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# **“E-COMMERCE FOR START-UPS”**



# **PRICING ICON-KOURABIE**



**PRODUCT PRICING IS AN ESSENTIAL ELEMENT IN DETERMINING THE SUCCESS OF A PRODUCT OR SERVICE, YET E-COMMERCE ENTREPRENEURS AND BUSINESSES OFTEN ONLY CONSIDER PRICING AS AN AFTERTHOUGHT. THEY SETTLE AND USE THE FIRST PRICE THAT COMES TO MIND, COPY COMPETITORS, OR (EVEN WORSE) GUESS.**





**THERE ARE LOTS OF PRODUCT-PRICING STRATEGIES OUT THERE BASED ON THE  
STUDY OF HUMAN PSYCHOLOGY.**

**ENDING A PRICE WITH A 9 OR A 5, FOR EXAMPLE, IS CALLED “CHARM  
PRICING.” MILLIONS OF BUSINESSES HAVE USED CHARM PRICING TO PRICE  
THEIR PRODUCTS, AND IT'S PROVEN TO INCREASE SALES.**

**WITHOUT A DOUBT, PSYCHOLOGY IS AN IMPORTANT PART OF PRICING.  
BUT LET'S TAKE A LOOK AT SCIENTIFIC APPROACHES AND STRATEGIES.**

**WE FOLLOWED THESE STEPS TO ARRIVE  
AT THE OPTIMAL PRICE FOR OUR PRODUCT.**





# **STEP 1**

## **FINDING A BASE PRICE BY GETTING TO KNOW COMMON PRICING STRATEGIES IN OUR BUSINESS**

- **THOUSANDS OF ENTREPRENEURS AND DECADES OF LEARNING HAVE PAVED THE WAY FOR NEW BUSINESSES TO CRAFT A STRATEGY THAT UTILIZES THE MOST INNOVATIVE PRICING OPTIONS AVAILABLE.**
- **KNOWING WHICH PRICING MODELS WORK BEST IN OUR BUSINESS CAN SIMPLIFY HOW WE PRICE A PRODUCT, AND GIVE US CONFIDENCE KNOWING THAT WE'RE NOT SIMPLY GUESSING.**

# COST-BASED PRICING

ONE OF THE MOST SIMPLE WAYS TO PRICE A PRODUCT IS CALLED COST-PLUS PRICING.

COST-BASED PRICING INVOLVES CALCULATING THE TOTAL COSTS IT TAKES TO MAKE A PRODUCT, THEN ADDING A PERCENTAGE MARKUP TO DETERMINE THE FINAL PRICE.

• FOR EXAMPLE, LET'S SAY IT IS DESIGNED A PRODUCT WITH THE FOLLOWING COSTS:

- MATERIAL COSTS = 20 E
- LABOR COSTS = 10 E
- OVERHEAD = 8 E
- TOTAL COSTS = 38 E



THEN ADD MARKUP PERCENTAGE, LET'S SAY 50%

TO THE TOTAL COSTS TO GIVE A FINAL PRODUCT PRICE OF 57.00 E (38 E X 1.50).

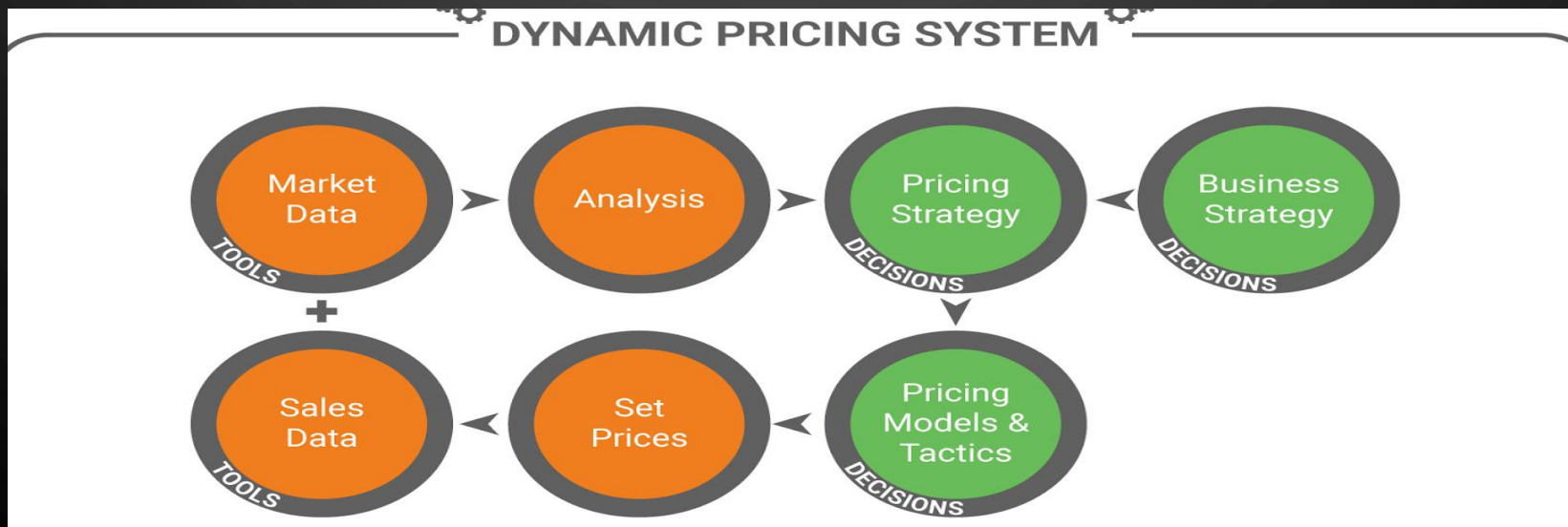
OR AS "CHARM PRICING" TACTIC, IT MIGHT BE MARKED AT 56.99 E.

