

# Workshop Seven

Pricing and Credit

# Factors Related to Setting Prices

- Competition
- Costs
  - Variable vs. Fixed
- Value-Added Services
- Prestige/Brand
- Promotional Tactic
- Long-Range Strategy
- Product Positioning



# Markups

- Percentage of Selling Price or Cost
- Let's take a look at some examples.



# Markup Versus Margin

**Selling Price = Total Cost x (1 + Mark-Up Percent)**

**Selling Price = \$2.00 x (1 + 0.27)**

**Selling Price = \$2.00 x (1.27)**

**Selling Price = \$2.54**

**Gross Profit Margin = \$0.54 / \$2.54 = .2126 = 21.26%**

# Pricing Strategies

- Prestige
- Penetration
- Skimming
- Follow-The-Leader
- Variable
- Flexible
- Price Lining
- What-The-Traffic-Will-Bear
- Discount



# Let's Talk Credit

- Small Businesses Don't Offer Consumer Credit
- Trade Credit Example
  - “2/10, Net 30 FOB Origin”
- Credit Management
  - Evaluate Creditworthiness
  - Invoice Early and Often!
  - Maintain Detailed Aging Schedule
  - Maintain Rigorous Collection Process
  - Send Period Statements/Maintain Communications
  - Always Obtain Signed Delivery Documents
  - Follow Specific Schedule of Calls and Written Notices

# Let's Compare Prices

Item	Burlington	Tirana

Next Up

Promotions