

# Proven Pricing techniques

By Pavel Lenshin

Proven Pricing techniques

Pavel Lenshin  
info@asbone.com

Informational portal and provider of discounted internet services for entrepreneurs, including internet access, web-design and hosting <http://www.ASBONE.com>

## PROVEN PRICING TECHNIQUES

-----  
copyright (c) Pavel Lenshin  
-----

Product or service pricing on the Net is not as critical as many of you have heard, yet these pricing techniques are important marketing components and should not be underestimated.

Right pricing management accompanied with proper marketing strategy could raise your profits sky high or bring about lost opportunities and substantially hamper further development. Here I would like to share the pricing techniques with you in order to maximize cash inflow and minimize happiness outflow.:0)

Competition makes the business world go round. Any product or service you desire to market should be market-checked and compared to those, which are most similar to yours.

The main three parameters that should be defined and analyzed include market niche, demand and competition. The direction of your analysis and result should be:

- \* The developing of the virtual picture of your "usual" customer;
- \* The estimated number of monthly sales;
- \* The exact prices of your closest competitors' products.

Pricing Policy based on Marketing Considerations.

The days, when product price was calculated by summarizing the total cost of business running per product item with

specified profit markup are gone and almost forgotten. This tactic is totally defective in our highly competitive world. Those, who continue to define everyday prices by that method, are stagnating with several exceptions that only prove the rule :0).

The most progressive pricing policy is dictated by Market. The job of online business is to listen and implement the most beneficial pricing techniques. Listen to online market or be squashed. Given your Market analysis is ready, it is assumed that you have already heard the market out.

The pricing strategy usually could be two types: short-term "cream skimming" or long-term market penetration:

1. "Cream skimming" implies high price on newly invented and promoted product. The market is fresh, the product is innovative and "hot". The online business cycle for that strategy is usually from 3 months to 1 year.
2. Market penetration is more appealing to the majority of start-up ebusinesses. The graduate growth, business credibility building, long term prospective are the main components of this pricing strategy. As a standard it implies the same or lower price level that exists on the market.

As it comes out from the online product nature, the overheads are what should be looked after closely. The total running expenditures should be summed up and known prior to the stage of pricing planning.

Once you have been equipped with market research and calculated expenses it is time to define the customer or retail price. You may also define the discounted reseller price, client discounts and so on.

The general rule here is to have the result price to be at least twice as higher than your break even price. If your total fixed costs are 100 and your estimated monthly sales are 20 then to make your business break even you need your price to be at least 5 dollars per item. In that case your price should be not less than \$10 in order to have some "price space".

In order to maximize your profit potential your price should reflect the value, not the costs. Want to raise the price? Increase the perceived value first. If it is still not enough to cover the costs - you are not competitive in that market.

Know the "fears&joys" of your targeted niche. In two words there is a substantial difference of price acceptance in

offering video course on financial trading to institutional investors and video course on conducting an interview to the unemployed.

Decreasing price levels proved to generate more high-priced sales in comparison with increasing price levels. That is the reason why many marketers using the following tactics of persuasion: "I was asked to sell it for \$995, I decided to sell for \$489, but especially for You I will cut the price to \$79 only for the next three hours". Imagine if s/he decided to tell the truth like: "It cost me \$9 per item to create, I will be happy to sell it for \$39, but I'm so greedy, that I decided to sell it for \$79". In that case s/he would probably close much less sales :0)

Another technique is price discount, widely used by almost everyone involved in off or online sales. With the help of discounts the seller could achieve two main tasks: create the feeling of emergency and increase the perceived value of the product and what is more important - without lifting a finger.

Just try not to overdo it as your substantial price drop could play a trick by being interpreted as bad quality of the product.

Price diversification, as the next technique, is absolute must if you want to cover more people with different financial capabilities. It is a mutually beneficial pricing policy for its ability to satisfy much wider demand than "bold" asking for \$99.

This tactics may be implemented by offering the "core" of the product for the lowest price possible. Second price level is the standard version of the product for nominal price and one or even two "extended" high-priced versions for those who don't mind spending additional several hundred bucks for more colorful package :0).

Other way to go is to offer popular resell rights on digital products that, in its nature, play the same role of price divider and help to cover wider market, without much hassle, although, sometimes it is not the best tactics to use, because master resell rights add benefits and perceived value to a small number of resell rights seekers and have zero effect on "luxury" seekers, who look for "gold trim" at every product they buy, so create a "Deluxe" version for them as well.

Other well-known fact is that psychologists suggest using .95, .97 or .99 price endings as more favorable prices for our subconscious perception rather than round numbers.

You can come up with other specific pricing techniques to suit your business needs, just try to think them over.

-----  
Pavel Lenshin is a publisher of NET Business Magazine, professional web-developer and CEO of:  
- <http://ASBONE.com/> - informational portal and provider of discounted internet services for entrepreneurs, including internet access, web-design and hosting;  
- <http://InfoAlchemist.com/> - a must-have business library.  
-----

[Get-Articles.com](http://Get-Articles.com) : 1000's of reprintable business and internet marketing-related articles.

[Submit your article for reprint.](#)