

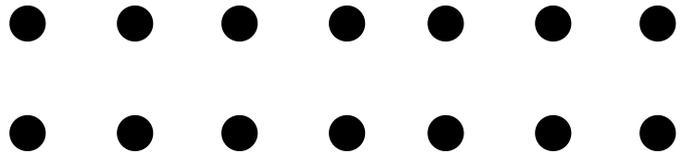
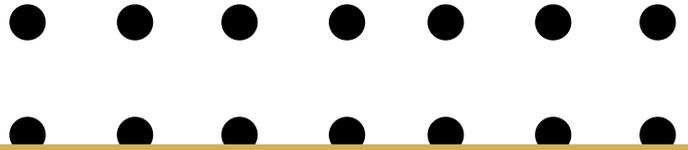
CREATIVES BLUEPRINT



MODULE 4

PURCHASING & PRICING

WITH KATHRYN PRICE



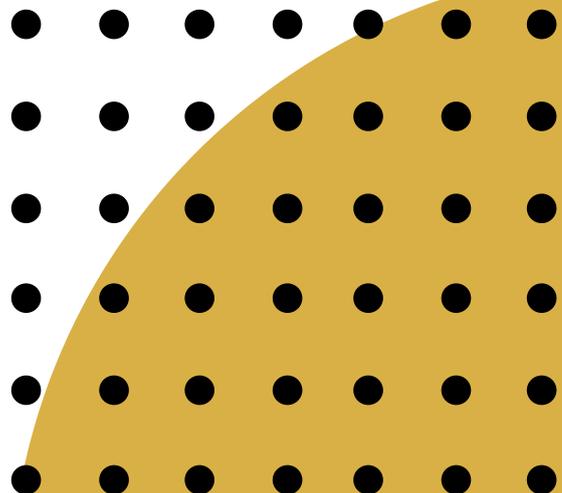
In this module, we are looking at purchasing and pricing. One of the most important things in business, is keeping costs down (so, purchasing right), and pricing your products and services (so that you can actually sell them).

Taking the time to seek out suppliers who offer value, but also ones who will have the products available longterm, is what you need to be sure of.

With pricing, getting it right can mean the difference between many sales, and no sales at all. However, be aware that your audience will guide you with their actions, so you need to remain mindful of this.

During this module, think about your ideal customer and their available discretionary spending dollar, particularly when it comes to pricing.

Let's get started!



PURCHASING & PRICING

Getting both purchasing and pricing right will have a hugely positive impact on your business. Not only on the number of sales you make, but more importantly, on your profit margin.

As we mentioned in the previous module, ensuring that your products and services deliver what they promise is vital. And, your purchasing is directly linked to this. If you promise one thing and your product does not live up to that, you have a problem, therefore you must ensure that you offer quality items.

Remember, it is your brand and business at stake.

Where to purchase

Taking the time to shop around is really important. Again, use Google, do your research and locate as many wholesale suppliers as you can.

One of the biggest things I have learned in business over the last three years in particular, is the number of suppliers that are actually out there that I had no idea even existed.

Work smart, not hard. If you see a retail product that you may like to sell, buy one, then contact the supplier to talk about wholesale purchasing. This is what I have done for many, many items I now sell and use in my business Upcycled & Co..

Here are a couple of examples:

- The wooden photo frames I now use in my workshops I saw in a Dollar Store in Hamilton a couple of years ago. I think they were around \$6 each. I bought one, then Googled the brand name, found the supplier and now I purchase those for a little over one-third of that price.
- In my workshops my students use small paint brushes. Again, I found these in a retail store, purchased a set, then got in touch with the supplier and was able to buy them wholesale for half the retail price.



Case Study

In the beginning with my paint workshops, I used to buy secondhand frames from op shops, and ones from The Warehouse. It didn't take long before I discovered that at times, these were not available, and it was time consuming going out and about looking in op shops. Once I found a wholesale supplier, it was quicker and easier, and far more cost effective in both time spent and dollars.

Remember

Your time is money too. In the beginning however, before you have sales coming in, time may be all you have to spend on your business. Accept that this is how it is right now, and make the most of that.



PURCHASING

Buying Right

Not everything you offer in your business has to be top end, if that is your market. You may offer very high quality products, beautiful exquisite fabrics or a very high end course or workshop, but you can source some at a lower cost to help with overall profits.

For example, your product price labels may be simple kraft cardboard, handwritten and tied with jute string. All of these items can be sourced for very little. This is a bit like mixing your wardrobe; if you select the right piece from K-Mart you can match it with a pair of pants from Country Road. It works!

Remember some of the stores that you perhaps would not have thought about - your \$2 dollar shops, KMart, The Warehouse, Trade Me and the myriad of suppliers there are there. Most of the time, no matter what I'm looking for, I will go to Trade Me first.

Do your research, and shop around to find the best price - always! Once you have your supplier you go back to them, so doing that research initially is worthwhile. And if you're buying in bulk, always ask if they can do a better price for 50, 100 or 200 of something or in some cases, you'll be able to get a better price for a lower number. Be sure to try!

You then form relationships with your suppliers, which is one of the lovely things about being in business.

PURCHASE RIGHT. PRICE RIGHT.



PURCHASING

In your business you will have a range of products and materials you need to create your offering. Brainstorm below all of the items you will need to purchase.

ITEMS
TO
PURCHASE



YOUR INSIGHTS

What insights or questions have you around **purchasing**?



PRICING

A great place to start is with competitor analysis.

Case Study

Back in 2013 when I started my business, The Business Writer, a competitor analysis gave me insight into what I was up against, and what I could realistically charge.

When I started Upcycled & Co. I did the same, and again with Upcycled & Co. Business in relation to this program Each time, I researched my competitors, what they were doing, how they were doing it, and what their pricing structure was.

