



On Demand Fulfillment

Pricing Strategy for Profit

Finding the Sweet Spot Between Margin & Market Fit





On Demand Fulfillment

Make It Profitable

THE FOUNDATION IS BUILT. NOW LET'S BUILD A FUTURE.

If you've been following along with our webinar series, or have completed our other workbooks, then you've already done the hard work of building a brand and creating a sales plan. If not, reach out to us to get our previous workbooks for this series. Now, it's time to talk about the number that makes it all work: your price.

Pricing is often the most intimidating part of launching a product. Are you charging too much? Too little? This isn't about guessing or picking a number that "sounds good". It's a strategic decision that drives everything from your marketing to your long-term profitability.

In this workbook, we will walk you through the essential steps to find the "sweet spot" between maximizing your margins and keeping your customers. By the end, you'll be able to set your prices with confidence, knowing they support your business goals and reflect the true value you offer.

Inside, you'll find tools and prompts to help you:

- Break down your true cost of goods sold (COGS)
- Choose a pricing model that fits your brand
- Leverage strategies like subscriptions and bundling for long-term growth
- Understand that price is just one part of the demand equation
- Create a pricing strategy that helps you turn your brand into sales.

Let's get started.



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Understanding Your True Costs



Before you can set a price, you need to know your costs. Your "Cost of Goods Sold" (COGS) is more than just what it costs to produce the product. It's every expense tied directly to getting one unit of your product to a customer. Many new founders miss critical hidden costs, which can lead to negative profit margins.

Let's break it down. Fill in the blanks with your estimated numbers:

Product & Raw Materials: What does it cost to produce one bottle / unit in dollars?

\$

Labels & Packaging: What does your label and packaging material cost per unit?

\$

Fulfillment & Storage Fees: What are the fees to pick, pack, and store one unit?

\$

Shipping: What is the average cost to ship one unit to a customer?

\$

Merchant Fees: What % do payment processors (like Shopify or PayPal) take from each sale?

\$

Ad Spend (if applicable): If you're paying for every sale, what's your average cost per acquisition (CPA)?

\$

My True COGS per Unit:\$

Common Pricing Models



Now that you know your true costs, you can choose a pricing model. There are four common models, each with pros and cons.

1. Keystone Markup (2x COGS): This is the simplest model, you just double your COGS. It's a quick way to get to a price, but it can be risky. If your ad spend is high, a simple 2x markup might not be enough to cover all your expenses and still leave a healthy profit.

2. Cost-Plus Pricing: This model involves adding a fixed profit percentage to your COGS. For example, if your COGS is \$10 and you want a 50% profit margin, your price would be \$15. This is a very clear and strategic way to ensure profitability from the start.

3. Market-Based Pricing: This is when you price your product based on what your competitors are charging. While it's important to be aware of the market, this model can lead you to a race to the bottom, where you constantly lower your price just to stay competitive, which can destroy your margins.

4. Value-Based Pricing: This is the most powerful model, where you set your price based on the perceived benefit to your customer, not just your costs. If your supplement helps someone solve a major problem, like trouble sleeping or low energy, the value to them is often much higher than the cost of the ingredients.

Which pricing model aligns best with your brand and target customer?
My Model:

Case Study 1: Perceived Value



The Power of Value: Premium Branding

Think of the difference between Lululemon and a generic athletic brand. While both sell workout clothes, Lululemon has cultivated a brand identity that justifies a premium price. They don't just sell leggings and tops; they sell the perception of a higher-end, luxury brand. Customers are willing to pay significantly more for Lululemon apparel not just for the quality of the fabric, but for the status and exclusivity that comes with the brand name.

As an alternative to building a premium brand, you can establish yourself as a value brand, focusing on affordability and practicality. This strategy appeals to a broader customer base and can build trust through consistently offering quality products at an accessible price. Your focus shifts from a premium perception to a high-volume business, providing essential solutions without the high-end markup.

Your Premium Branding Reality Check:

If you choose a value-based or premium pricing model, your brand needs to back it up. Your label design, website, customer reviews, and overall brand presence must feel professional and high-quality to justify a higher price point. If you're asking for a premium price, everything from your product to your brand voice needs to match.

On the next page, you'll determine your pricing model and fine tune the details to achieve it.

Case Study 1: Perceived Value



Are you a premium brand or a value brand? How will you create that perception with your customers and potential customers?

Case Study 2: Subscriptions & Bundles



Maximizing Lifetime Value: Subscriptions & Bundles

Your first sale is great, but a repeat customer is where true profit lives. Strategies like subscriptions and bundles are powerful tools for increasing customer lifetime value (CLV) and creating a predictable revenue stream.

Case Study: Adobe Subscriptions

Adobe used to sell their software (like Photoshop and Illustrator) as a one-time purchase for hundreds of dollars. The company made a massive shift to a subscription-based model. By making the product a monthly expense instead of a large, one-time investment, they made it more accessible to a wider audience. This predictable monthly revenue stream allowed them to invest more in product development and customer support, ultimately making their business more stable and profitable over time.

Case Study: ODF Bundles

At On Demand Fulfillment, we've seen the power of bundling firsthand. When a brand bundles their products, for example a "Starter Kit" with a sleep supplement and a stress relief product, they increase the average order value (AOV) for a single transaction. This not only boosts revenue immediately but also gives the customer more value and a reason to try multiple products, increasing the chance of a long-term relationship.

On the next page, you'll identify subscription and bundling options you could offer to your customers.

Case Study 2: Subscriptions & Bundles



What subscription or bundling options could you offer your customers?

Case Study 3: Discounts & Demand



The Psychology of Discounts & Demand

Discounts can be a powerful tool to drive urgency. However, be careful not to "train" your customers to wait for a sale. If you constantly offer deep discounts, your customers may start to perceive your sale price as the actual price and your full price as overvalued.

Case Study: KFC & The Price of Value

Back in 2018, KFC ran out of chicken in the UK due to a supply chain issue. Customers were furious, and social media exploded. They didn't care that other chicken restaurants were available; they wanted KFC. This proves that brand loyalty, unique flavor, and a reputation for quality can create a demand that outweighs price or even availability. While price is an important driver of demand, so are things like your brand story, the problem you solve for your customer, and the overall value you provide.

Think beyond the number.

On the next page, you'll identify the non-price drivers of demand you will focus on.

Case Study 3: Discounts & Demand



What non-price drivers of demand will you focus on?

Customer Experience: How will you make the customer's journey from discovery to delivery feel effortless and special?

Product Quality: How will your product's ingredients, benefits, and results speak for themselves, justifying its value?

Unique Selling Proposition: What makes your product truly different from every other supplement on the market?



Well Done.

You have just completed a critical exercise in pricing your products for profit and long-term success. Take a moment and give yourself a big round of applause! You've learned how to:

- Calculate your true costs and understand where your money goes.
- Choose a pricing model that reflects your brand's value.
- Plan for long-term profitability with strategies like subscriptions and bundles.
- Focus on building demand through brand value, not just low prices.

YOUR NEXT STEPS:

You've done the work—now it's time to make moves. Put this plan into action.

- Set your prices: Implement the prices and promotions you've planned.
- Launch and track: Monitor your sales to see what's working.

Remember, consistency beats perfection. You just need to keep showing up. We're here to help when you're ready to take the next step in your fulfillment journey.

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