



Module 7 : Pricing and Costs

- How to set different pricing strategies
- The sort of costs which you will face as a balloon modeller
- How to keep on track of your income and expenditure
- How to go about determining the prices that you charge for your events

In this module you will learn:

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- The sort of costs which you will face as a balloon modeller
- How to keep on track of your income and expenditure
- How to go about determining the prices that you charge for your events
- When to charge more for your services

7.1: Introduction



Pricing and costs are two elements of your new business which are inextricably linked.

You won't be able to determine how much you should charge for your shows, or how much profit you will make from each one, without having a firm understanding of your outgoing costs. Each and every business in the world needs to keep track of their income and expenditure in a coherent, logical and comprehensive manner in order to be successful.

As your business's owner and sole employee, you will be entirely responsible for logging all of the income and expenditure for everything regarding your business.

This doesn't have to be difficult; you can set up a very simple spreadsheet to keep on track of it. You will just have to be very organised when it comes to making sure that every tiny transaction, however small, is recorded so that you always have an accurate and up to date record of your finances. This way, you will always be able to review how much you are spending and how much you are earning to check and see whether you have a profitable business.

If you find that you are barely covering your costs, or that you are actually losing money, it might be time to restructure your pricing strategy and to have a look at whether all of your costs are entirely necessary.

7.2: Costs



As a balloon modeller, you will have to pay a number of costs in order to keep your business running.

These costs are unavoidable, so you should structure your prices accordingly to make sure that you turn a profit from each event that you perform at.

Insurance

You will need to take out a comprehensive public liability insurance policy. It is not safe to work without one as neither you nor your clients would be protected in the case of an accident.

You will usually have to pay your public liability insurance once a year, which can make budgeting more difficult, although there are some companies which will let you pay it in monthly instalments. If you opt to pay for it on a monthly basis, beware that you might actually have to pay more back in total as you could be charged a premium for not paying all in one go.

Equipment

In a previous module, you learned all about what sort of equipment you would need to set up your balloon modelling business. Sadly, all of this equipment comes with a price so you will need to spend a fair amount of money to make sure that you have everything you need to get started. If you buy in bulk, although it will cost you more in the short run, you will actually save money in the long run. When buying things like balloons or balloon pumps, make sure that you shop around in order to find the best deal. Contact suppliers and tell them that you are setting up your own balloon modelling business and that you will be needing to replenish your stocks on a regular basis. Suppliers may be willing to cut you a good deal in order to secure your repeat business.

Remember, though, that it is still important to buy quality items. You should always try to find the best deal, but don't start to compromise on quality simply to keep your costs down. If you buy poorly made, flimsy equipment, it could actually end up costing you more as you will probably find that you have to replace it on a more regular basis.

Petrol

Your transport costs will vary depending on how far you have to travel to get to each particular event. It is extremely important to factor your transport costs into the equation when setting your prices, but don't charge each client individually. Use an average transport cost to travel within a certain radius of your home in order to calculate your pricing.

If there is an event which is much farther away than usual then you can think about charging an extra fee for transport, but otherwise make sure that it is all included in the final price.

Publicity Material

Don't forget that flyers, business cards, posters and any other sort of publicity material which you wish to use are all costs which should be recovered in the price that you charge for your services.

It can cost quite a bit of money to get these materials printed, and you need to make sure that you can afford to do so. Make sure that you include them in your budget and that you factor publicity costs into the equation when you are working out how much you should charge.

Website

All of the most successful balloon modellers and party entertainers have their own, professional-looking, website. This will help clients who know that they want to hire an entertainer but have never heard of you or your company to find and book you.

The more professional the website looks, the more likely someone is to trust that you are also a professional. You will need to pay to have your website hosted, and again, you will need to consider this cost when you are deciding how much you should charge for your services.

7.3: Pricing



The best way to go about determining your pricing is to look at what other people in the business are charging for their events.

You should always aim to charge slightly less than this as when you are setting up you won't have the reputation to support you, but being cheaper than another entertainer will still give potential clients a reason to hire you. Obviously, whatever price you choose, you must make sure that it more than covers your costs for the event. Otherwise you will not last very long in the business at all.

Offer your services for free in return for helpful, constructive feedback. For your first few real clients, you can ask them to give you what they think that the performance was worth after you have finished your show, rather than charging a flat rate from the offset. This can give you a really good idea about how much people are willing to pay for the services that you can see.

You can go about pricing in different ways. The easiest one is to establish a package deal which lasts a fixed amount of time and includes a given number of balloon modelling elements. Write out a couple of party plans, detailing what they would include in terms of both entertainment and equipment, and set a fixed price for each of those plans. Make sure that these are clearly laid out on your website so that potential clients know exactly how much everything costs.

If you do a party which is 2 hours long, you should make sure that you charge less for the second

hour than you do for the first one. For example, if you decide to charge £75 for a party which lasts one hour, you should charge less than £150 for a party which lasts 2 hours. This is because the second hour won't cost you as much as the first one as you will have already paid for your transport to attend the event. This will make people feel that booking you for 2 hours is a better deal, and you are likely to earn more money as a result.

You should have a different rate for events where you are not the sole entertainment provided. If it is something like a summer fete or a wedding reception, where you will be wandering between the guests and performing to small groups at a time, then you should set a different price for this than for a children's party. As a general rule, entertainers usually charge considerably more for events aimed at adults than they do for the ones aimed at children. This is because adult events usually have a much higher budget than people are prepared to spend on a children's party.

You can also change your pricing structure depending on when the event is booked for. Your standard prices should reflect how much you will charge at the busiest times (e.g. evenings, weekends and school holidays), but you can offer a discounted rate for anyone who wants to hire you during the week.

You will also need to look at how much it costs for you to build each balloon model if you are planning to sell them individually at any point. If you go into the centre of town to sell individual models for an afternoon, you will need to know exactly how much each one costs you so that you can set a price which is well above this.

In essence, when setting your prices, you will need to ensure two things. Firstly, that you are affordable and are not pricing yourself out of the market; and secondly, that you actually cover your costs to make your business profitable.

Module Summary

Lessons Learned

Like in any business, the key to success in balloon modelling is to manage your income and expenditure to ensure you're making a profit over time, so you'll need to keep track of all of your in- and out-goings on a spreadsheet.

Factor in your costs for public liability insurance, equipment, petrol, advertising materials, and your website; shop around for all of these to get the best value for money. To decide how much to charge for your services, research what your competitors get, being sure not to price yourself out of the market or undersell yourself.

Consider pricing yourself very competitively to begin with, offer a reduced off-peak rate, and match your fee to your audience and venue.

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