A price floor will be binding only if it is set

If you are interested in starting your own cleaning service, you will need to be able to set rates so you know how much to charge. When setting rates, there are several factors to consider, such as the amount of time it takes to clean up, the desired hourly wage, and the current market rate for cleaning services in your area. Determine how long it takes you to clean up a given area of space. For example, how long will it take you to clean a bathroom? A kitchen? A bedroom? Most cleaning services will pay the price for a visit based on the size of the house, after all, it is much longer to clean an eight-bedroom mansion than a one-bedroom apartment. To decide what you'll charge for areas of different sizes, you need to think about how long it takes you to clean a certain room, on average. Determine how much you need to do per hour. This will also affect your rates. For example, if you plan to work 40 hours a week and need to earn $600 per week to pay your bills and expenses, you will generally have to charge at least $15 per hour to meet your monetary goals. Don't forget to consider the fact that you're being paid in dollars in most cases, which means you need to track your income and send the appropriate amount of money to the IRS for taxes. You should keep this in mind when determining your hourly wage. Compare your hourly wage with the on-going market rate. For example, if you decide it would take you two hours to clean a 3,000-square-foot house and you need to make $20 an hour, then it would come at a $40 fee to clean a house that size. See how much other cleaning services would charge for similar work by calling local cleaning services or looking at classified ads for local cleaners. If your price seems too high or too low, you will need to adjust it. You want to be competitive, while still making the money you deserve. Tips Don't forget to consider your overload. Consider the cost of your trip to and from cleaning commitments, and the cost of cleaning supplies if your customers don't provide them. Are you comfortable with your retail pricing strategy? If not, you have a lot of company. Most small business owners do not have a clear process for pricing their products. They don't have a simple sales price calculator that gives them the answers to a pricing strategy. Developing a pricing strategy requires a mix of hard market data with a little instinct. It is never perfect, but there is a practical method that combines all the murky variables to develop a pricing plan. Let's say you own Hasty Hare Corporation, a rabbit slippers. Your company is dating a new lightweight and eco-friendly shoe, Blazing Feet, and is looking for a pricing strategy. How do you decide? Let's go over the process. The basis of a pricing method determining the cost of a product. The cost of producing your product is your variable costs of direct labor and materials plus one allocation per unit of fixed overheads. For a retailer, these costs would be the price of products purchased for resale plus overhead. You would then use the cost of the product to find the volume of sales needed to break even with the different suggested sales prices indicated by each pricing strategy. Hasty Hare counters have calculated that the product cost for each pair of Burning Feet is $85. Costs are slightly higher than normal because eco-friendly materials are more expensive. Should you understand the mindset of your customers? What features are you looking for in a product? And how much are they willing to pay for those characteristics? How can you position your products so that consumers choose their offers over the competition? You believe that target buyers of Blazing Feet are high-income millennials who prefer products that are environmentally friendly. Look at your competitors. How are you setting the price of your products? Are they positioned at stable premium prices, or do they often offer discounted sales and coupons? Do your competitors offer similar products? If so, how can you differentiate your lines from the competition? At the moment, your competitors do not offer eco-friendly shoes that can compete with Blazing Feet. Below are three of the most common pricing strategies: Discounts/Low Price Penetration: A low price strategy means offering the cheapest price on the market. This method is based on the sale of large volumes and low profit. Walmart is an example of a company that uses a high-volume low-priced strategy. Keystone: The benchmark pricing strategy for retailers is key limitation. This method sets the retail price at twice the cost of the product. In other words, a product that costs $60 delivered to your warehouse would have a suggested retail price of $120. Premium/skimming: Use premium pricing if you can prove that your products have different value over the competition and are worth the highest prices. The undying is when you can keep premium prices and make higher profits until your competitors start offering similar products and you are forced to lower your prices. After analyzing your customers' mindset, studying competition, and determining product costs, you're ready to choose a pricing strategy and reach a suggested retail price. Choosing a low-priced strategy, key latonation or premium pricing will depend on how you want to position your products in the You'll have to apply your instincts on which strategy will succeed. Remember, no decision is forever; changes can always be made as a result of unsatisfactory performance and changes in consumer preferences. Since eco-favorable burning-legged sneakers do not any competition, you could decide to set a premium retail price at $215/pair. At this price, the margin calculator shows a gross profit margin of 60% (($215 - $85)/$215). Hasty Hare's case is just one example of the process used to reach a suggested sales price. Each small business owner will have a unique pricing situation, but the approach will be the same. After deciding on a pricing strategy, you should continue to check the results and be willing to make changes when something is not working. One of the hardest things to do in the cleaning business is telling people how much it will cost to clean up their home or business. After all, you don't know if you're going to pick up before you arrive, or if you're going to open the door to a one-bedroom apartment, an easy bathroom