

Do you price high or low?

Accurate pricing is one of the most important decisions you can make for your business. The amount you charge will determine your revenue and profit – so you'd better get it right.

A wrong pricing move can blow up your business. Price too high and you risk profitability. Price too low and you'll create an opening for your competitors. Price inaccurately and customers may get the wrong impression about your product or service quality.

Step safely through the pricing minefield by thinking about costs, competition and customers.

Pricing shock \$8 billion

Amount Canadians spend annually on cross-border shopping in the U.S. because of lower prices.

[Source: [Statistics Canada](#)]

\$99.99 €

24% increase

Potential sales boost from setting a product price ending with the number 9, like selling a sweater for \$39.

[Source: [ConversionXL](#)]



55% more

What customers would pay for a better service experience.

[Source: [SalesForce.com](#)]

When you set low prices



More soldiers required

You'll need to boost sales volume in order to meet revenue targets, so make a plan to bring in more customers quickly.

Fewer supplies for the troops

Lower prices will thin margins and profits. Reduce your business costs to absorb the change.

Can't outstep competitors

Your already low prices and thin margins may prevent you from matching competitor pricing.

Price-value perception

A low price may cause your customers to think your product or service is poor quality, when it's not.



How to price accurately

- Check competitor pricing
- Review your fixed & variable costs
- Ask customers how they perceive the value of what you sell



Reasons to lower prices

- To grab attention for one product but hope to sell another
- When your overhead costs are very low
- When customers bargain-hunt
- To gain entry into a new market

When you set high prices



Customers expect more value

Justify the higher price with service enhancements, better packaging or a unique shopping experience.

More profit

Higher prices should improve your margin and bottom-line profit, giving you more money for marketing.

Sales drop

Fewer customers can afford your higher prices, so sales will initially drop. Make a plan to target the ones who can pay.

Attract enemy attention

Your higher prices and fat margins will tempt new competitors. Be prepared with a branding strategy to set your business apart.



3 Reasons to raise prices

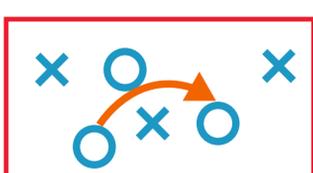
1. Healthy margins
2. Bigger profits
3. Better cash flow



Creative pricing strategies

- Skimming: charging a high price because your offering is unique or unavailable elsewhere.
- Loss leader: a low-price product is designed to attract customers to another, higher-priced item.
- Odd value pricing: charging \$9.99 for an item instead of \$10 because the customer is attracted to the odd number.
- Prestige pricing: using a higher price to create a perception of higher quality or greater value.

How to walk safely through a pricing minefield



Pick a battlefield position

Identify where you want to position your business prices in the current market – low, high or somewhere in between.



Spy on the competition

Make sure your pricing is in line with buyer expectations by researching current market rates.



Cut down on the rations

Review your fixed and variable costs to find savings.



Be quick on your feet

Have a strategy that will give you some room to move on price should your competitors undersell you.



Know your mission objective

Calculate your break-even point to determine your optimal price point.

Lowering price will change the mission. If you reduce prices, do you know how many more sales you'll need to make to earn the same profit?

Download the [Scotiabank Break-even Calculator](#) to find out.

Congratulations!

You've successfully walked the path to better pricing.

Take a few next steps toward accurate pricing for your business.

- Use the [Scotiabank Service Pricing Calculator](#) to determine the optimal price for your services.
- Use [Scotiabank Product Pricing Calculator](#) to figure out the best price for your products.
- Scan competitor pricing and survey your customers for their pricing preference.
- See a [Scotiabank Small Business Advisor](#) about a line of credit to support your cash flow needs while sales build.