

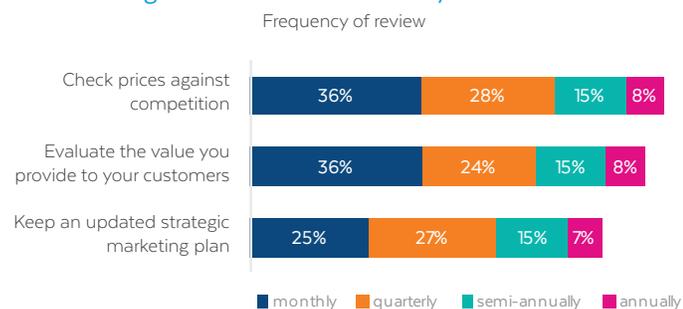
Pricing

Review pricing and pricing strategy regularly to ensure you are capturing the full value of your products and services.

Why does pricing matter?

As a business owner, setting pricing is one of your most important decisions. An effective pricing strategy is essential to your business's success given its impact on sales, market positioning and revenue production. The right pricing strategy will maximize profits, and when reviewed regularly, will ensure you are capturing the full value for your products and services while accounting for changes in costs, market demand and competition.

Pricing review: How often does your business?¹



3/4 of high-growth businesses perform a competitive price check at least once a quarter¹

High-growth businesses are:¹

more likely to increase prices to boost revenue and profits

Key actions to take:

- Understand the value that your product or service delivers:** Ultimately, price represents the value of your product or service to prospective buyers. This value is based on the overall benefit to your customer including intangible benefits beyond the product itself, such as reliability of delivery, level of service, or willingness to customize. Fundamental to pricing is viewing the product value through your customers' eyes and recognizing all the benefits conveyed to the customer.
- Link value and pricing:** As a business owner, you have a great deal of flexibility in how you set your prices. When pricing consider: 1. Your costs in delivering your product/service including direct costs like materials and labor as well as indirect costs like rent, overhead and administration. Include a markup for your profit. 2. Competitive pricing for similar products or services. 3. The value that your products or services provide to your customer. 4. The approach that maximizes the revenue from the overall suite of multiple products, not just the revenue from a single product.
- Setting prices:** With an understanding of cost, competitive pricing and value delivered, you need to test your price in the market. Pricing helps set the customer's perception of your product or service. Set the price too low, and you introduce questions about quality, value or depth of experience. In negotiated sales, a low-price starting point could leave you with no margin after the haggling is done. Conversely, setting the price too high could reduce consideration for your product. Be flexible and attentive to market signals as you set initial prices. Regularly evaluate your prices to ensure they reflect market conditions to keep your business profitable.

- **Offering lower prices selectively:** Sometimes, selling at a lower price makes sense. Promotions, customer targeting through limited offers or carefully-selected partner organizations, and special offers to customers of competitors can all expose your company and product line to new customers. You can specifically limit a lower price to a specific time or audience to obtain a targeted exposure. Also, lowering the price on one product to increase consideration and set up a cross-sell for a second product is another reason to sell at a low price. Lower prices can support a strategy to build share at a competitor's expense.
- **Increasing prices:** How do you know when to increase your prices? The best method is to constantly monitor your costs and prices. Be careful not to set your price too high and end up pricing yourself out of your market. Your competition can signal the right time to change your prices. If your competition raises prices, that is a good indication that the market can support a price increase. Listen to your customers. If they start commenting that your prices are a great bargain, it may be because your prices are too low. Understand the economy — in a good economy, consumers tend to spend more on products and services, and you can increase prices to take advantage of higher demand.

Click below for additional resource:

[Using Pricing to Drive Profit Margins](#)

Develop a pricing strategy using product knowledge and customer value.

Let SunTrust know how we can help your business.

- Drop by your SunTrust branch
- Call us at 800.752.2515
- Visit suntrust.com/bizbestpractices

¹ SunTrust conducted research with 397 small business owners ranging from \$100,000 to \$2,000,000 in annual revenue in the first quarter of 2017. The high-growth segment was derived from the fastest growing twenty percent of those companies.

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