

Business Plan Workbook #15

Course	Pricing Your Dream
Topics Addressed	How Do You Set a Price? Calculating Your Direct Costs

Key Points

What is the Competition Charging?

When you're trying to determine what your customers are willing to pay, it's a good idea to look at your competition. What are they charging? What value are they providing in exchange?

If you are providing greater value than your competitors, then you might be able to charge more than they do. But, if you're providing lesser value, you might have to charge lower prices to be able to compete.

Market Research

Another great way to discover what your customers are willing to pay is to review the market research you have done, and maybe even do some additional research.

Talk to potential customers about your products and services and ask what they would be willing to pay. You could even watch people shopping and ask them why they buy one product over another one. Ask them what they like and don't like about products and services in the market. You will get a very good idea about what people are willing to pay for.

Market research can also help you determine how many people are willing to pay for your product or service. It is important to make sure that there are enough potential customers willing to buy what you are selling.

How Much is it Costing You?

When setting your prices, you need to know how much your product or service is costing you. You want to be sure that you can make money.

What Are Direct Costs?

Direct costs are the costs that are directly related to making your product or providing your service.

Examples of direct costs for a product might be: the raw materials that go into the product, the packaging, and the labor costs.

Direct costs for a service would include the labor costs and any supplies that you use in providing that service.

If you are reselling a product that someone else has made, the direct cost will be the price you pay for the product before you put it on your shelves.

What is Gross Profit?

Your price, minus your direct costs gives you something called your “gross profit”.

Related Business Plan Question

Below, you will see a business plan question related to the topics noted above. If you print this worksheet, you can use the space below the question to write down some initial thoughts and ideas.

When you're ready to start working on your business plan, return to the course, and select "Open My Business Plan".

Q: What are your direct costs? Include things like materials and supplies, ingredients, and labor.