THIS METHOD IS SIMPLE, FAST, AND LETS QUICKLY ADD A PROFIT MARGIN TO ANY PRODUCT IT IS INTENDED TO BE SOLD.

# DYNAMIC PRICING

ALSO REFERRED TO AS DEMAND PRICING OR TIME-BASED PRICING,  
IS A STRATEGY IN WHICH BUSINESSES SET FLEXIBLE PRICES FOR A PRODUCT OR SERVICE  
BASED ON CURRENT MARKET DEMANDS.

IN OTHER WORDS, DYNAMIC PRICING IS THE ACT OF CHANGING A PRICE  
MULTIPLE TIMES THROUGHOUT THE DAY, WEEK, OR MONTH  
TO BETTER MATCH CONSUMER PURCHASING HABITS.





## HERE'S HOW IT MIGHT LOOK FOR E-COMMERCE BUSINESSES IN ACTION



IT'S NOT JUST SERVICES THAT TAKE ADVANTAGE OF DYNAMIC PRICING TO MAXIMIZE PROFITS. LOTS OF BUSINESSES LONG BEEN USING PRICE SURGES ON THEIR MOST-COMPETITIVE ITEMS FOR BIG E-COMMERCE SHOPPING DAYS SUCH AS BLACK FRIDAY AND CYBER MONDAY

# MARKET-ORIENTED PRICING

ALSO REFERRED TO AS A COMPETITION-BASED PRICING STRATEGY, MARKET-ORIENTED PRICING COMPARES SIMILAR PRODUCTS (COMPETITION) IN THE MARKET.

THE SELLER SETS THE PRICE HIGHER OR LOWER THAN THEIR COMPETITORS DEPENDING ON HOW WELL THEIR OWN PRODUCT MATCHES UP.



- **PRICE ABOVE MARKET:** CONSCIOUSLY PRICING A PRODUCT ABOVE THE COMPETITION TO BRAND OUR SELF AS HAVING A HIGHER-QUALITY OR BETTER-PERFORMING ITEM
- **COPY MARKET:** SELLING YOUR ITEM AT THE SAME PRICE AS OUR COMPETITION TO MAXIMIZE PROFIT WHILE STAYING COMPETITIVE
- **PRICE BELOW MARKET:** USING DATA AS A BENCHMARK AND CONSCIOUSLY PRICING A PRODUCT BELOW COMPETITORS, TO LURE CUSTOMERS INTO OUR STORE OVER THEIRS



EACH OF THE ABOVE STRATEGIES  
IN THE MARKET-ORIENTED  
MODEL HAS ITS PROS AND CONS.  
WITH MARKET-ORIENTED  
PRICING, IT'S IMPORTANT TO  
UNDERSTAND THE COSTS OF  
MAKING A PRODUCT, AS WELL  
AS THE QUALITY COMPARED TO  
COMPETITORS TO ACCURATELY  
PRICE A PRODUCT.

