The 3 W's and 1 H's of Pricing

In my experience, most entrepreneurs who start out in this field of entrepreneurship have a difficult time with pricing. Especially if one comes from a community like mine, this becomes a huge challenge. When most things are given for free in poor communities, selling is seen as the love of money. Therefore, most of us don't consider "time" to be a valuable commodity. In our view, selling time is very unethical, which would be true if we looked at it from an ethical point of view, which for me is based on where you live.

In connection with that, that is why the Bible shows a prophet as not being respected, especially in his own city. There is an ethical conflict between elders and younger people that keeps them apart. You encounter a lot of critics and limitations when you are still a young person and trying to rise above the elders in any area.

Pricing is at the core of everything.

Why it is critical to price your product

When should you price your product?

How should you price your product?

What are the most crucial aspects to consider in pricing your product?

Price is like naming your product, which is a subject for another day. However, pricing is currently a key element of your success as an entrepreneur. At the end of the day, when discussing the benefits and goodness of your product, you need to provide the price as well. Although some people say to not mention the price at the beginning, I recommend that you do. That way, the customer can decide whether to ask or leave. It's always easy for people to have, listen to, and own what they want or what interests them as the world heads toward the future. As a result, your product's capabilities will be questioned if a price is not apparent. This is because the price is related to the producer. We might know the producer, we might know the product but if we don’t know about its price, then something is missing.

You should have a price set at the beginning.

The decision about when to price your product will be based on the research and knowledge you have about your customers, the product quality, and materials used in production. With this in mind, producing a product with no price can be tricky that you have no idea how much it will cost and when to say no or yes to quality vs materials. Pricing at the beginning will help you manage quality and drive you to know your customers, your product and your supply chain better. All of this is happening at the beginning of the process.

Unfortunately, most of us price our products at the end of the production process. WE price the product when we are able to touch it and feel it. After that, mostly is gues work which goes with mode of the entrepreneur. You will see entrepreneur says things like wow, this looks so beautiful, it should cost more. Or mmmm, this will be 500 and this will be 200, and this will be 50, but if you ask why, you won't find a clear answer because there is no clear analysis of the product. It reaches a point that entrepreneur will focus on the look of the client and set price or forget all aspect and focus on the inputted capital.

I tell you to price your product at the beginning because I have seen myself failing because of setting the price at the end. You will need to work on customer segmentation (don't be afraid of this word if you don't know it, just think of it as groups of people with similar interests) and also with the price you will understand the supply chain, including what you are sourcing for your production.

This is both for services and for tangible products.

In light of this, we also should consider what is the most significant aspect of pricing. As you know now that pricing your product should be at the beginning. We need to consider a few factors when determining the price. One is time. Pricing process of your product or service should put time as number one in cost considering. How much time does it take you to produce the product or service? Because without time there is no productivity at all. As a result, you should consider the opportunity cost. This explain the loss you endure while producing the service or product. You should really think about this so that when you start thinking of profit and lose you know how to cut it or increase it.

The second aspect is knowledge or experience included in the production of the product or service. This refers to skills that you have or need to have so that the product or service can be provided. While it may be hard to measure, it is necessary that you include it in your pricing. Since you are unique and different from others, you should reflect that in your pricing, especially for the main and original products.

The third is the external tangible materials that are involved in producing one product. Each material used to produce a product has an expiry defined date. Therefore, depending on the nature of the material, it may need to be replaced in the short or long term. This includes the chair you sit on. The office you are operating from and many more.

Include everything. Nothing should be left out.

Now you know what should be included and when should be done and why exactly should it be done. You must now know how you set your price. The price should be calculated in a clear and open form using an exisersie or excel software if you have computer but mostly I prefer online documents so that you can be able to access your document anytime and anywhere. Price for time, the price for knowledge, and price for materials and people as stated in the segment above. Following the cost of each and every item. Make a summation of it and divide it by the production capability until you get the final price for one product or service.

For example, you want to teach programming. It seems to be easy because you just teach. But identify your product and your price using the steps above. Find the cost of one student and then look how the price of one student can can decrease if you have 5 students, the same as if you get 10 students and the like. Mostly the big the number, the lower the price but should be clear calculated and understood. Every single thing has a cost, and the cost of your one hour will never be the same as Makenda's, so don't copy from anyone.

When you meet with customers tell them the price first and then tell them the benefit. Do not run to your room and cry if they look down on your price and despise you in a whole process. People like these tells you that you have met the wrong customer, and do not waste time, energy and resources trying to convert such people. If they refuse to purchase, leave them alone and go to the next guy who might ask questions and later buy your product.

If someone says "paying for this", tell them "no, paying for that" while pointing fingers at the product. This is mafia marketing approach which is for another day and thanks for listening to this podcast and hope to be together next time. Remember to like, share and comment.

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Advocating for Technology Advancement and Entrepreneurship for underprivileged communities