



WHAT ARE YOUR COSTS?

PRICING & PROFITS COURSE

Neiru Biz Training Lesson by Elizabeth Morris

DESCRIPTION

What are your costs and how do they affect your pricing?

OBJECTIVES

1. Review your worksheet from Lesson 1.
2. Analyze your costs, do they make sense?
3. Are your current prices covering these costs at the base level?

LESSON TRANSCRIPT

Hi guys! Liz Morris here, your Neiru Biz Sensei. In our last lesson we reviewed the overall process for calculating our prices and we discussed the factors that affect our prices. Today I want to dive deeper into one specific portion: your costs. Hopefully you did your homework this last week and you should have a completed worksheet with all of your costs filled out. If you didn't finish your worksheet it's important to do so before watching this lesson so that we can review all of that information together.

First off let's review the calculations and numbers that you entered on your worksheet.

What do your costs look like?

Do they make sense?

Are you covering your costs?

You need to thoroughly address these questions to make sure that you are able to cover



your expenses with the pricing that you're currently charging or planning to charge. If you're not covering your expenses then you need to either find ways to decrease your expenditures or ways to increase your prices. Even on a by service basis you should be making money. If you're not, then it doesn't really matter how many clients you bring in. You'll still be losing revenue on each client.

Lowering your costs can be as easy as identifying high-spend categories and trying to shave off some dollars. Try shopping at different stores or lowering your spending all together. I know we all love to buy every single color of everything but is that really helping you? The biggest areas you're probably spending on are salon supplies and rent. If you're a salon owner then at least 40% is going towards payroll which takes out a big chunk. So analyze where you're spending and see if you can find any efficiencies.

In the next lesson we'll discuss how your market can also affect your pricing and how you should factor that in. Try Googling the median household income for your city to get a ballpark estimate of where your market is on the spectrum. This will be a great prep for our next in depth discussion.

See you soon. Bye guys!