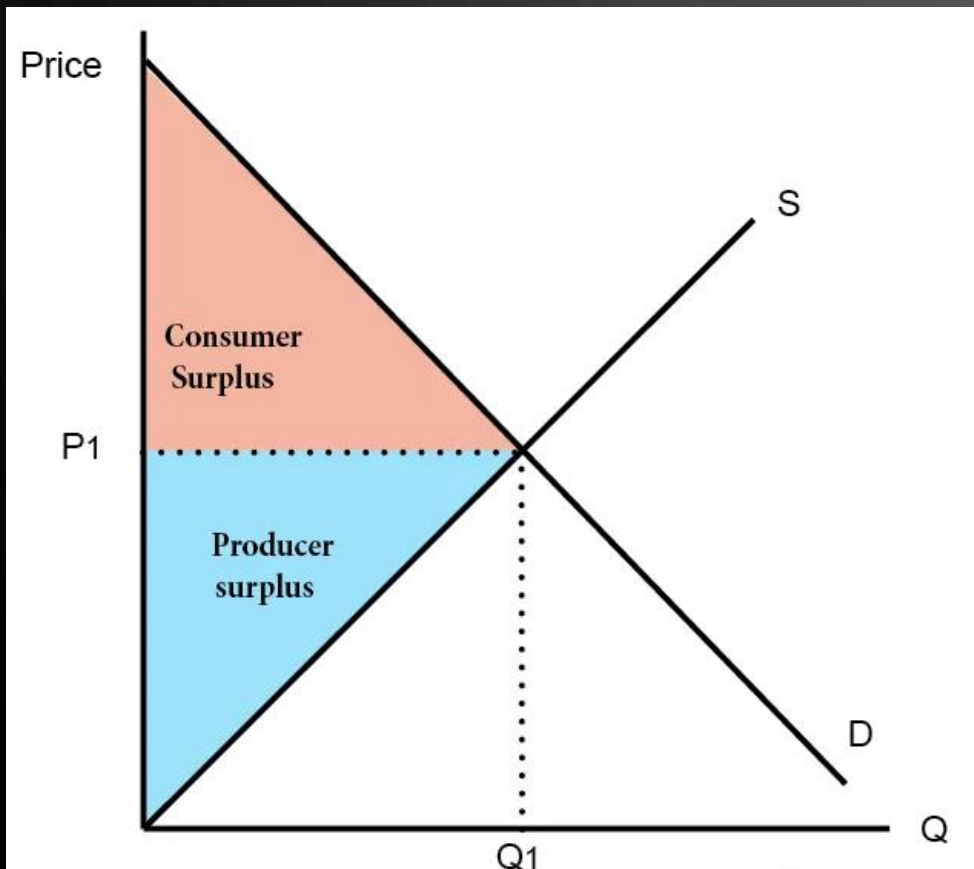


# STEP 2

## **CAPTURE MORE MARKET SHARE BY EXPERIMENTING WITH PRICING (AND UNDERSTANDING PRICE ELASTICITY)**

- **LOTS OF BUSINESSES FALL INTO THE TRAP OF THINKING IF THEY LOWER PRODUCT PRICES, MORE PEOPLE WILL BUY THE PRODUCT AND THEIR REVENUE WILL INCREASE.**
- **STRATEGICALLY LOWERING PRODUCT COSTS DOES HAVE BENEFITS, AND CAN LEAD TO INCREASED REVENUE.**
- **FOR ONE, IT REDUCES THE AMOUNT OF MONEY BEING LEFT ON THE TABLE (CONSUMER SURPLUS) FOR CUSTOMERS WHO ARE WILLING TO BUY AT VARIOUS PRICE POINTS.**

**PUT SIMPLY, CONSUMER SURPLUS  
IS THE DIFFERENCE BETWEEN WHAT THE CONSUMER PAYS  
AND WHAT HE WOULD HAVE BEEN WILLING TO PAY**



**Consumer  
Surplus  
Formula**

= Maximum Price Willing to Pay -  
Actual price





# **SO HOW WILL MAXIMIZE PROFITS WHILE ALSO CAPTURING MORE MARKET SHARE?**

**IT IS A NEED TO UNDERSTAND THE SALES VOLUME OF A PRODUCT AT SPECIFIC PRICE POINTS, AND WHAT ALLOWS IT TO REMAIN PROFITABLE. IN OTHER WORDS, IT IS A NEED TO UNDERSTAND PRICE ELASTICITY.**

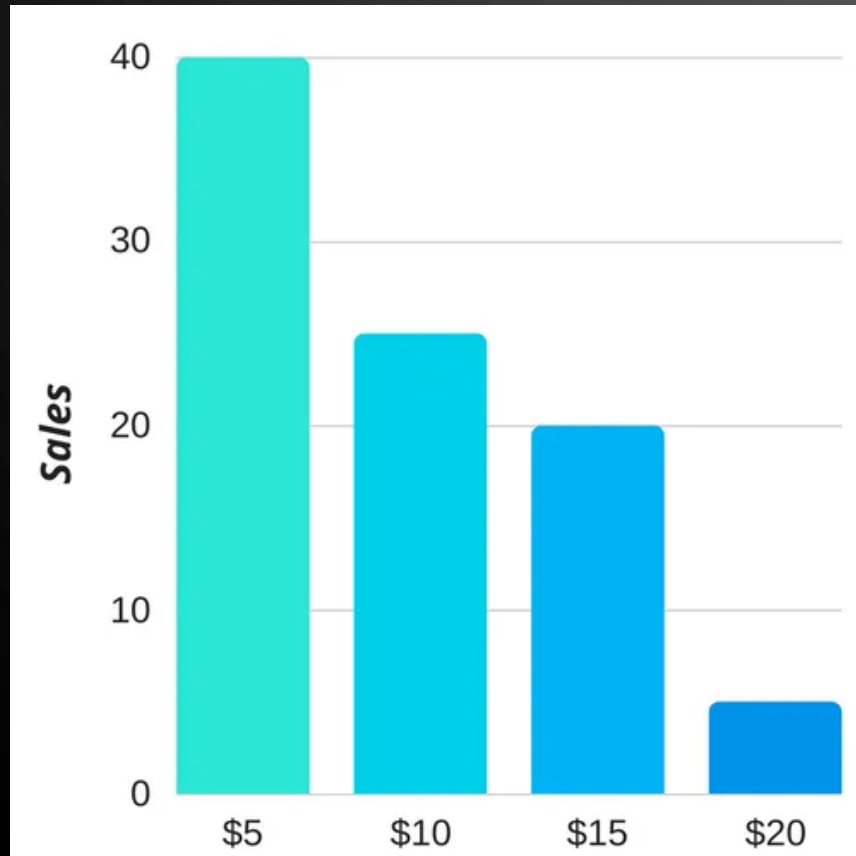
**PRICE ELASTICITY IS A MEASURE OF THE RELATIONSHIP BETWEEN A CHANGE IN THE QUANTITY DEMANDED OF A PARTICULAR GOOD AND A CHANGE IN ITS PRICE. IF THE QUANTITY DEMANDED OF A PRODUCT EXHIBITS A LARGE CHANGE IN RESPONSE TO ITS PRICE CHANGE, IT IS TERMED “ELASTIC”**