work just to find a year of pizza boxes and beer cans that look you in the face. Ideally, you'll go home or business and evaluate work before listing a price, but this isn't always possible, especially if you work in a large metropolitan area. Fortunately, there are ways to determine how much you should charge for cleaning jobs without relying on guesswork. Create an information sheet when you make lead calls. In addition to common information, such as name, address, and phone number, include some additional questions in your information sheet to help you evaluate the price. Find out how many square footage the customer has in their home or business, as well as the number of rooms, including bathrooms. Bathrooms are one of the most time-consuming cleaning tasks, so you'll need to ask if the bathrooms have a separate bathtub and shower, as this can add a little cleaning time. Ask customers to rate cleaning their space on a scale of one to ten, with one of them I just need some dusty stuff, and ten things you can barely see the carpet because it's so messy. Most customers will answer this question honestly, giving you a good idea of how long the work will take. Determine the distance between the customer's home or business and their office. You may want to charge a mileage surcharge if a customer is outside your service range, or more than ten miles from your office. A fair surcharge is .50 to $1 per additional mile. Your service range, along with mileage surcharges, should be clearly identified on your website. Price transfers based on the number of bedrooms and bathrooms in the residence. It's already a given that the apartment or the house is likely to be pretty messy, and you will have to clean all the appliances. Setting prices for moves is advantageous for your business, as property will know what to expect when considering their cleaning service. Tips Sell additional services such as oven cleaning, refrigerator cleaning and window cleaning. According to the Residential Cleaning Services Association Cleaning the oven is rarely included with basic service. It's easy to put a price on these items, as you can simply charge an additional $25 to clean appliances and $5 per window. Offer discounts to repeat customers or customers who submit new customers. January 1, 2006 4 min read Opinions expressed by the Entrepreneur's collaborators are their own. Prices are magical. They don't teach much about prices in business schools because a good price is one of those concepts that you recognize when you see it, but it's hard to define. While there are some common pricing methods used by business planners to establish pricing strategies for start-ups, none of them work as well, and none of them are automatic or easy. In my 30 years of working with entrepreneurs I have learned to recognize what they do a good pricing strategy. In those years I have seen a very common mistake that seems to happen all the time, and a great common and potential victory that you might be able to apply to your own business plan. I'll discuss both with you, plus some common methods you can use to help define your pricing strategy. Three common pricing methods I know of at least three common methods for setting prices for a new business, or for a new product or service within an existing business: cost-based pricing: Set your price as a multiple of cost or cost plus a certain amount. An example would be a bookstore that sells each book for 150 percent of the amount the store paid for it. Another example is a clothing store that sells items for twice what you paid to buy them. Value-based pricing: Base your price on what your product and service is worth to the buyer. Computer software, for example, often comes at a price according to time savings and productivity gains, rather than direct cost. Some would say that airlines use a value base for the price of the same flight differently for different travelers; they are cheaper for budget consumers who buy well in advance, and more expensive for the business traveler who has to go somewhere today. Market-based pricing: Let the market determine the price. This is the most common and most realistic pricing method for small and medium-sized enterprises. If everyone else charges $15 for a haircut, you charge $15 for a haircut, or some $15-related price depending on your strategy. Maybe you want to be a low-cost provider, for example, so you charge less (which leads us to that very common price error). The #1 Price Error The most common pricing error in startup business plans is prices too too low, in many cases. I see him all the time. Entrepreneurs think that every new business has to offer lower prices than competition, and that somehow a low price is related to success. I think this mistake comes from a common misunderstanding of a basic economic principle called elasticity, which says that for uniform products, sales should rise as the bid price goes down. The problem with elasticity is that it applies only to uniform commodities, not to any real business that any of us know or imagine. In the real world, a lower price generates a higher sales volume only when wrapped in a general business strategy that fits it. So very large and well-known discounters can generate a large volume on a large scale, but the local business in the corner can't. Without related marketing, the low price only sets low expectations. Think. Do you always go to the cheapest restaurant when you go out to eat? Do you buy the cheapest car or the cheapest clothes? Do you live in the cheapest house? Because of this common mistake, start-ups do not cover costs, do not generate capital to grow, and simply fail because they are setting prices too low. A price earn what I like to see most in a pricing strategy is price as positioning. Use your pricing to send potential customers a message about the quality and value of your product or service. For example, if your restaurant serves better meals than others, then charge more than others for each meal. Many people (well, not all, but many) think you get what you pay for. See how successful Starbucks became by charging a little more for a good cup of coffee. Consider the success of high-end restaurants, high-performance cars and design clothing labels. Charge more, not less, for your business. It is a pricing strategy that your customers will surely buy if they have the quality to back it up. Up.