



PRICING FOR PROFIT

*3 Steps to Ensure You Don't
Lose Money
on Your Products and
Services*

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Why Your Pricing Model Matters

3 steps to profitable products and services



Many small businesses lose money in their pricing.

Your prices must include the cost of operations (expenses to just keep the doors open), raw materials, time (labor), and a profit margin.

Example:

For a PRODUCT

Let's say your raw materials cost to produce your widget is \$15.00. You have \$23.00/ hour in operations costs, and you want to make \$20.00/ hour. It took you an hour to produce.

Add together the \$15.00 (costs), \$23.00 (operations) and \$20.00 (labor). Your real cost to produce your item is \$58.00.

If you want a 10% profit margin, add \$5.80.

Then the price for that widget should START at \$63.80.

So, if you are selling for \$40.00 (wholesale and labor costs plus a little bit) you are probably losing money, and we need to fix that.

For a SERVICE

Your operations are \$17.00/hour, and you want to charge \$125.00 for your labor, your real costs are \$142.00, add a profit of 10% (\$14.20).

Your fee should START at \$156.20/hour.





Everything you sell needs to make a profit.

Profit margins do not have to be equal across products and services.

STEP 1: Figure Out Your Operating Costs

- Add up all of your operational expenses and divide by the number of days you are open per month, then by how many hours a day
- How much does it cost you per day and per hour to stay in business

1. Fixed Expenses:

Rent, Utilities, Software, etc.

2. Other Expenses:

Payroll, Taxes, Equipment, etc.

3. Monthly Expenses:

Add together line 1 & 2

Daily Operating Cost

Divide monthly expenses by the number of days you are open

Hourly Operating Cost

Divide daily operating cost by the number of hours you are open

This step is critical to make your pricing profitable. Include all of your expenses, including your own paycheck. The costs for operating expenses, those that to keep the doors open and running, are often overlooked in pricing products and services.

Once you know how much you need to recover each day or each month to keep your business open and operating, you can start to build your pricing.

STEP 2: Cost Out Your Products and Services

Include EVERYTHING that goes into each item.

You can use this sheet for each product or service you offer.

1. Product or Service:

2. Raw Materials Cost:

3. Incidentals: *Price Tags, Labels, Wrapping, and cost of each*

TOTAL:

4. Time to be recovered:

Cost per hour:

TOTAL:

STEP 3: Are You Making A Profit?

Your products and services can have different profit margins; they do not need to be equal. One can be 10%, one can be 100%. You decide.

Item / Service:

Cost to be in business
(operations):

Costs for item or
service:

TOTAL Costs:

Pure profit line for
your item and service:

My Current Price:

Is this profitable?

Actions:

Item / Service:

Cost to be in business
(operations):

Costs for item or
service:

TOTAL Costs:

Pure profit line for
your item and service:

My Current Price:

Is this profitable?

Actions:

Item / Service:

Cost to be in business
(operations):

Costs for item or
service:

TOTAL Costs:

Pure profit line for
your item and service:

My Current Price:

Is this profitable?

Actions:

Ready to Make More Money and Keep More Profit?

Now that you have completed these strategies, you are winning with your pricing. Congratulations!

You are ready to go deeper and look at your profit margins and other numbers to make a customized checklist that will put you on track to making more money and keeping more profit (and perhaps taking a bigger paycheck).

Book a free support session with Dawn to learn your next steps by visiting:

<https://calendly.com/dawnkkennedy/30min>

Who is Dawn Kennedy?



Dawn is a business consultant, author, podcaster, and the CEO of Convoy Road Coffee Roasters. She is passionate in helping small businesses thrive, and helping entrepreneurs create their own legacy.

Learn more about Dawn by visiting the website:

<https://dawnkkennedy.com>