**FOR A SECOND, IMAGINE THAT THERE ARE  
100 CUSTOMERS THAT PURCHASE A PRODUCT**

| 100 Potential Customers |                 |
|-------------------------|-----------------|
| Price Point             | Conversion Rate |
| 5 E                     | 20%             |
| 10 E                    | 15%             |
| 15 E                    | 10%             |
| 20 E                    | 2%              |

**AFTER TESTING PRICING, COULD BE FOUND  
CUSTOMERS CONVERT AT DIFFERENT RATES  
DEPENDING ON THE PRICE OF THE PRODUCT.  
AND ALSO THAT SALES VOLUME FLUCTUATES WITH PRICE**





**GIVEN THIS SMALL AMOUNT OF DATA,  
CAN NOW BE EASILY CALCULATED  
HOW MUCH REVENUE IS GENERATED  
FROM EACH PRICE POINT.  
THEORETICALLY, THIS IS A GREAT WAY  
TO IMPROVE UPON THE “BASE”  
PRODUCT PRICE THAT HAS BEEN  
CALCULATED IN STEP ONE**

| 100 Potential Customers |                 |         |
|-------------------------|-----------------|---------|
| Price Point             | Conversion Rate | Revenue |
| 5 E                     | 20%             | 200 E   |
| 10 E                    | 15%             | 250 E   |
| 15 E                    | 10%             | 300 E   |
| 20 E                    | 2%              | 100 E   |

# BUT THERE'S ONE SMALL PROBLEM...

| 100 Potential Customers |                 |         |
|-------------------------|-----------------|---------|
| Price Point             | Conversion Rate | Revenue |
| 5 E                     | 20%             | 200 E   |
| 10 E                    | 15%             | 250 E   |
| 15 E                    | 10%             | 300 E   |
| 20 E                    | 2%              | 100 E   |

OR THIS?

WHAT ABOUT THIS?

Optimal Price



- **WHAT ABOUT THE 65 CUSTOMERS THAT WOULD HAVE PURCHASED AT A 5 E OR 10 E PRICE POINT?**
- **THAT'S 450 E IN REVENUE THAT LOSING OUT ON. NO SANE BUSINESS OWNER WANTS TO DO THAT, WHICH IS WHY IT IS A NEED FOR A STRATEGY TO UNLOCK THAT UNTAPPED GOLD MINE.**
- **THERE ARE LOTS OF PRICING STRATEGIES OUT THERE TO DO THIS, BUT THREE FAVORITES FOR PROFITABLY LOWERING PRICES ARE DISCOUNT PRICING, LOSS-LEADER PRICING, AND ANCHOR PRICING.**





# DISCOUNT PRICING

DISCOUNT PRICING IS A STRATEGY WHERE ITEMS ARE INITIALLY MARKED UP ARTIFICIALLY OR START AT A HIGHER PRICE, BUT ARE THEN OFFERED FOR SALE AT WHAT SEEMS TO BE A REDUCED COST TO THE CONSUMER.

THIS IS A SIMPLE WAY TO ATTRACT NEW CUSTOMERS THAT MIGHT NOT HAVE BOUGHT A PARTICULAR ITEM AT A HIGHER PRICE. THE KEY TO ENSURING THAT THE DISCOUNT PRICING STRATEGY REMAINS PROFITABLE FOR THE BUSINESS IS TO KEEP THE PROFIT MARGINS CLOSE TO 0% OR SLIGHTLY POSITIVE.

IN OTHER WORDS, DON'T SELL PRODUCTS AT A DISCOUNT JUST TO GET CUSTOMERS IN THE DOOR, ONLY TO FIND OUT YOU'RE LOSING MONEY HAND OVER FIST.

