

# Pricing for Profit

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Northern  
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Embrace  
a Giant  
Spirit



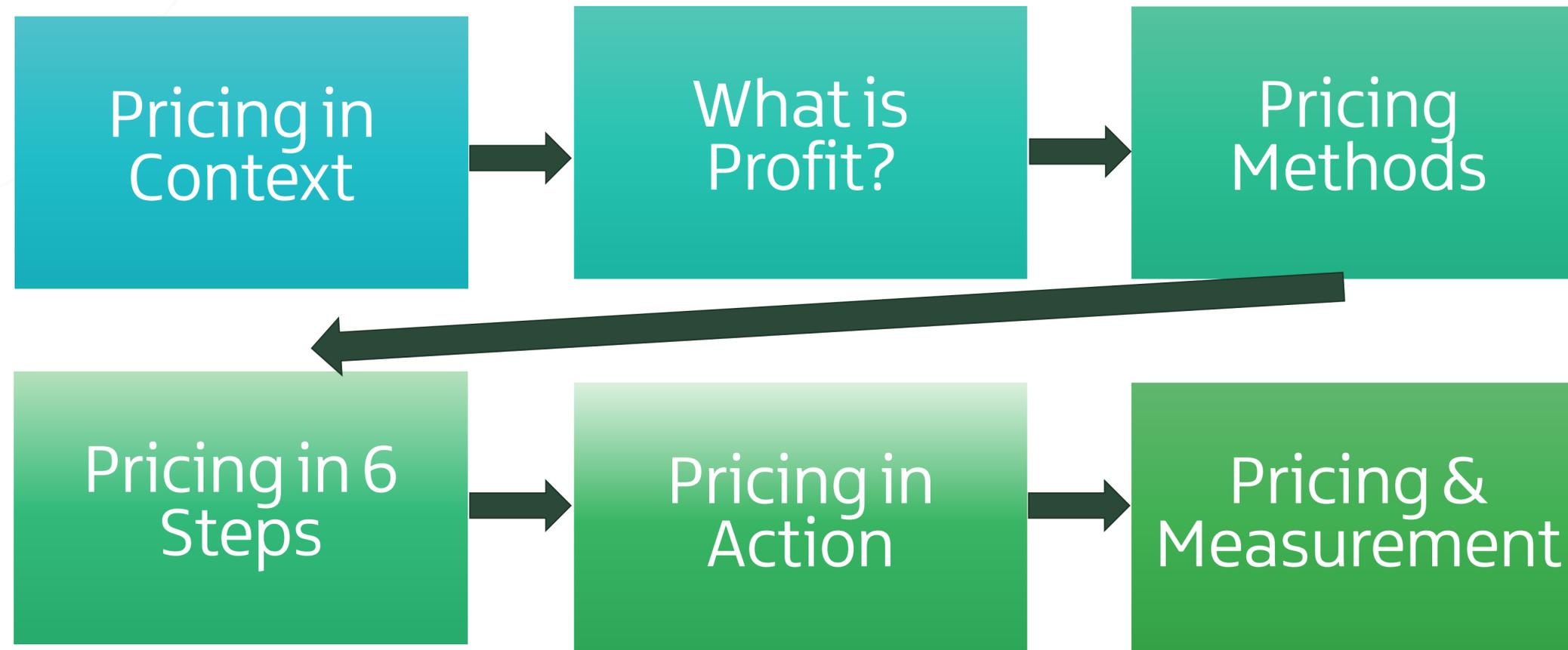
TED

Tourism  
Enterprise Development  
Programme



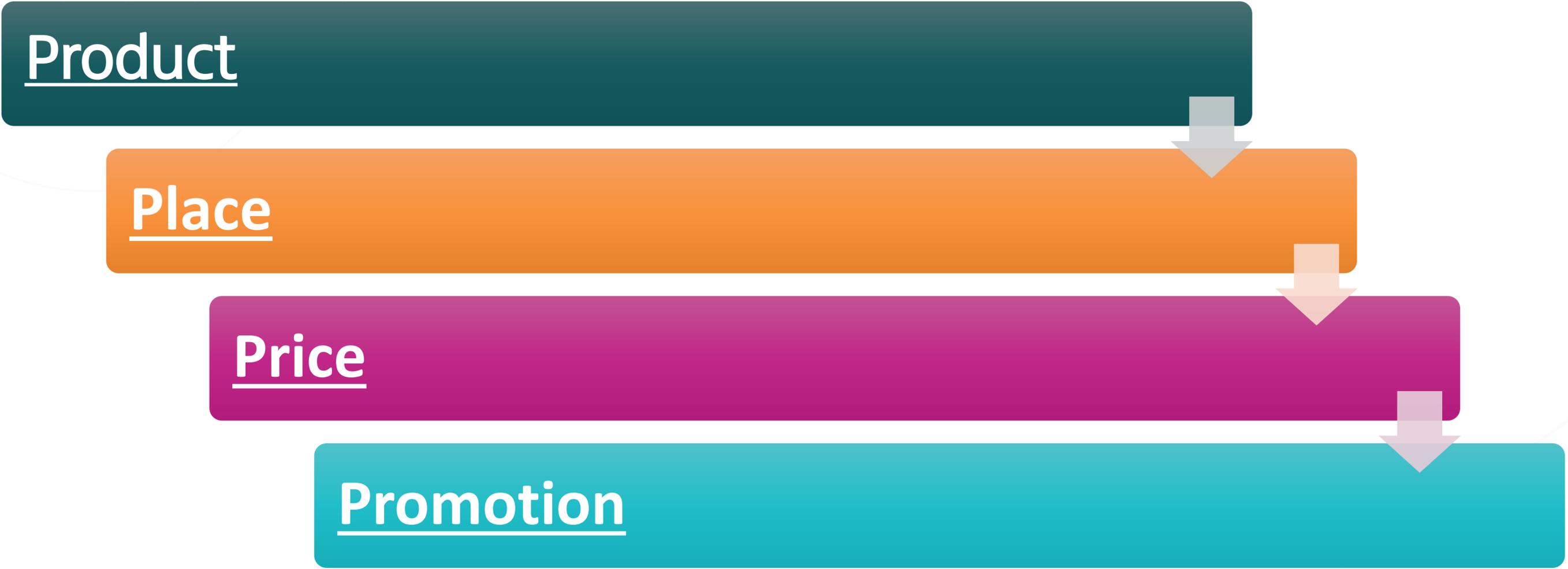
tourism  
northernireland

# Pricing for Profit



# Marketing Mix – 4 P's

Product



```
graph TD; Product[Product] --> Place[Place]; Place --> Price[Price]; Price --> Promotion[Promotion];
```

Place

Price

Promotion

# 5 Pillars of Good Business Finance

Improved Finances → Stronger Business → More Profit

Good  
Bookkeeping

Reliable  
Accountant

Robust  
Business  
Model

Adequate  
Funding

Regular  
Oversight &  
Planning

**Pillar 1**

**Pillar 2**

**Pillar 3**

**Pillar 4**

**Pillar 5**

*STRONG FOUNDATIONS – great products; strong finances; clear direction*

# What is Profit?

- Gross Profit - Sales Less Direct Costs
- Net Profit - Sales Less Direct AND Indirect Costs

## Belfast Maritime Tours

### Trading, Profit & Loss Account - Year 1

<b>Sales</b>			<b>£24,000</b>
<b>Less Cost of Sales</b>			
Opening Stock	£0		
add Purchases	£12,000		
Less Closing Stock	£0		
		<b>£12,000</b>	
<b>Gross Profit</b>			<b>£12,000</b>
<b>Less Expenses</b>			
✓ Rent and rates		£0	
✓ Heat & power		£0	
✓ Telephone & internet & mobile		£600	
✓ Vehicle running expenses		£0	
✓ Advertising and promotion		£600	
✓ Office supplies and postage		£240	
✓ Sundries		£600	
✓ Insurance		£240	
✓ Accountancy and legal fees		£600	
✓ Staff wages/PAYE		£0	
✓ Repairs and maintenance		£0	
✓ Other		£0	
✓ Other		£0	
✓ Other		£0	
Depreciation		£0	£ 2,880
<b>Total Expenses</b>			
<b>Net Profit/Loss before drawings</b>			<b>£9,120</b>
Less Drawings		£ 6,000	
<b>Net profit/loss after drawings</b>			<b>£ 3,120</b>

# Why is profit important?

- It provides you and your business with surplus cash
- It allows you to make a living from your business
- You need to calculate it for tax purposes

# Key Pricing methods in business

1. Cost Plus Method
2. Competitor Pricing
3. Consumer Value

# Pricing for Profit in 6 steps

1

Define your  
Services

2

Calculate  
