

Eight ways to price

None of these is the right answer on its own. Pick the one that fits how you sell — then put cost-plus underneath it as the floor, whichever one you picked.

1. Cost-plus

Work out what it costs you, add the margin you want.

Works when Costs are predictable and you are the one carrying them.

Watch out It never asks what the customer thinks it is worth, so it quietly caps what you can earn.

The floor price you just calculated.

2. Going rate

Charge roughly what comparable businesses charge.

Works when Buyers compare easily and you are new enough to need a reference point.

Watch out You inherit their cost structure, not yours. And it only ever moves one direction.

Every shop within three miles landing on the same number.

3. Value-based

Price on what the customer gets, not on what it costs you to deliver.

Works when You can name the outcome in dollars or hours saved, and prove it.

Watch out You have to be able to say the number out loud without flinching. Most of the work is the proof.

Bookkeeping priced on the penalties avoided and the Sundays returned.

4. Time and materials

Bill the hours you spend plus whatever you had to buy.

Works when Scope is genuinely unknown, or the customer keeps changing it.

Watch out You get punished for being good: the faster you work, the less you earn. Your ceiling is hours in a day.

A repair call where nobody knows what is behind the wall yet.

5. Fixed price per job

One number for a clearly defined piece of work.

Works when You have done it enough times to know how long it takes.

Watch out Scope creep eats the margin. Write down what is not included, not just what is.

A standard house clean, a standard install, a standard package.

6. Good, better, best

The same core thing at three levels, three prices.

Works when Customers want different amounts of it, and some will pay for more.

Watch out Three is the number. Add a fourth and people stop deciding and start leaving.

Basic, standard and full-service versions of the same visit.

7. Retainer or subscription

A set amount every month for ongoing work or access.

Works when The need comes back every month anyway.

Watch out Define the edges or it becomes unlimited. Say how many, how often, how fast.

Monthly bookkeeping, a service plan, a maintenance agreement.

8. Bundle

Several things together for one price, less than buying them separately.

Works when You have something valuable that costs you almost nothing extra to include.

Watch out Never bundle your best seller with your worst. You have just discounted the thing that was already selling.

Clean plus windows plus oven, once a quarter.

The one that is not optional

Cost-plus is not a model you choose. It is the floor underneath every other model on this page. You can quote by the hour, by the job, by the month or by the outcome — but if the number you quote does not clear your all-in cost plus the margin you need, the model was never the problem.

Which one fits you

Four questions. Answer them in order and stop at the first yes — that is usually your model. If you get to the bottom without a yes, use fixed price per job.

WORK DOWN THE LIST

Most small businesses end up on fixed price per job. That is not a failure of imagination, it is the model customers find easiest to say yes to.

Can you say what the customer gets in dollars or hours? Then price on that. Value-based, with cost-plus underneath as your floor.

Does the same need come back every month? Put it on a retainer. Predictable for them, predictable for you.

Is the scope genuinely unpredictable? Time and materials — but quote a range and a cap, or they will not say yes.

Do your customers want very different amounts? Build three tiers. Most people pick the middle one, which is the point.

Before you change anything

Changing your pricing model is a bigger move than changing your price. Run the new model on one product and one month before you run it on everything. Keep the old number for existing customers until you know the new one works — you only get to surprise people once.

TWO PLAYS WORTH KNOWING

Go in low to get established Works to buy a foothold, a reference customer or a first review. Put an end date on it in writing, or low becomes your price forever.

Go in high and come down Much easier than the reverse. You can always discount later; raising a price you have already set is the hardest conversation in business.

The loss leader One thing priced at or below cost to bring people in. Only works if there is something profitable they reliably buy next. Know what that something is before you start.

WHEN THEY PUSH BACK ON THE NUMBER

Three sentences worth having ready. In all three, the move is the same: answer, then stop talking. The silence does more work than anything you could add to it.

“That is more than I expected.” “I understand. Here is what is in it.” List it plainly, then stop. Most people are not objecting, they are adjusting. Fill the silence and you will talk yourself down.

“Can you do any better?” “I can do less for less.” Take something out rather than taking money off. The price follows the scope — that is a negotiation. A straight discount is just a smaller number.

“So-and-so charges less.” “They might. Here is what is different.” Never criticize the other business — it makes you sound worried. If you cannot name a real difference, that is the thing to go and fix.