# LOSS-LEADER PRICING

**SIMILAR TO DISCOUNT PRICING IN STRATEGY, LOSS-LEADER PRICING TAKES A SLIGHTLY MORE RISKY APPROACH TO ATTRACTING PURCHASERS.**

**LOSS-LEADER PRICING IS AN AGGRESSIVE PRICING STRATEGY IN WHICH A STORE SELLS SELECTED GOODS BELOW COST IN ORDER TO ATTRACT CUSTOMERS WHO WILL, ACCORDING TO THE LOSS-LEADER PHILOSOPHY, MAKE UP FOR THE LOSSES ON HIGHLIGHTED PRODUCTS WITH ADDITIONAL PURCHASES OF PROFITABLE GOODS.**



**THE KEY DIFFERENCE WITH LOSS-LEADER PRICING - STANDARD DISCOUNT PRICING IS BUSINESSES OFTEN KNOW THAT THEY WILL NOT MAKE A PROFIT ON ITEMS SOLD AS LOSS-LEADERS. AND THAT STARTS WITH A DEEP UNDERSTANDING OF A PRODUCT COSTS AND PROFIT MARGINS.**

**USING THIS PRICING STRATEGY CAN HELP ATTRACT LARGE NUMBERS OF CUSTOMERS WHO WOULD OTHERWISE SHOP ELSEWHERE, AND SOME OF THEM WILL BUY ITEMS WITH A HIGHER PROFIT MARGIN.**





# ANCHOR PRICING

ANCHOR PRICING IS WHERE IS DISPLAYED A “REGULAR” PRICE AND THEN VISIBLY LOWER THE PRICE OF THAT ITEM IN STORES OR ONLINE.

IT WORKS SO WELL BECAUSE IT HELPS TO CREATE AN IMAGE IN SHOPPERS’ MINDS THAT THEY’RE GETTING AN INCREDIBLE DEAL.

LITTLE DO THEY KNOW THAT THE REGULAR PRICE WAS MADE UP IN THE FIRST PLACE!



Regular Price: ~~\$27.99~~ **Today: \$9.99**

 **ADD TO CART**

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**THERE'S A GREAT VIDEO OF STEVE JOBS  
ANNOUNCING THE IPAD PRICE ON STAGE IN 2010.**

**[HTTPS://YOUTU.BE/QUUFBRJVTGW](https://youtu.be/quufbrjvtgw)**



HE RHETORICALLY ASKS THE ATTENDEES  
WHAT THEY SHOULD PRICE THE IPAD AT.

“IF YOU LISTEN TO THE PUNDITS, WE’RE GOING TO PRICE IT  
AT UNDER \$1000, WHICH IS CODE FOR \$999,” SAYS JOBS.

\$999 APPEARS ON THE SCREEN BEFORE HE CONTINUES...

“I AM THRILLED TO ANNOUNCE TO YOU THAT THE IPAD PRICING  
STARTS NOT AT \$999, BUT AT JUST \$499.”

ON THE SCREEN, THE \$999 PRICE IS SHATTERED BY A FALLING “\$499.”

**THAT’S ANCHOR PRICING  
AT ITS ABSOLUTE FINEST.**

# STEP 3

## MAKE SURE THE PRODUCT PRICING DRIVES LONG-TERM BUSINESS PROFIT

AT THIS POINT, IT SHOULD OF HAVE SOME IDEA  
OF WHERE IT IS GOING TO START WITH  
PRICING THE PRODUCT.

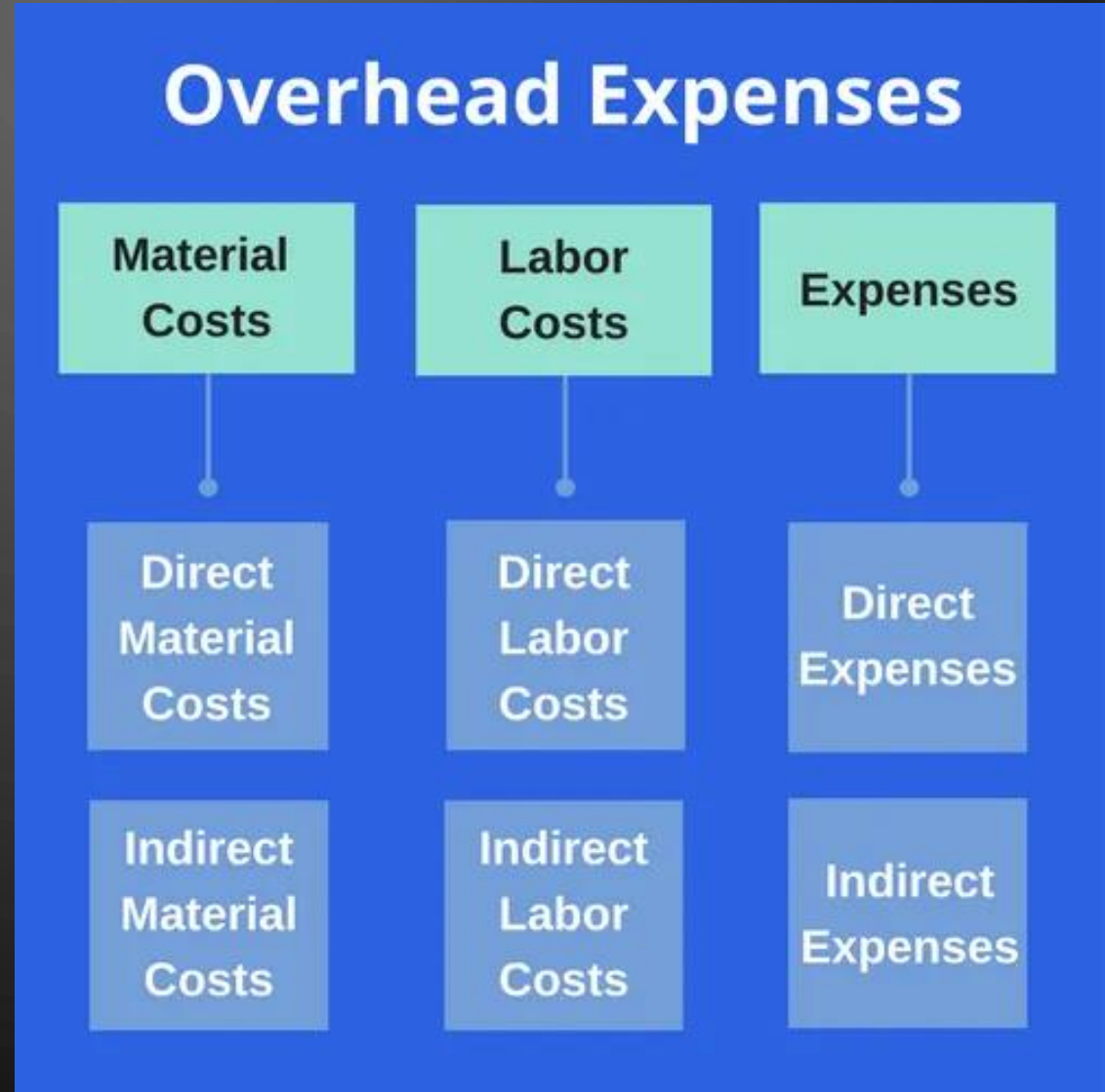
BUT ALL WORK HERE ISN'T DONE.