Your Competitor Analysis

This is a very valuable exercise to do. Even if you have many products in your business (e.g. If you're planning a retail business for example), studying competitors will give you great insights.

Here's an example from The Business Writer:

Technical Writing

Google search results for 'technical writer Auckland' returned:

Competitor Xyz Company	Strengths <ul style="list-style-type: none">• 15 years experience• Offer project management• \$95 per hour +GST	Weaknesses <ul style="list-style-type: none">• Appear a little technical for the average person.• Staff dealing with clients vs company owner.
Xyz Company	<ul style="list-style-type: none">• A team of two people.• \$120 per hour +GST• Negotiable for non-profits and small businesses	<ul style="list-style-type: none">• Mostly work on blogs.• No very diverse in range of work.

**BECOME A BUSINESS OWNER.
BECOME A MASTER RESEARCHER.**



PRICING

Competitor Analysis

Think of three competitor businesses in your industry. In comparison to what you are offering (including the experience you have) what are their strengths and weaknesses. It may or may not be relevant to include pricing if they've got lots of products, so in that case, you can note whether they are high end, mid-range or lower in their price point.

Competitor	Strengths	Weaknesses

Pricing Structure Alignment

Where do you feel comfortable positioning yourself to begin with?

LOW MID HIGH PREMIUM

List three reasons you feel that is the right starting point for you.

1. _____
2. _____
3. _____



PRICING

Factoring All Costs

Often we don't initially see all of the costs involved in selling a product or service. It's sometimes easy to get caught up in thinking that you're going to make a good profit from something, when in fact, your costs are either too high, or you've not factored them all in.

Case Study

Upcycled & Co. Furniture Paint 101 Workshops

Over the last two years I have been running these workshops at hired venues around New Zealand. This means that my costs are significantly higher than when I ran them from my home, however, what it also means is that I can have more people at a workshop.

Here is a list of all of the costs involved in running my workshops:

- Facebook ads
- Social media posting time
- Venue hire
- Flights
- Rental car
- Fuel
- Accommodation
- Food
- Customer enquiries
- Printing of handouts
- Goodey bags
- Paint
- Photo frames to paint
- Ceramic bowls to paint
- Paint brushes
- Chocolates
- Packing up of workshop kit at home prior to workshop trip
- Setting up at venue
- Breaking down at venue

Hidden Costs

You may not have seen all of these costs when you first thought about running workshops, but every one of these is costing you, in either money or time, and they must be factored in. Again, more research is required.

You then have things like:

- Business insurance
- Accountant
- Premises (if you have one)
- Computer equipment
- Website
- Payment gateway fees
- Premises (if you have one)
- ACC levies



PRICING

Background to Pricing

Now that you have spent time analysing some of your competitors, it is time to set your own prices, but first, let's do a bit of background work.

The flexibility you have for pricing will depend on what type of business you have. If you are a retail store (physical or online) you will have more restrictions around what you can sell branded products for. If people know what they can buy that product for elsewhere (if it's a very popular and well-known brand) they are going to choose the most affordable supplier. However if you have one-off or handmade products, this is quite a different thing.

Your own level of experience and knowledge of your particular industry will help you determine your price point - low, mid or high.

On a scale of 1 to 10 how would you rate your industry knowledge

1 2 3 4 5 6 7 8 9 10

What knowledge and experience do you have to back up your rating?



PRICING

Setting Your Prices

After you have done your competitor research and when you're ready to set your prices, make a list below of your products or services and their prices.

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

9. _____

10. _____

11. _____

12. _____

13. _____

14. _____

15. _____



PRICE INCREASES

Depending on your business model, and your products and services, you may, over time be able to increase your prices.

Your audience will *tell* you what your highest price will be. What you will find is that when your price gets too high, your sales will drop off, or stop completely. Once you have regular sales, this becomes apparent pretty quickly and within a day or so you can make the necessary adjustments. Not necessarily putting the price back down to where it was, but maybe somewhere in-between.

Being in business really is about trying things, and the more you can do that, the more you will learn about your followers and customers.

Case Study

When I first began running my furniture painting workshops I charged \$60 for a 2-hour class. Over time I was gradually able to increase that fee to \$189 for a 3-hour class.

This was due to the fact that I had:

- Built a large social media following.
- Continually advertised.
- Become known within the industry.
- Gained the 'know, like and trust' status with my social followers.
- Learned new skills myself.
- Developed my own paint brand and painting processes.
- Created a demand for my products and services with less classes.
- Got great reviews from my customers and shared these.

We will talk more about your social following in the next module.

**YOUR AUDIENCE WILL
LET YOU KNOW WHEN YOUR
PRICES GET TOO HIGH.**



YOUR INSIGHTS

What insights or questions have you around **pricing**?



RECOMMENDED READING

Here are a few interesting articles and videos. These are not necessarily things you will do in your business, however it is good information to have access to.

How to Justify Your Pricing

<https://www.anz.co.nz/business/articles-tools/run/how-to-defend-and-justify-your-pricing/>

Hidden Costs to Running a Small Business

<http://smallbusinesshub.co.nz/10-hidden-costs-running-small-business/>

What does an Accountant do?

<https://www.xero.com/us/resources/small-business-guides/accounting/what-does-an-accountant-do/>

When to Hire an Accountant

<https://www.xero.com/nz/resources/small-business-guides/accounting/when-to-hire-accountant/>

How to Write a Business Plan?

<https://www.xero.com/nz/resources/small-business-guides/how-to/how-to-start-a-business/write-a-business-plan/>

How to Raise your Prices?

<https://www.americanexpress.com/en-us/business/trends-and-insights/articles/12-ways-to-raise-prices-without-ticking-off-your-customers/>

