

Finalise pricing

You should always aim to charge the price the market will bear. This will often be set by the market for similar products or services, and it may be hard to go above certain levels (often referred to as “price points”). Recognising a price point in your market may be your first clue to your ability for market entry.

Understanding pricing is a critical part of researching a market and setting prices that reflect your quality levels, delivery and promotion. It is not easy to increase prices in a market or under a particular contract once you have agreed to deliver at a certain price.

Pricing Policy

It helps to develop a pricing policy for the market based on current competitor prices for your type of product or service. Finalising pricing is a mix of knowing your costs at home and anticipating other costs you will incur in delivering and supporting your activities in the market.

Your pricing policy should allow for flexibility in shipping and stocking levels as well as your in-market and after-sales servicing costs as your market grows. If you are also selling from a web site, make sure you don't undercut your stockists or licensed suppliers in their markets.

If you are involved in serious price negotiations, you should anticipate as much as possible what you may be asked to do and allow for this in your price. You also need to consider the effects on your costs and returns of any discounts or charges that might be expected in some markets to get the business.

Calculating Prices

Pricing a product often means calculating from both the New Zealand and the market end. The first of the following two costing sheets allows you to calculate the costs of getting your product to market by using your production and distribution costs. The second starts at the retail price for similar products in the market and allows you to work backwards to estimate a possible price at each level.

Using both (or either) costing sheets requires a series of mark-ups or margins at different levels. You may not know these until you have researched the market and observed different prices.

Note: We have used the term “mark-up” in the cost sheets for what some markets call a “margin”. How these are calculated - as add-ons or percentages - will change depending on the market and local ways of doing business. You need to find out how they work in your target market.