



Pricing

Sustainable Growth - Optimizing Business Operations

December 9, 2024



Upcoming Optional Workshops

A Framework for Bolstering Economic Power for ESE Employees

Jan 23rd at 11am-noon PST

<https://bit.ly/EconomicPowerCARISE>



SNAP E&T Intro For ESEs

1. SNAP E&T Intro & Cohort Overview

Jan 15 11am-noon PST

2. ESE Alignment with SNAP E&T

Jan 22 11am-noon PST

3. Becoming a SNAP E&T Provider & Cohort Application Details

Jan 29 at 11am-noon PST

<https://bit.ly/SNAPCohort>

Integrating Direct Deposit to Build Employee Wellness By Community Financial Resources

Feb 6th at 11am-noon PST

<https://bit.ly/DirectDepositCFR>



Your Optimizing Business Operations Cohort



STREET COMPANY



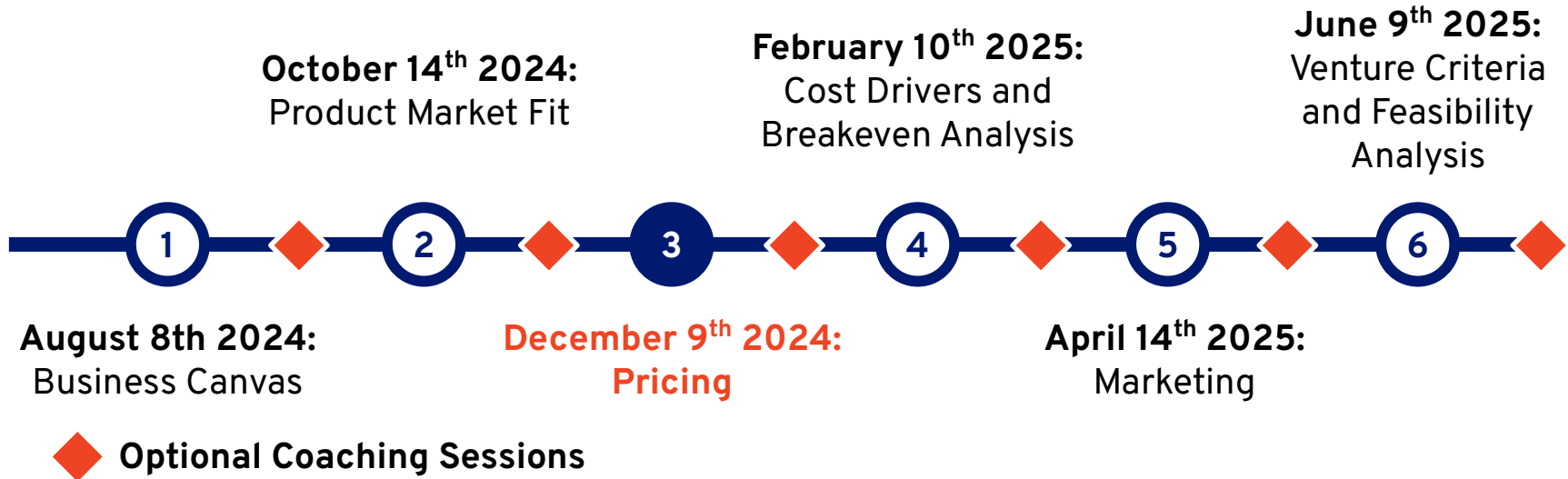
auticon



MERISTEM



Sustainable Growth: Optimizing Business Operations Timeline



Community Agreements

- Stay engaged - please keep your camera on if you can
- Listen to understand
- Take space, make space
- Nobody knows everything, but together we know a lot
- Challenge assumptions
- Expect and accept non-closure
- Center participant workers
- Embrace diversity in all of its forms
- Create a safer space for sharing / refrain from attribution



Session Overview

- **Collaborate:** Understanding each others' goods/services and pricing
- **Discuss:** What is Pricing Strategy and Why Is It Important?
- **Discuss:** Pricing in an ESE context
- **Discuss and Explore:** Pricing Strategies
- **Discuss and Explore:** Pricing Tactics through a tool
- **Reflect:** Examine our experience and make next steps



Check-in Reflection

What's something you've purchased recently that was **worth the price**? Share a sentence or two explaining why.

Please put your thoughts in the chat.





Collaboration

Give each organization in the group **one minute to pitch their product/service to the group**. After hearing from each person, **have everyone in the room guess the cost of the good/service**. Keep track of their guesses. What do they tell you about your price?

7 minutes of small group conversation



Whole Group Sharing

How close were people's guesses to your actual price? What was the range the offered?

Please put your thoughts in the chat.



What is Pricing Strategy?

Pricing strategy is how a business determines the ideal price of a product or service, informed by a range of factors such as business costs, competition, and customer value.



Why is Pricing Strategy Important?

