



Basic Pricing

LESSON OBJECTIVE: Give an introduction to cost, retail price and profit margin.

ESTIMATED COMPLETION TIME: 3 minutes for the video. Use the "Additional Discussion" section for a longer lesson.

HOW TO USE: View the video. If you wish to spend additional time, use the discussion guide below. You may want to pause the video occasionally to help employees understand the formulas.

ADDITIONAL DISCUSSION POINTS:

- Discuss your store's pricing strategy. Who is your major competition when it comes to price?
- Remind employees that you want to get the best margin on each product, but that margin still is not pure profit. Every time you make a dollar on an item, you have to use that dollar to pay for all of the expenses that it costs to keep the business running, such as lease on the space, the electricity, insurance and employee paychecks.
- Often, the items with the highest profit margin are those items that are add-ons to a larger sale, so it's important to always suggest an add-on item with a sale. For example, when you sell an item with a lower margin, like the power drill, you want to complement it with the sale of an item with a higher margin, like the drill bit. The more add-on items an employee sells usually means a higher overall profit on that sale.

ADDITIONAL TRAINING: To learn more about what happens to the profit margin a store makes on each product, have students watch NHPA's "Our Three Pennies of Profit," available free on www.yournhpa.org.