

Pricing worksheet – the steps

Step	Action
1	Review your <i>product strategy</i>
2	Understand your <i>costs</i>
3	Analyze your <i>competitors</i> and their pricing
4	Gauge your <i>value</i>
5	<i>Recommend</i> a price
6	Work through <i>pricing tactics</i>
7	<i>Gain consensus</i> from team & management
8	Experiment, learn and <i>refine</i>

Pricing worksheet – Steps I

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	Action	Detail	Your product	Example (electronic logging services for commercial trucking fleets)
1	Review your product strategy	Product vision & objectives: Briefly state your prod vision and objectives. What are you trying to maximize? (Profit? market share? number of users? or something else?)		Be the market leader in electronic logging services for small and mid-sized trucking firms, with a focus on ease of use. Market share is our primary goal, and we will focus more on profitability once we have established our market leadership.
		Pricing direction: Note how your product objectives impacts your pricing direction – for example, if you are striving for clear market leadership, you may need to price more aggressively. Maximizing profitability may lead you in a different direction. A “free” version may get you a high number of users.		We will need to price below the market leaders (Omnitracs and PeopleNet) to gain initial market share - with a higher value, easier to use product.

Pricing worksheet – Steps 2-3

	Action	Detail	Your product	Example (electronic logging services for commercial trucking fleets)
2	Understand your costs	Costs: What are the total costs (fixed and variable) for your product?		\$10/month. Biggest single cost is a mobile phone connection.
		Operating margin: What mark-up do you want to achieve with a cost-plus model?		30% during the initial stages. Will increase later.
		Cost-plus: If you were recommending a cost-plus price, what would be? (calculate from the numbers above)		\$13/month
3	Analyze your competitors and their pricing	Main competitor: Pick one main competitor for a price comparison. Note their price.		For an equivalent service level, Omnitracs and PeopleNet charge \$30/month
		Premium or discount: If you were strictly basing your pricing off your competitors, would you charge a premium, price at a discount, or match your competitor? Note the percent.		-25%
		Competitive reference pricing: If you were recommending a competitive reference price, what would it be? (calculate from the numbers above)		\$22.50/month

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Pricing worksheet – Steps 4-5

	Action	Detail	Your product	Example (electronic logging services for commercial trucking fleets)
4	Gauge your value	Value of your product: Consider how your product benefits your customers – for example, does it save your customers money? Does it provide other, harder-to-quantify benefits? Note a maximum value for your product (equal to the benefit it provides). This is often difficult to estimate but do what you can.		\$40/month. Our product is very easy to use, and the use of an electronic log device is mandated by government regulations
5	Recommend a price	Pricing approach: What are we pricing? Are we charging by unit? by user? by usage?		Charge by the number of trucks
		Recommendation: Consider your product strategy, and the three prices above (cost-plus, competitive reference, and value-based), what is your price recommendation?		\$25/month

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Pricing worksheet – Steps 6-8

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	Action	Detail	Your product	Example (electronic logging services for commercial trucking fleets)
6	Work through pricing tactics	Price details: Note the pricing details you will need to work through. For example, tiered pricing, bundle pricing, channel pricing, discounts guidelines for large deals, foreign currency pricing, etc.		We will need both US and Canadian prices. We will also need to develop discount guidelines for our sales reps for larger deals.
7	Gain consensus	Seek input and build consensus: Get the organizational “OK” for your recommended price changes, from your team and management		We are reviewing with our executive sponsors on <date> and will share revised pricing with the full sales team at our quarterly meeting.
8	Experiment, learn and refine	Plan for experimentation and learning: Optimal pricing often requires creativity and experimentation. Think through how you can conduct pricing experiments.		Currently clients must buy our hardware upfront, and then pay the monthly subscription fee. We want to experiment with a free hardware and a slightly higher monthly fee.
		Refine: Use your learnings to refine your pricing.		We will be running experiments, learning, and tracking success, with quarterly reviews with our executive sponsors.