



FINDING THE CRITICAL PRICE POINT

The age old question and the one thing that every business struggles in finding!

Reduced to its simplest form, business is about providing a product or service to customers at a price that is reasonable and competitive for the consumer, and profitable for the business. Removing any of those components will spell doom for the business, as it cannot survive if customers aren't satisfied with the value of the product, or if the business is unable to make a profit.

Finding the critical price point that satisfies the value proposition for the customer, and the profitability factor for the business is critical. If the price is too low, the customer may be very happy with the purchase, but if the business is losing money with each sale it's not sustainable. I work with clients all the time who tell me they will be successful by having the lowest price in town, which will create a large customer base.

However, when we dig a little deeper, we find that the "lowest price" while creating happy customers, does not generate enough cash to sustain the business.

In my opinion, the customers will be just as happy if a business provides great customer service and a great product or service, at a fair price, even if the fair price is not the lowest in town. Customers understand that a business has to make a profit, and they will pay a price that's a little higher if they're getting a good value and service for their dollars.

Concentrate on efficiency, value, and service to your customers, and you will create relationships that will sustain your business.

ARPI provides business and community coaching throughout the United States. If you have a business question for Jack, email him at jack.newcomb@totalcsi.com. You can also visit the ARPI website, www.advancingruralprosperity.com.



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