TO ENSURE MAINTAINING LONG-TERM  
PRODUCT PROFITABILITY IT MUST ANALYZE  
CURRENT BUSINESS METRICS, AS WELL AS  
DESIGN A PLAN TO CONSTANTLY EXPERIMENT  
MOVING FORWARD.



# ANALYZING CURRENT METRICS

**HOWEVER, THE MIX OF PRICING STRATEGIES IMPLEMENTED MUST RESULT IN ENOUGH INCOME TO COVER OVERHEAD EXPENSES, WHILE ALSO LEAVING A BIT OF PROFIT TO SPARK CONTINUOUS GROWTH.**





# OVERHEAD EXPENSES

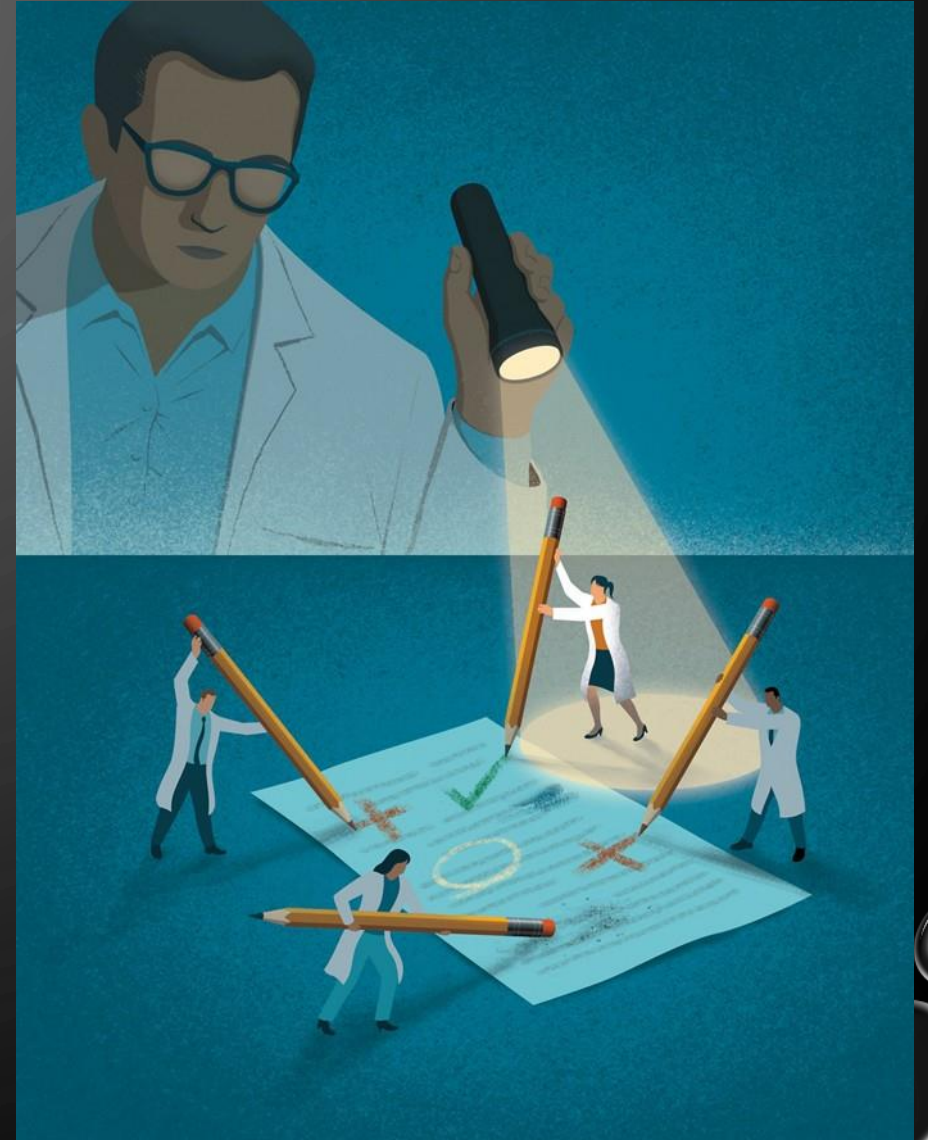
- RENT
- MANUFACTURING COSTS
- FACILITIES COSTS
- UTILITIES
- STAFF SALARY AND RELATED COSTS
- MARKETING COSTS
- PROFESSIONAL FEES, LICENSES, OR PERMITS
- PACKAGING COSTS
- SHIPPING SUPPLY COSTS
- WEBSITE MAINTENANCE COSTS
- PERSONAL INCOME
- TAXES

