

Standard Operating Procedure (SOP)

Pricing Strategies and Discount Structuring

This SOP details effective **pricing strategies and discount structuring** to optimize revenue and market competitiveness. It covers methods for setting product prices based on cost, competition, and customer demand, as well as frameworks for designing discounts and promotions that attract customers while maintaining profitability. The procedure ensures consistent pricing policies, enhances customer satisfaction, and supports strategic business growth through data-driven pricing decisions.

1. Objectives

- Establish precise and competitive product pricing.
- Design discount structures that drive sales and profitability.
- Ensure consistent application of pricing policies.
- Enable data-driven strategic business growth.

2. Scope

This SOP applies to all product lines and sales channels of the business, including online, retail, and wholesale segments.

3. Pricing Strategy Procedure

- 1. Cost Analysis:**
 - Calculate total product cost (production, logistics, overhead).
 - Set the minimum price threshold based on costs and target profit margin.
- 2. Market Research:**
 - Analyze competitors' pricing for similar products.
 - Assess customer demand and price sensitivity.
- 3. Select Pricing Model:**
 - Choose a pricing strategy:
 - **Cost-Plus Pricing**
 - **Value-Based Pricing**
 - **Competitive Pricing**
 - **Penetration/Premium Pricing**
- 4. Set Final Price:**
 - Consider internal financial goals, market benchmarks, and adjusted demand projections.
 - Obtain necessary management approvals.

4. Discount Structuring Procedure

- 1. Define Objectives:**
 - Determine primary goals for the promotion/discount (e.g., increase sales volume, clear inventory, acquire new customers).
- 2. Select Discount Type:**
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| Discount Type | Description | Example |
|----------------------|---|---------------------------|
| Percentage Off | Reduce price by a set percentage | 20% off all products |
| Fixed Amount Off | Reduce price by a fixed dollar value | \$10 off orders over \$50 |
| Buy X Get Y | Offer free or discounted item with purchase | Buy 1 Get 1 Free |
| Bundling | Offer discounts on product bundles | Bundle A + B for \$30 |
| Seasonal/Flash Deals | Limited-time offers to create urgency | Black Friday 40% Off |

- 3. Financial Impact Assessment:**

- Project impact on sales volume and profitability.
 - Ensure projected margins remain acceptable.
4. **Discount Approval and Implementation:**
- Document discount terms and communicate to involved teams.
 - Monitor real-time performance during campaign.
5. **Review and Optimize:**
- Analyze results post-campaign via key metrics (units sold, profit margin, new/returning customers).
 - Refine future discount strategy based on performance data.

5. Roles & Responsibilities

- **Pricing Manager:** Oversees pricing analysis and strategy alignment.
- **Finance Team:** Validates cost calculations and approves pricing thresholds.
- **Sales & Marketing:** Proposes and executes discount promotions.
- **Executive Management:** Final approval on strategic pricing initiatives.

6. Documentation & Record Keeping

- Maintain documentation of all pricing decisions and discount structures.
- Store records in a centralized, accessible database for compliance and audit purposes.

Note: Regularly review industry trends and internal sales performance to ensure ongoing pricing competitiveness and discount effectiveness.