

Pricing Strategies – Part 1:

Understanding Supply and demand

Focus: In order to understand pricing, we must first understand the basics of economics and how supply and demand impact the prices of consumer goods and services within an economy. The laws of supply and demand state that in efficient markets, the amount supplied of a good and quantity demanded for that good are equal to each other. So, you have a product/service and there is equal demand for it. Now this is where prices come into play, as the price of that good/product/service is determined by the point at which supply and demand are equal to each other. We'll break it down for you even further in this video but first....

Common problems/mistakes:

- Some do not understand the basics of economics, supply and demand;
- There is no demand for a business's goods/products/services;
- The business is unable to supply the demand and customers go elsewhere.

Why is it important:

- Helps us to understand the customer demand for a product/service;
- Enables you to understand what products/services are most profitable;
- Helps you to achieve the right pricing strategy.

Screen share:

Supply and demand breakdown

Template/checklist:

Screenshare slides

Tips for success:

- Understand your ability to meet demand;
- Keep up to date with factors that impact supply and demand;
- Understanding business economics/the laws of supply and demand will give you the competitive edge.

Task:

Review the slides and identify how your business is impacted by the determinants of demand and supply for your products and services.