A PRACTICAL GUIDE TO PRICING AND PROFITABILITY

Pricing & Profit: The Money Guide.

The number on your price tag decides more about your business than almost any other choice. Here's how to price with confidence, and actually understand where your profit goes.

10 Chapters · Shopify · Pricing & Finance

Digital Guide

2026

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CHAPTER 01

Why Most Beginners Get Pricing Wrong

Pricing is one of the few decisions that touches everything else in your business - and one of the most common places new store owners guess instead of calculate.

The most common mistake is pricing based on a competitor's number or a round figure that "feels right," without actually working out whether that price leaves room for a real profit once every cost is accounted for.

A COSTLY HABIT

Pricing low to seem competitive feels safe early on, but it quietly limits your ability to advertise, to survive a bad month, and to invest back into the business. Underpricing is one of the most common reasons profitable-looking stores actually struggle.

This guide walks through pricing as a calculation, not a guess - so the number on your product page is one you can defend, not one you're hoping works out.

CHAPTER 02

The Real Cost of a Product (Beyond the Price Tag)

Before you can price anything correctly, you need the full picture of what it actually costs you to get one unit into a customer's hands.

- The manufacturing or wholesale cost of the product itself
- Packaging materials and any inserts
- Inbound shipping from your supplier to you (or to a fulfillment center)
- Outbound shipping to the customer, if you absorb any of it
- Payment processing fees on the transaction
- A share of your fixed costs - Shopify subscription, apps, tools

It's easy to price around just the first item on this list and forget the rest. Adding them up gives you your true landed cost - the real number your price needs to clear before any profit exists at all.

CHAPTER 03

Choosing a Pricing Strategy That Fits Your Brand

Once you know your true cost, there's more than one legitimate way to set a price on top of it - and the right one depends on your brand, not just the math.

Cost-Plus Pricing

Add a fixed markup or margin percentage on top of your true cost. Simple, predictable, and a solid default when you're starting out.

Value-Based Pricing

Price according to what the product is worth to the customer, which can be considerably higher than cost-plus would suggest - especially for products solving a real problem or carrying strong brand appeal.

Competitive Pricing

Price relative to similar products in the market. Useful as a sanity check, but risky as your only method, since it ties your business to decisions other companies are making for their own reasons.

CHAPTER 04

Understanding Margins vs. Markup

These two terms get mixed up constantly, and the confusion leads to real pricing mistakes.

THE DIFFERENCE, SIMPLY

Markup is how much you add on top of your cost, expressed as a percentage of that cost. Margin is your profit expressed as a percentage of your selling price. A 100% markup on a $10 product prices it at $20 - but that's only a 50% margin, not 100%, because margin is measured against the price, not the cost.

This distinction matters because margin is what actually tells you how much of every sale is profit. When people say they want "40% margins," confusing it with a 40% markup can leave a business pricing significantly lower than intended.

CHAPTER 05

Customer Acquisition Cost and Why It Matters

Your product margin is only half the story. The other half is what it costs you to actually get a customer to your store in the first place.

Customer acquisition cost, or CAC, is your total marketing spend divided by the number of new customers it brought in. If you spend $500 on ads in a month and gain 25 new customers, your CAC is $20 per customer.

A price and margin that looks healthy on paper can still lose money once CAC is factored in. If your profit per order is $15 but it costs $20 in advertising to acquire that customer, you're losing money on their first purchase - which is fine only if you have a credible plan to earn it back through repeat purchases.

CHAPTER 06

Lifetime Value: The Number That Changes Everything

Customer lifetime value, or LTV, is the total profit a customer generates across all their purchases, not just their first one - and it's often the number that makes an aggressive ad budget make sense.

A rough LTV estimate: average order profit, multiplied by average number of purchases a customer makes over, say, a year. Even a simple estimate here changes how you think about acquisition cost entirely.

WHY THIS MATTERS

A store that only looks at first-order profit will underinvest in marketing compared to a store that understands its LTV. If a customer is worth $150 over a year, spending $30 to acquire them isn't a loss - it's a smart investment, even though it looks like one on the first sale alone.

CHAPTER 07

Discounts and Sales Without Killing Your Margins

Discounts are a powerful tool, but a careless discount strategy is one of the fastest ways to turn a healthy margin into barely any profit at all.

Before running any sale, calculate the discounted price against your true landed cost from Chapter 2 - not your regular price. A 30% discount can look reasonable at a glance and still leave almost nothing once every cost is subtracted.

It also helps to reserve your deepest discounts for specific moments - clearing older inventory, seasonal sales, or rewarding loyal customers - rather than running frequent sitewide sales that train customers to wait for a discount instead of buying at full price.

CHAPTER 08

Simple Financial Habits to Build Early

You don't need an accounting degree to stay on top of your store's finances - a few consistent habits go a long way.

- Keep business and personal finances in separate accounts from day one
- Review your profit per order (not just total revenue) at least monthly
- Set aside a percentage of revenue for taxes as it comes in, rather than at year-end
- Track your cash on hand, not just your sales - profitable stores can still run out of cash
- Revisit your pricing every few months as costs change, instead of leaving it static for years

Building these habits early, while volume is still manageable, makes it far easier to stay in control as the business grows and the numbers get bigger.

CHAPTER 09

Common Pricing Mistakes

Pricing to Match Competitors Without Knowing Your Own Costs

A competitor's price tells you nothing about whether that price works for your cost structure, which may be very different from theirs.

Forgetting Payment and Platform Fees

These add up across every single sale and are easy to leave out of a quick mental calculation.

Never Revisiting Prices

Supplier costs and ad costs both tend to rise over time. A price set once at launch and never revisited quietly erodes margin every month.

Racing to the Bottom on Price

Competing purely on being the cheapest is a strategy that mostly favors whoever has the most capital to survive thin margins the longest - rarely a small store.

CHAPTER 10

Your Pricing Worksheet

Work through this for your main product to get a real, defensible price instead of a guess.

- [ ] Product cost, packaging, inbound shipping added up (true landed cost)
- [ ] Payment processing fees estimated per order
- [ ] Target margin percentage decided (start around 30-40% as a benchmark)
- [ ] Final price calculated from true cost and target margin
- [ ] Estimated customer acquisition cost from your current ad spend
- [ ] Rough lifetime value estimate based on repeat purchase rate

> A price built on real numbers gives you something a guess never can: the confidence to hold your price, run a sale without panic, and know exactly what a new customer needs to be worth to make your marketing pay off.