

SESSION 8: PRODUCT AND PRICING

RIGHT PRODUCT, RIGHT PRICE, RIGHT ON!

Product Strategies Worksheet

In Session 7, you learned to describe your products. This is important to understanding what you sell, and why customers might buy. Now that you have additional information about your customers and competition, you can develop specific product strategies that will make it more likely that customers will buy from you.

Answer the following questions about specific product strategies such as **product mix**, **positioning**, **packaging**, and **branding**. Look back at the *Product Description Worksheet* section in Session 7, to see if your first thoughts about your product have changed.

- 1. Describe the mix of products and services within your product line.** If you're planning to sell only one product, indicate why you made that choice. If you're selling more than one product, describe how they fit together in your product line, and why you believe that mix will best serve your target market.

- 2. Describe your position in the market. Use the benefits you identified earlier to describe your position relative to that of your competition.** (For example, is your quality high, but your price moderate? Or is your quality moderate and your price low? Or is your quality and price high because you offer more individualized service and want to position your business at the upper end?)

Packaging Worksheet

Packaging includes everything from your stationery, to your business cards and brochures, to the way you and your employees present yourselves in person and on the phone. You should base your packaging decisions on your marketing research.

Use the worksheet below to list and describe all the packaging tools you can think of for your business. Again, keep in mind how you want to position your product. Also, bear in mind that the Fair Packaging and Labeling Act establishes mandatory labeling requirements for some product, and the Food and Drug Administration has strict rules for labeling and packaging foodstuffs.

Packaging	Brief Description	How It Helps Build Image
Examples:		
<i>outside wrapper</i>	Clear plastic wrapper around the cookies with a bright bow	"Cookies look clean and fresh. The bow attracts attention and looks homemade."
<i>cookie shaped business cards</i>	Business cards on paper that looks like choc chip cookie	"Makes the customer think of my cookies just by looking at the card. Different than other cards."
1.		
2.		
3.		
4.		
5.		
6.		

Branding Worksheet

A brand is a name or symbol—or some combination of the two—that represents your product. Your brand identity is how you present your product to the world. Your brand image is how your product looks to your customers. In other words, brand identity is how you *want* to be seen, while brand image is how you *are* seen.

1. If you've already chosen business and product names, explain how they communicate your brand identity. If you haven't, make a list of words or emotions that describe the kind of brand identity you want.

2. What kind of logo is appropriate for your business? Something humorous? Classy? Down to earth? Professional? What kind of message do you want it to send?

3. Now, write your branding statement. (Example: *Green Thumb Plant Care makes a day at the office like a walk in the park.*)

Pricing Worksheet

Pricing is critical to the success of your business. Customers will evaluate your products by some combination of price and quality. Pricing strategy involves figuring out how much it costs you to make and deliver your product, adding on your cost of doing business, then adding your desired profit margin.

Price is partly determined by the things you looked at in your marketing research: who are your customers, how much will they pay, how much does your competition charge, what position do you want for your product, and how much profit can you make? Most businesses price their products between the ceiling (the highest price a customer will pay, based on perceived value) and the floor (the total cost of producing and delivering your product).

Underpricing can cause a business to fail. If your product is underpriced, your business loses money every time you make a sale. Overpricing can drive customers to lower-priced competitors, which can also cause a business to fail.

Answering the following questions will help you think about pricing your product.

1. Why is it so important to come up with the right price for your product?

2. What might cause a business owner to overprice or underprice a product?

3. Name some of the most common pricing strategies. Which one makes the most sense for your product? Why?

4. How will you set the price of your product?

5. Will your price be high, average, or low compared to the competition? How does this fit your brand identity?

6. Explain how your pricing strategy fits in with the other parts of the marketing mix. Why is it right for the product? How will it affect promotion and placement?

7. How will you know if your pricing structure is right for your business? How often will you review your pricing strategies?



Your Worksheets Assignment Due for Session 9

We worked on the *Product Strategies, Branding* and *Product Pricing Worksheets* in class.

Take another look at the *Packaging Worksheet* to see if there are any other packaging and branding tools you want to add. Review all of the worksheets before trying to write the business plan section.

Write down any questions you have, so we can discuss them at the start of Session 9.



Writing Your Business Plan

Use the information you've gathered, and worksheets in this session, to write the following sections of the business plan. Follow the headings and subheadings just as they appear below.

Section V. The Marketing Plan

C. Marketing Strategies

Product Lines

Describe the mix of products and services within your product line. If you're planning to sell only one product, tell why you made that choice. If you're selling more than one product, describe how they fit together in your product line, and why you believe that mix will best serve your target market.

Positioning

Explain how you want to position your products in the marketplace. Be sure to explain why you think this is a good marketing strategy.

Packaging/Branding

*Look back at the **Packaging and Branding Worksheets**. Explain how you'll package your product, and how you'll "package" your business as a whole. Explain how the packaging will communicate your brand identity. Explain how that brand identity and branding statement guide your positioning strategies.*

Pricing—A First Look

Discuss how you'll begin to look at pricing your products. What pricing strategies will you use? Include how you want your prices to compare with the competition. Also, explain how your pricing strategy fits in with the rest of your marketing mix, and your branding strategy.

Optional In-Class Exercise Pricing and Break-Even Example

You make personalized t-shirts. Your competition sells a similar shirt for between \$8 and \$11. You decide to price your t-shirt at \$10. Let's see how many t-shirts it will take to pay for your fixed and variable expenses, and therefore to break even.

Here's a list of all of your expenses:

T-shirt—\$3.00

Rent per month—\$800.00

Hourly labor to personalize the t-shirt—\$1.00

Sales commission—\$1.00

Telephone—\$100.00

Insurance per month—\$50.00

Shipping expense—\$.50

Bookkeeping per month—\$100.00

Loan payment per month—\$300.00

Sort the expenses into variable expenses and fixed expenses:

Variable Expenses:

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
Total Variable Expenses	\$ _____

(per unit)

Fixed Expenses:

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
Total Fixed Expenses	\$ _____

(per month)

The contribution margin is the selling price per unit, minus variable expenses per unit.

What is the selling price of a t-shirt? (+) \$ _____

What are the variable expenses of a t-shirt? (-) \$ _____

What is the contribution margin? (=) \$ _____

The contribution margin represents how much each unit of sale “contributes” towards fixed expenses and profits. Every time you sell a t-shirt, how much is it contributing toward paying for your fixed expenses? \$ _____

What are your total fixed expenses for a month? \$ _____ per month

What is your contribution margin per t-shirt sold? \$ _____ per T-shirt

How many t-shirt sales will it take to pay for your monthly fixed expenses? _____ t-shirts

(Fixed Expenses divided by the Contribution Margin equals
the number of shirts you must sell to break even.)

What happens to the break-even number for t-shirts if you decide to lower the price to \$9.00?