An effective pricing strategy enables an employment social enterprise to:

- Protect profits by ensuring that **prices sufficiently cover production costs**
- Remain competitive by **responding to changing market conditions**
- Capture untapped value by **considering customer need and willingness-to-pay**

What's Different in an ESE Context?

Pricing is especially difficult for social enterprises because **costs are higher due to programming and transitional workforce training costs**. There is additional value to the product or service from being mission-based that can come into play in pricing.

However, not all of your costs can be reflected in your pricing strategy. **For most ESEs, contributed revenue (ie. donations or grants) is a critical part of business plans.**



What Goes Into My Pricing Strategy?

Businesses use three strategies when determining their prices:

- **Cost-plus** pricing
 - Cost of your product + Markup = Price
- **Competition-based** pricing
 - Competitors' Prices = Price
- **Value-based** pricing
 - Perceived Customer Value = Price



Cost-Plus Pricing

- **Cost-plus pricing**
 - $\text{Cost of your product} + \text{Markup} = \text{Price}$
- **Calculate all your costs:** Determine the direct costs (materials, labor, etc.) and indirect costs (overhead expenses like rent, utilities) associated with your product or service. If you have more than one product or service, you will need to allocate indirect costs, also known as overhead costs, to each product or service. Accounting software can help select and use an allocation method of indirect costs across products or services.
- *Much more on Cost in our next session.*

Competition-Based Pricing

- **Competition-based pricing**
 - Competitors' Prices = Price
- **Research competitors:** Analyze their pricing and value proposition to understand the market landscape.
- **Identify your cost:** Analyze total cost to develop, produce, and sell your product or service.
- **Set prices in line with competitors:** Price your products or services at a similar level to avoid being too high or too low.

Value-Based Pricing

- **Value-based pricing**
 - Perceived Customer Value = Price
- **Understand customer perception:** Gauge how much value your customers attach to your product or service.
- **Highlight unique selling points:** Identify features, benefits, or advantages that set your offering apart.
- **Determine the price ceiling:** Based on the perceived value, set a price your target market is willing to pay.
- **Justify the price:** Clearly communicate the value your customers receive, explaining how it outweighs the cost.

Individual Reflection

How is price determined within your ESE? Who decides pricing? Which strategy/strategies do you see at play? Consider responses from the collaboration at the start of the session: is your product or service priced appropriately? Why or why not?

5 minutes of individual writing time



Stretch Break

Use 2 minutes to move around and take care of yourself.



Collaboration

Discuss how pricing works within your organization and the strategies being used. Then, discuss whether the current pricing is working or not. How do you know? **Look for opportunities to share new perspectives and ideas with each other.**

10 minutes of small group conversation



Whole Group Sharing

What's **one thing you're taking away** from the conversation with your group?

Please put your thoughts in the chat.



Iterative Pricing

It's important to **regularly assess if your pricing is meeting the needs of your ESE.**

That means things change over time. Here are a few tactics to encourage specific customer behaviors.



Pricing Tactics Tool

In addition to the pricing strategies concepts we discussed in the session, some businesses employ targeted tactics to encourage customer behavior in specific situations.

- Discount products/services to **drive sales and move inventory**
- Bundle multiple products/services to **provide greater value to the customer and encourage larger order sizes**
- Deploy variable pricing, which **adjusts prices based on known changes in demand for products or services**



Individual Reflection

Make a copy of the tool and then spend some time filling out a line or two. You can provide estimates for now – we can spend more time with this in our coaching session.

5 minutes of individual writing time



Collaboration

Discuss what you added to your tool with the group. Share ideas that might strengthen each others' work. Then, ask each other:

- **How does the price of your good/service contribute to your product market fit?**
- **What other information do you need to make an informed decision on pricing? What's the next step for your ESE?**

We will get into cost in a future session. Use this as an opportunity to brainstorm and reflect together.

7 minutes of small group conversation



Whole Group Sharing

What's **one idea you're excited about** from the tool?

Please put your thoughts in the chat.



Session Overview

- **Collaborate:** Understanding each others' goods/services and pricing
- **Discuss:** What is Pricing Strategy and Why Is It Important?
- **Discuss:** Pricing in an ESE context
- **Discuss and Explore:** Pricing Strategies
- **Discuss and Explore:** Pricing Tactics through a tool
- **Reflect:** Examine our experience and make next steps



Check-out Reflection

What's a next step you have for implementing a pricing strategy or tactic within your ESE?

Please put your thoughts in the chat.



What's Next

- Keep thinking about **pricing strategies and tactics that can support your ESE.**
- Join us for a **coaching session on Pricing on Jan 13th 2025 @ 11am-12:30pm.**
- **Responsive Technical Assistance on Pricing is available!**



Feedback Survey

Please take a few minutes to fill out our Survey on this session.

<https://bit.ly/SGTOptimizeAll>

This feedback helps us improve your experience and plan adjustments to make moving forward.

