Guide

How to Price Your Services

Three pricing formulas, a competitor research template and the psychology of how clients read a price.

Inside

	Start with your costs
1	Know your numbers
2	Formula 1: your minimum hourly rate
3	Formula 2: price a job
4	Formula 3: margin, and why markup is not the same thing
5	Choose a pricing model
6	Research the market
7	How clients read a price
8	Raising your prices
9	Pricing worksheet

Start with your costs

Many new service businesses set prices by looking at competitors and going a little lower. That skips the number that matters first: what it costs you to do the work. This guide starts with your costs, then looks at the market, then at how you present the price.

The examples use round numbers and no currency. Replace them with your own figures in your own currency.

1 Know your numbers

Fixed costs are what you pay every month whether you work or not: insurance, phone, software, vehicle, rent, accounting, loan repayments.

Variable costs are what each job uses up: supplies, fuel, parking, materials, card and payment fees.

Your pay is what you need to take home each month. Count it as a cost. If a price only covers supplies and fuel, you are working for free.

Billable hours are the hours you can actually charge for. Travel, quoting, admin, buying supplies, marketing, holidays and sick days all come out of the week. Count yours from your real diary, not from the hours you are awake and working.

Your monthly numbers	Amount
Fixed costs, total	_____
Your target pay	_____
Billable hours per month	_____

2 Formula 1: your minimum hourly rate

> **Minimum hourly rate** = (fixed costs + your pay) ÷ billable hours

Example. Fixed costs are 1,200 a month. Target pay is 3,000. You can bill about 25 hours a week, which is about 108 hours a month (25 × 4.3).

(1,200 + 3,000) ÷ 108 = **38.89 per hour**

This is your floor, not your price. At this rate you cover your costs and pay yourself, with nothing left for a slow month, a broken machine, a holiday or growth. Formula 3 adds a margin on top.

If you employ people, work out an hourly cost for each person the same way: their wage plus the employer costs your country adds on top, divided by the hours they can bill. Your accountant can tell you what those employer costs are.

3 Formula 2: price a job

> **Job price** = (labour hours × hourly rate) + materials + travel

- **Hourly rate** is your minimum rate plus a margin (see Formula 3).
- **Materials** are what you buy for this job. Add a markup if you buy them on the client's behalf.
- **Travel** is a flat fee, a rate per kilometre or mile, or zero inside your service area.

Example. A deep clean takes one person 4 hours. Your hourly rate with a 20% margin is 49 (38.89 ÷ 0.8 = 48.61, rounded up). Supplies cost 12. Travel is a flat 10.

(4 × 49) + 12 + 10 = **218**

If two people do the same job in 2 hours, it is still 4 labour hours. Price by labour hours, not by time on site.

4 Formula 3: margin, and why markup is not the same thing

Markup is a percentage added on top of your cost. **Margin** is the share of the final price you keep. They are easy to mix up, and the mix-up costs money.

> **Price** = cost ÷ (1 − target margin)

Example. A job costs you 150 (labour at your minimum rate, plus supplies and travel). You want a 30% margin.

150 ÷ (1 − 0.30) = 150 ÷ 0.70 = **214**

The common mistake is to add 30% to the cost instead: 150 × 1.3 = 195. That leaves 45 on a price of 195, which is a margin of about 23%, not 30%.

Markup on cost	Margin on price
20%	16.7%
25%	20%
33.3%	25%
50%	33.3%
100%	50%

There is no single right margin. It depends on your trade, how much risk you carry, and how much your jobs vary. Set one, look at what is left at the end of each month, and adjust.

5 Choose a pricing model

Model	Works well when	Watch out for
Hourly	The work is hard to predict	Clients can't see the total upfront, and you earn less as you get faster
Flat price per job	You know your times well	You carry the risk when a job runs long
Per unit (room, m², window, pet)	Jobs differ mostly in size	Needs a minimum charge for small jobs
Regular plan (weekly, monthly)	The service repeats	A discount for commitment must still clear Formula 1
Prepaid package (e.g. 10 sessions)	Clients come often	Set an expiry date and say what happens to unused sessions; check local consumer rules
Tiers (basic, standard, premium)	Clients want different levels	Too many options slow the decision down

You can mix models: a flat price for standard jobs, hourly for anything unusual, and a regular plan for repeat clients.

6 Research the market

Your costs give you the floor. The market shows you the ceiling and where you fit between the two.

1. List five to ten businesses your clients would actually compare you with: same service, same area, similar clients.
2. Collect their prices from public sources: websites, booking pages, marketplace listings, published price lists.
3. Note what is included, not only the price. A lower price often covers less.

4. Read their reviews, especially the middling ones. They show what clients care about and what your competitors get wrong.
5. Decide where you sit (below, around or above the middle) and write down why.

Service compared: _____

Competitor	Price	What's included	Duration	How to book	Reviews	Notes

Reading the results

- **You are well below everyone.** You are probably undercharging, or offering less. Check your Formula 1 number first.
- **You are well above everyone.** Be clear about what the client gets for the difference: insured staff, supplies included, a guaranteed arrival window, a free redo if something is missed.
- **A bigger competitor is cheaper.** Don't try to win on price alone. They can stay lower for longer than you can. Compete on what they can't easily copy: the same person every time, flexibility, care.

7 How clients read a price

These are patterns in how people react to prices. How strongly they work depends on your market and your clients, so treat them as things to try and watch, not as rules.

- **Anchoring.** The first price people see shapes how they judge the next one. List your most complete option first; the standard option then looks reasonable next to it.
- **Three options.** Given three tiers, people tend to avoid the extremes. Build the middle option as the one you want most clients to choose.
- **Round prices or prices ending in 9.** A price like 99 reads as a deal. A round price like 100 reads as simple and confident, which tends to suit premium services better.
- **Describe the result, not the hours.** "Move-out clean, ready for the landlord's inspection" says more than "6 hours of cleaning".

- **Add value instead of cutting the price.** When a client hesitates, offer something that costs you little and that they value (an extra fifteen minutes, an add-on at no charge) rather than a discount.
- **Smaller units.** “From 30 per visit” reads differently from “120 a month”. Use it honestly: the full amount must always be easy to find.
- **Deposits.** A deposit makes the booking feel real to the client and covers you if they don’t show up.
- **Short menus.** A long price list makes people hesitate. Keep the main list short and show add-ons separately.

8 Raising your prices

- Review your prices at least once a year, and whenever your costs go up.
- Give existing clients written notice (for example, 30 days) and a short, honest reason.
- Raise prices for new clients first. Move existing clients over at a natural point, such as the start of a new month or a new package.
- Don’t apologise. Say what changes and from when, and thank them.

> Hi [name], from [date] the price of [service] will be [new price], up from [old price]. My costs for [supplies / fuel / insurance] have gone up, and I want to keep the same standard of work. Everything you have booked before [date] stays at the current price. Thank you for being a client. [Your name]

9 Pricing worksheet

Step	Your number
Fixed costs per month	
Target pay per month	
Billable hours per month	
Minimum hourly rate (Formula 1)	
Target margin	%
Hourly rate with margin = minimum rate ÷ (1 − margin)	

Service	Labour hours	Materials	Travel	Price (Formula 2)	Market range	Your price

These formulas help you set prices. They don't replace advice from an accountant on tax, VAT and how to pay yourself.

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