

Part 3 - Pricing

PRICING is the difference in many cases between Success and Failure

You can have the best product in the world, but get the price wrong and you have no chance

In today's lesson you will be shown the key components that you need to know to work out the pricing needed to achieve SUCCESS - and the SMART Objectives that you have been working on over the past couple of weeks

Homework Recap:

1. Excellence in place of perfection
2. BELIEVE IN YOURSELF - Motivational Video (ft. Jaret Grossman & Eric Thomas)
3. Writing a Business Plan - Young entrepreneurs forum
4. SMART Goals 3 years to 3 months
5. Scale of 1-10 How positive do you feel about your cake business
6. HANDS up if you have been reciting your main goal 3 times a Day?

PRICING

1. Pricing is the KEY factor in making your business profitable
2. Every SMART Objective WILL rely on profit
3. Asking for money seems to be a CONFIDENCE blockage for some
4. SOME base price on:
 - a. What they think the customer will pay
 - b. What their competitors are charging
 - c. Whatever will get them the order!
5. That is the road to ruin! You MUST have a mathematical approach
6. The following exercise will demonstrate WHY some can charge LESS for their cakes and still achieve SUCCESS

KEY STATS THAT YOU NEED TO KNOW

1. Set up costs
2. Running Costs
3. Ingredient costs per cake
4. Capacity

SET UP COSTS - [Spreadsheet Download available](#)

1. Record ALL set up or start up costs
2. Create a separate bank account
3. Record the set up costs as a loan

RUNNING COSTS - Spreadsheet Download available

1. List all your recurring business expenses - NOT INGREDIENTS
2. Public liability insurance should be top of the list
3. Identify your weekly running costs

INGREDIENTS - Capacity Planner Download available

1. TIME EACH CAKE from today forward
2. Ingredients should be approximately 30% of your turnover
3. Administrative costs 30% of turnover
4. Pay 30% of turnover
5. Tax / contingency 10%
6. Divide the number of hours worked into the price charged - ingredients = Gross Profit per hour
7. Divide weekly administrative costs by the number of hours worked
8. Deduct hourly administrative costs from hourly gross profit. This gives you your NET profit per hour. You must include your ordering, appointments etc when assessing your net hourly rate.

How do you make more Profit?

1. Reduce costs
2. Improve speed / create faster designs
3. Work longer hours
4. INCREASE YOUR PRICES

KEY FACTORS

1. DO NOT base your pricing on your competitor, base it on a roll model
2. DO NOT base your pricing on what you THINK the customer will pay
3. DO NOT fall into the limiting belief that Customers won't pay these prices!!!
4. Design your cake portfolio with profit in mind
5. We will be working on Branding and the Marketing Plan to achieve those prices
6. Charge with Confidence