



Pricing Strategies

Entrepreneurship 12

Pricing Rule of Thumb

- **Keystoning**

- *Double the wholesale price to arrive at a retail price.*
- Example: You purchase a cell phone from a wholesaler for \$42 and then sell it for \$84.
- It's a good way to roughly estimate a price
- An entrepreneur needs to consider competitive advantage and what the competitors are charging.
- P.S. In retail-food business, often Keystoning means Triple the cost of raw ingredients per unit.



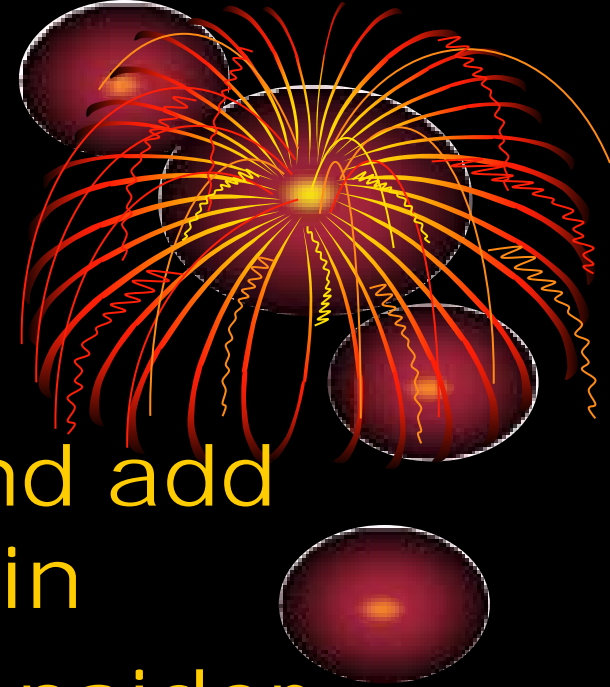
Value Pricing



- Consumers are driven by desire to get *value* for their money
- Value pricing is not about being cheap
- Find a balance between quality and price!

Cost – Plus

- Figure all your costs and add the desired profit margin
- This method doesn't consider your marketing plan (cost of marketing)



Penetration Strategy

- Initially low pricing to gain market share
- Works well during the early stages of a product introduction



Skimming Strategy

- Opposite of penetration strategy
- Charge a high price during introduction
- Usually no other competitors when a product is first introduced



Meet or Beat the competition

- Common strategy in service businesses
- Periodically lowering your prices to meet competition

