



**StartUp**  
Mendocino

**BUSINESS ACCELERATOR**

**2023**

**TRAINING DECK**



# FINANCIAL STRATEGY

Starts with understanding your cost and price structure.



Every pricing decision you make directly affects the financial performance of your business!



Financial performance: understand the difference between growth and failure.



# TODAY'S WEBINAR

## Review and discussion

- What are some common pricing errors
- Market analysis and pricing
- The three types of expenses
- What are my profit margins?

## Cost & Price Structure Excel Workbook

- Expense strategy
- Product and Service Pricing
- Pricing Strategy
- Determine profit margins

Financial performance: understand the difference between growth and failure.

# MISCONCEPTIONS AND PITFALLS

“  
EVERYONE IS  
**NOT**  
YOUR  
CUSTOMER  
”

Everyone needs water to live. Not everyone drinks from the garden hose.



My pricing is very competitive,  
I follow my competition.

What if they're wrong.

Financial performance: understand the  
difference between growth and failure.

# MARKET ANALYSIS AND PRICING

- How does market analysis assist in determining my pricing?



Financial performance: understand the difference between growth and failure.



# MARKET ANALYSIS AND PRICING

## MARKET DATA AND INFORMATION

### Department of Labor

#### NAICS

- Find Manufacturers and Vendors
- Find industry data and reports
- Import/Export data

<https://www.naics.com/>

#### Bureau of Labor Statistics

- Product and service pricing
- Pay and benefits
- % unemployed

<https://www.bls.gov/>

### Industry Association

- Industry outlook & info
- Advances in technology
- Legislation
- Emerging markets
- Industry leaders

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# MARKET ANALYSIS AND PRICING

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  - What types of expenses does my business have?
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  - *What types of expenses does my business have?*
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Variable expenses – costs of goods sold and cost of services sold

- A variable expense is only realized when I make a sell.



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Fixed expenses – operating or overhead expenses

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Capital expenses – buildings, land, equipment, furniture, leasehold

- Capital expenses have a useful life of at least one year and cost \$2,500 or more when purchased.



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# MARKET ANALYSIS AND PRICING

- How does market analysis assist in determining my pricing?
  - What types of expenses does my business have?
  - *What's the difference between gross profits and net profits?*
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- What types of expenses does my business have?
- *What's the difference between gross profits and net profits?*

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I bought a pair of boots for \$20 and sold them for \$50, What's my gross profit?

- Gross profits = \$30.



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I paid my operating expenses with the \$30 and still have \$5.  
What's my net profit?



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How do I know what \$1 looks like going through my business and if I am efficient in managing my price and cost structure?



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# THE COST AND PRICE STRUCTURE TOOL

Defines your cost and price structure according to your industry gross profit margins.

Should be used twice a year to ensure you are keeping up with market adjustments.

The easiest way to plan out a budget year a when there are a number of increases you have to plan for.



Financial performance: understand the difference between growth and failure.

# IN CLOSING

## The Tool ...

- Is not a monthly reporting tool.
- Takes a “snapshot” of your operations and pricing structure.
- Should be used at least twice each year:
  - Use at six months into the current budget year.
  - Use at 4<sup>th</sup> quarter to budget increases slated for next year.
- Experiment with the Tool, it is resilient and capable of much more.

Steven Lamb,

West Center Client Services Manager

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## Successful Small Business Owners ...

- Understand the difference between variable and fixed expenses.
- Understand their industry business cycle.
- Understand breakeven is an intermittent goal, not a destination.
- Know their fixed cost coverage.

Understanding we have little control over external pressures, but 100% of the responsibility in dealing with it.

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THANK YOU FOR BEING PART OF



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