

# Stop *Undercharging.*

*A Real Pricing Framework.*

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Pricing based on what feels comfortable is not a strategy. It's a slow leak. This guide gives you a real framework for pricing your product or service based on value, market, and margin — so the number you charge actually builds a business.

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01

# Why Underpricing Is a Structural Problem, *Not Humility*

Charging too little doesn't make you more accessible. It makes your business unsustainable – and it does it quietly, transaction by transaction, until the problem is impossible to ignore.

Most underpricing comes from one of three places: not knowing what the business actually costs to run, fear that the market won't bear a higher number, or the belief that low prices attract more clients. Each of these is a miscalculation.

Low prices do attract more clients – but not necessarily the right ones. The clients who choose you purely on price are the most likely to negotiate, the least loyal, and the first to leave when a cheaper option appears. Meanwhile, the clients who choose based on value, results, and trust – and who stay – are typically the ones your current price is already pushing away.

## What underpricing actually costs you:

**COST 01**

You have to take on more clients to generate the same revenue – which means less time, more pressure, and lower quality across the board.

**COST 02**

There's no margin left to invest in the business – no budget for tools, marketing, team, or growth. The business runs on fumes.

**COST 03**

You signal a lower value to the market. Price is information. When it's too low, buyers question the quality – often before they've seen the work.

**COST 04**

You build resentment — toward the work, toward clients, toward the business. Burnout at a price point that doesn't sustain you is not a pricing strategy. It's a countdown.

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The question is never "Will clients pay this?" The question is "Does this price make the business viable — and are you talking to the right clients?" Those are entirely different problems with entirely different solutions.

02

## Cost-Plus, Market, and *Value-Based Pricing*

There are three frameworks for setting a price. Most small businesses use only one – cost-plus – and leave significant money on the table by doing so. Understanding all three lets you choose the right approach for each offer.

### METHOD 01

## Cost-Plus

Calculate what it costs to deliver the product or service – time, materials, overhead – then add a markup percentage to create profit.

### BEST FOR

Product businesses, manufacturing, service businesses with predictable, measurable delivery costs.

### METHOD 02

## Market-Based

Set your price relative to what competitors charge for a comparable offer. You price at, above, or below market depending on your positioning.

### BEST FOR

Commoditized industries where buyers comparison shop, or when entering a new market where trust hasn't been established yet.

### METHOD 03

## Value-Based

Price based on the outcome you deliver – not on what it costs you or what competitors charge. The price reflects the client's result, not your effort.

### BEST FOR

Service businesses, consultants, specialists, and anyone whose work produces a measurable, high-value outcome for the client.

Most businesses should be using a **combination of all three**. Cost-plus sets your floor – the minimum below which you cannot go. Market-based gives you context – where

you sit relative to the competition. Value-based sets your ceiling – the maximum the market will bear based on the outcome you deliver.

The most common mistake: using market-based pricing to **justify charging less** rather than to understand the range. If your work delivers more value than what the average competitor charges, you are not obligated to match their price. That's not arrogance – it's math.

03

## How to Calculate Your *Price Floor*

Your price floor is the minimum you can charge and still have the business survive. Everything below this number is a transaction that makes you poorer, not richer.

### THE PRICE FLOOR FORMULA

Cost of Delivery

+ Monthly Overhead (prorated per project or client)

+ Owner Compensation (what you actually need to live)

+ Growth Reserve (reinvestment into the business)

= **Your Price Floor**

Any price below this number means you are subsidizing your client's result with your own financial stability. That is not generosity – it is a structural error that compounds over time.

**Common delivery costs to account for:** labor time (yours and any team members), materials, tools, software, transaction fees, and the time spent on admin, revisions, and communication around that engagement – not just the visible work itself.

**Overhead to prorate:** divide your total monthly fixed costs by the number of paying clients or projects per month. That is your overhead burden per client. It belongs in every price.

04

# Margin — *What It Is and Why It Determines Everything*

## GROSS MARGIN FORMULA

$$\frac{(\text{Revenue} - \text{Cost of Delivery})}{\text{Revenue}} \times 100 = \text{Gross Margin \%}$$

Example: You charge \$1,000. It costs you \$600 to deliver. Gross margin = 40%. A healthy service business typically targets 50–70% gross margin. Product businesses vary by category — consumables often run 30–50%, premium products can hit 60–80%.

Margin is what funds everything that comes after delivery — marketing, team, tools, reserves, and profit. A business with no margin has no room to breathe, no room to grow, and no cushion when something goes wrong. Which it will.

05

## When and How to *Raise Your Prices*

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Raising prices is not a negotiation with your clients. It is a decision you make about the health of your business – and then communicate clearly, without apology.

These are the signals that a price increase is overdue:

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### You're consistently at capacity

Demand consistently exceeds what you can deliver. When you can't take on more clients, the solution is not to work harder – it's to charge more and work with fewer, higher-value clients.

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### Your costs have increased

Tools, materials, labor, or overhead have gone up and your price hasn't moved. Every cost increase you absorb without a price adjustment is margin you're giving away.

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### You haven't raised prices in over a year

Inflation is real. What \$500 bought in services two years ago costs more to deliver today. Flat pricing in a rising-cost environment means your margin is shrinking even if revenue looks the same.

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### Your scope has expanded

If what you deliver has improved – in quality, depth, or results – and the price hasn't changed, you are discounting your own growth. The market doesn't automatically recognize improvement. Your price does.

**How to raise them:** give existing clients advance notice – typically 30 days. State the new price clearly. Do not over-explain or apologize. New clients receive the new rate immediately, no exceptions. The clients who leave over a reasonable price increase were sustaining themselves on a price point the business could not afford to hold.

A 10–20% price increase that causes you to lose 10–15% of clients can still result in higher total revenue with a lighter workload. Run the numbers before assuming a price increase is too risky. The math often tells a different story than the fear does.