

Testing and Choosing a Profitable Price-Point – Why Cheaper Isn't Always Better When It Comes to Making a Sale

When you go shopping, you're looking for a bargain, right? Nobody wants to pay top dollar for something when they can get a discount down the street from someone else. It's also not in our nature to not look compare prices.

We do it every day. When you need to buy gas – you might go to a competitor's station – even if they only offer gas \$0.03 cheaper than your usual stop. When you go to McDonalds, you're thrilled if they started a new 2 for \$2 deal.

But what if I came up to you and told you I'd sell you my Jaguar for only \$1,000. You're probably not going to go for it. Why? Because it's too cheap – there must be something wrong with it. Our instincts are there to protect us.

When you're selling on the 'net, structuring your prices depends on what you're promoting. If it's a tangible item that someone is purchasing to have you ship to them – such as an Mp3 player – then you have to be competitive with other vendors.

If you're selling services, you have to be competitive as well – but in both cases, you might come up against a foreign competitor who can slash their prices far below yours – so you need to make sure you address that with your potential customers.

Your price point must ensure that you profit in the end. That means taking into consideration every single element of investment you have in your ventures. From the domain name to the shipping charges and the time you invest.

You want your customers to feel like they've gotten a good deal, but at the same that they've invested in something worth the money they spent. You also have to take a look at supply and demand.

Trends carry a lot of weight with products – both informational and tangible. You might find a great wholesale deal on a shipment of iPods – or decide to write a Survival Guide to the Bird Flu. Look for newsworthy items online and in the paper and target your products around that.

What Is the Fair Market Value of Your Product?

It depends on where you're selling it. If it's an eBay item, then your customers are going to be bargain-hunting more than your average visitor who arrived at your site through a search engine or ad.