# EXPERIMENT WITH PRICING

THERE ARE MANY THINGS THAT DIRECTLY AFFECT THE PRICING OF A PRODUCT. THAT'S WHY IT'S IMPORTANT TO NOT ALLOW PRICING STRATEGY TO REMAIN STATIC.

PRICES THAT FLUCTUATE AND MOVE WITH THE MARKET WILL HELP TO INCREASE REVENUE AND DECREASE CONSUMER SURPLUS.

**THREE GREAT WAYS TO EXPERIMENT WITH PRICING ARE FOLLOWING:**

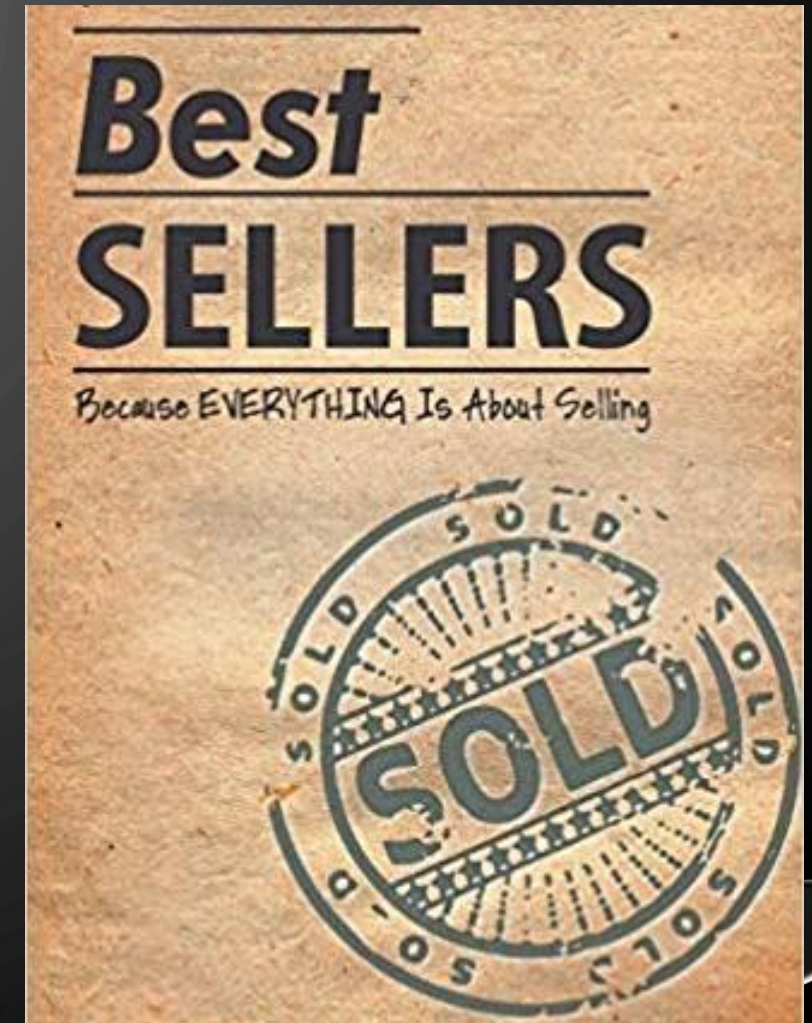


# 1. RAISE PRICES ON BEST-SELLERS

IT HAS BEEN TALKED ABOUT HOW LOWERING PRODUCT PRICES CAN LEAD TO A REDUCTION IN CONSUMER SURPLUS, WELL RAISING PRICES CAN HAVE A SIMILAR POSITIVE EFFECT.

