising / more personal selling
  lower price / lower advertising / less personal selling
- Distribution:
  price at which distributors, retailers, and other middlemen expect: $ [ ]

PRICE ADJUSTMENT: UP OR DOWN [ ]

■ COMPETITIVE OBJECTIVE:

- To beat the competition's price of $ [ ] discount pricing
- To match the competition's price of $ [ ] status quo pricing
- To exceed the competition's price by $ [ ] premium pricing

PRICE ADJUSTMENT: UP OR DOWN [ ]

■ BUYER PERCEPTIONS:

- Product quality perceptions
- Perceptions relative to competing products / services
- Value perceptions (price / quality)
- Low price perceptions
- Prestige perceptions

PRICE ADJUSTMENT: UP OR DOWN [ ]

■ FINAL PRICE: (check by doing a break-even)

BREAK-EVEN UNITS = $ [ ] (ANNUAL OPERATING EXPENSES) / ($ [ ] UNIT PRICE - $ [ ] PRODUCT COST PER UNIT) = [ ] BREAK-EVEN UNITS PER YEAR

Does this number of units sound reasonable?

FINAL PRICE $ [ ]