

## Market Tolerant Pricing You Might Just Have to Raise Your Prices

By George Scott

Which of the three pricing strata is your pricing strategy in?

Is your price too low? Is your price too high? Or, is your price in the “*market tolerant pricing corridor*”?

To determine the price you need to charge, the per-unit cost needs to be determined. (That process will be addressed in a different Special Report.)

Thus, assuming you know your costs and that you have an acceptable profit margin even in the worst-case scenario, then let’s proceed.

### Determine Your Trade Area:

Based on the product or service your business provides, what is your primary geographical trade area? What are your secondary and tertiary geographical trade areas? (If applicable)

If you’re selling pizza, your trade area is likely to be five miles or less. If you manufacture a widget that is used by businesses worldwide, then the world is your trade area. Chances are that your trade area(s) are more localized and regionalized.

**List Your Competitors** (by category): First, who are your primary, secondary, and tertiary competitors? For example, if you make cakes and cupcakes, a primary competitor is the cake and cupcake maker across town.

Secondary (and a close second, at that) could be a nearby dinner-only restaurant known for its cakes and cupcakes that makes them throughout the day using the otherwise idle baking equipment. A tertiary competitor can be the bakery section of a grocery store chain.

**Know Your Competition:** Now focus on your primary competitors - how well do you know them? *You should know your primary competitors better than they know themselves.*

But “how can that be done,” you might ask. There are two quick and easy sources for the information: Google and the competitor’s website.

On Google, you might learn of any upturns or downturns of the competitor’s business ... and even possibly of some hirings and firings. Maybe they have been highlighted by a local TV station as the *Businessperson of the Month* recognition.

From their website, you can learn of their hours of operation, if they make deliveries, the variety of their cakes and cupcakes and their per-item price points.

For that matter, you may want to buy some of their cakes and cupcakes to do a side-by-side comparison of size, composition, and taste.

Track your findings on a spreadsheet ... especially the prices! Your observations may be eye (and mind) opening ...

**The right market-tolerant price is a must:** A price that is too high and a price that is too low can be purchase deterrents. A high price is what many people think of when something is priced wrong.

However, a price that is too low can be an even bigger deterrent because – *if you don’t value what you’re selling, why should anyone else?*

**What should your price be?** That all depends. What sets your product significantly apart?

If the difference is noticeable and considerable, then you may do fine with a price towards the upper part of the market-tolerant pricing corridor.

With the findings of your research, how much your per unit costs, and with a large dose of common sense, you’ll find the right price for your product or service.

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