IF ONE OR MORE OF PRODUCTS IS SELLING AT A HIGH VOLUME, EXPERIMENT WITH RAISING ITS PRICE. THIS WILL INCREASE GROSS REVENUE AND ALLOW TO MAKE UP FOR ANY OTHER PRODUCTS THAT AREN'T PULLING THEIR WEIGHT.

ONE WAY TO OFFSET THE POTENTIAL NEGATIVE IMPACTS OF RAISING PRICES IS TO EXPERIMENT WITH PAIRING HIGHER PRICES WITH FREE SHIPPING. THIS WILL HELP TO MAKE CUSTOMERS HAPPY WHILE ALSO INCREASING BOTTOM LINE.





## **2. TAKE ADVANTAGE OF SEASONAL DISCOUNTS OR PROMOTIONS**

**SEASONAL SALES AND PROMOTIONS ARE ONE OF THE BEST WAYS TO ATTRACT  
MORE CUSTOMERS TO A WEBSITE OR PHYSICAL STORE.**

**EVEN SOMETHING AS SMALL AS OFFERING “FREE SHIPPING” CAN HELP TO  
INCREASE CUSTOMERS AND REVENUE.**





### **3. MODEL,**



### **YOUR COMPETITORS**

**AS WITH ANY GREAT BUSINESS OR PRICING STRATEGY, LOOKING TOWARDS THE MARKET (PARTICULARLY COMPETITORS) IS A GREAT WAY TO STAY ON TOP OF CURRENT PRICING TRENDS.**

**EVERYTHING FROM STOCK MARKET FLUCTUATIONS AND EMPLOYMENT RATES, TO NEW LAWS AND TRENDS, CAN AFFECT THE PRICE THAT PEOPLE ARE WILLING TO PAY FOR A PRODUCT.**

**THAT'S WHY IT'S IMPORTANT TO KEEP AN EYE ON THE MARKET AND COMPETITORS.**

**BUT TO REMEMBER, OPERATING ON OWN TERMS WITH OVERHEAD EXPENSES AND PROFIT MARGINS. SO WHILE IT'S GREAT TO EVALUATE HOW THE OTHERS' RE PRICING THEIR PRODUCT, IT NEEDS TO PUT OUR OWN BUSINESS FIRST.**

**ACCORDING TO PWC'S "2018 GLOBAL CONSUMER INSIGHTS SURVEY," GLOBAL RETAIL E-COMMERCE SALES WILL REACH \$4.878 TRILLION BY 2021. THAT'S AN 18% INCREASE IN WORLDWIDE E-COMMERCE SALES, FROM \$1.845 TRILLION IN 2016 TO \$4.878 TRILLION IN 2021**



**MILLIONS OF BUSINESS ARE VYING FOR CUSTOMERS' ATTENTION.**

**ONE WAY TO GAIN A COMPETITIVE ADVANTAGE IN THIS WILD MARKETPLACE IS TO HAVE A PRODUCT PRICING STRATEGY THAT IS DYNAMIC — ONE THAT MOVES WITH THE MARKET, AND ONE THAT ALLOWS A BUSINESS TO REMAIN PROFITABLE ALL AT THE SAME TIME.**

**THE LAST THING TO WANT IS CUSTOMERS LEAVING STORE BECAUSE OF FAILING TO ADAPT, AND UPDATE THE VALUE OF THE PRODUCT.**

**USE THIS STEP-BY-STEP GUIDE CONSTANTLY THROUGHOUT THE YEAR. SAVE IT TO BOOKMARKS, ADD IT TO POCKET, DO WHATEVER HAVE TO DO TO KEEP OUR SELF ACCOUNTABLE FOR ENSURING THAT OUR PRODUCT PRICING STRATEGY REMAINS COMPETITIVE.**



# AS A CONCLUSION FOR ICON-KOURABIE PRICING WILL BE USED A MIXED PRICING STRATEGIES:

- 1. **COST-BASED PRICING: WE HAVE TO ESTIMATE & KNOW WHICH PRICE BRINGS US PROFITS AND HOW MUCH! WE DON'T WANT TO LOOSE MONEY!**
- 2. **MARKET-ORIENTED PRICING, COPYING MARKET AND SELLING OUR ITEM AT THE SAME PRICE AS OUR COMPETITORS TO MAXIMIZE PROFIT WHILE STAYING COMPETITIVE, THAT MEANS THE PRICE OF A 500 GR BOX WILL NOT BE 9.99 E (ANCHOR PRICING) BUT ONLY!!! 4.99 E**
- 3. **DYNAMIC PRICING: OUR PRICE WILL NOT BE STATIC, IT WILL BE DYNAMIC, ELIGIBLE AND CHANCING TO BETTER MATCH CONSUMER PURCHASING HABITS.**

A person stands on the peak of a mountain, arms raised in triumph, overlooking a vast sea of clouds. The sun is rising on the left, casting a warm glow over the landscape. The sky is a clear, deep blue.

**THANK YOU FOR YOUR ATTENTION!**

**CHEER-UP GUYS!**

**FREE AT LAST!**