your direct  
costs

3

Work out  
your time

4

Set your  
price

5

Review your  
profit

6

Benchmark  
your pricing

**TED**

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# Step 1: Define your services

## Write down:

- The name of each product/service
- The target market
- Details of the product/service
- Other – sector/location etc.

# Step 2: calculate direct costs

- Booking fees/charges
- Entry fees
- Handouts/gifts etc.
- Cost of food/drink
- Other direct costs

# Step 3: Work out your time

Calculate (in days/hours):

- Preparation time
- Event time
- post-event time
- Significant other time e.g. marketing

# Step 4: Set your price

## Consider:

- Your expertise and knowledge
- Your breakeven (Units/£/Time)
- Your min hourly rate
- Your costs – direct & indirect

# Step 5: Review your profit

- Gross income per product/services
- Net income per product/service
- Costs – direct & indirect
- Return on investment and time

# Step 6: Benchmark your pricing

1. Check competitor pricing
2. Reflect on consumer value
3. Consider Seasonality/Topicality
4. Focus on your USP/Premium offering
5. Review regularly

# Pricing in Action

# Break-even (1)

“Break-even point (B/E) is the point at which costs or expenses and revenue are equal i.e. there is no net loss or gain”

Wikipedia

# Break-even (2)

- Amount in £....
- Amount in Units....
- Timing....

# Making Tax Digital (MTD)

1. QuickBooks
2. Xero
3. Sage
4. Quick File
5. Clear Books.....etc.

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# A Written Pricing Strategy

- Sectors.....
- Markets.....
- Competitors.....
- Seasonal.....

# Recap (1)

## Profit

Know your Gross Profit  
from your Net profit

## Costs

Know your Direct Costs  
from your Indirect  
Costs

## Context

5 Pillars of Finance &  
Marketing 4Ps

# Recap (2)

Benchmark Value	Measure	Review
<p>Charge for your knowledge/expertise - customers often <u>WANT</u> to pay more as their minds associate the higher price with increased value</p>	<p>Measure income, costs and profit regularly and adjust pricing when required.....</p>	<p>Review your prices and your pricing strategies regularly</p>

Thank  
you

