



Masterclass Summarized Transcript






A Force for Good

What's Your Pricing Strategy & Break-Even Point?

Get confident and clear with what drives profit.

Pricing & Break-Even Calculator™



## Introduction

Welcome to *What's Your Pricing Strategy and Break-Even Point: Get Confident and Clear with What Drives Profit*.

It is a pleasure to be with you today. I am Coco Sellman, five-time founder, impact investor, and creator of the Force for Good Business System.

Today, we are diving into one of the most important topics for creating a business of substance and scale: **pricing strategy** and **break-even point**.

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## Key Questions to Consider

- Are you generating plenty of revenue but still not paying yourself nearly enough?
- Can you confidently tell an investor or partner your Break-Even Point?
- Could any member of your leadership, marketing, or product team explain your pricing model with clarity?

Today is a great day to step into this conversation about pricing and how it impacts the success of your company.

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## Defining Pricing Strategy & Break-Even Point

**Pricing Strategy** is the method you use to set prices for your products and services. We aim for three things:

- Profitability
- Market Share
- Customer Satisfaction

**Break-Even Point** is when your total revenues equal your total costs. At this point, you are no longer in the red—you're at zero. Every sale beyond this point contributes directly to your bottom line profit.

In this context, we don't just think of total revenues and costs. We focus on **gross profit and operating expenses**. When gross profit equals operating expenses, that's your Break-Even Point. Knowing this at any given moment helps you manage your company week by week, month by month, and year by year.

## Why Pricing Strategy Matters

Pricing strategy is about finding the balance between **profit**, **customer satisfaction**, and **market share**.

- Setting your price too high may help you reach Break-Even faster, but could put you in a difficult competitive position.
- Pricing too low may boost sales but starve your profit.

**Factors that shape pricing strategy:**

- Production costs
- Competitors and market conditions
- Brand positioning (exclusive vs. accessible)
- Perceived value of your product/service

**Your positioning matters:** Are you offering *exclusive, high-end bespoke services* or a *fast, simple, low-cost solution*? Pricing should align with the brand experience you want to deliver.

**Guiding principle:** *Price with clarity, not apology.*

Profit is the fuel of every successful business. It fuels purpose, growth, and prosperity.

Many founders underprice early on to drive sales, but then find themselves working harder and harder just to reach Break-Even. A thoughtful pricing strategy funds the future you and your company are meant to actualize.

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## Key Definitions

- **Price:** The amount charged per unit of product/service.
- **Revenue:** Total money received before expenses (“top line”).
- **Cost of Goods Sold (COGS):** Direct costs to produce/deliver goods/services. Does *not* include operating expenses.
- **Gross Profit:** Revenue – COGS.
- **Gross Profit Margin (%):**  $(\text{Gross Profit} \div \text{Revenue}) \times 100$ .

Gross profit and gross margin are critical benchmarks. Track them against competitors and have a plan to improve COGS as you scale.

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## Common Pricing Approaches

- **Cost-Plus Pricing:** Add markup to production costs.
- **Value-Based Pricing:** Price according to perceived customer value.
- **Competitive Pricing:** Price in line with competitors.
- **Penetration Pricing:** Start low to enter the market, increase over time. Often used with early customers.
- **Premium Pricing:** High price for high-quality or exclusive products.

You may use a mix of approaches across your product portfolio. Lower-priced entry offers may draw customers in, while premium products carry higher gross margins.

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## Break-Even Analysis

At Break-Even, gross profit = operating expenses. This is the point at which your company becomes self-sustaining. You may not be able to invest in major growth initiatives yet, but you are covering your existing costs.

Every unit sold beyond Break-Even generates profit.

### Example:

- Revenue: \$500,000
- COGS: \$150,000
- Gross Profit: \$350,000
- Operating Expenses: \$258,500
- Income Before Taxes: \$91,500

This business is \$91,500 above Break-Even.

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## The Pricing & Break-Even Calculator™

This tool helps you:

1. Build your pricing model.
  2. Estimate operating expenses.
  3. Calculate Break-Even.
  4. Analyze and strategize adjustments.
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## Part 1: Build Your Pricing Model

Fill in your worksheet with:

- Product name
- Unit price
- Unit cost
- Unit gross margin (\$ and %)
- Trailing 12-month sales and customer data
- Revenue by product
- Average revenue per customer
- Trailing 12-month COGS
- Gross profit (dollars and %)

This exercise clarifies which products are high-margin drivers, which are loss leaders, and where adjustments might unlock greater profitability.

Example: One product may generate more customers but at lower margins, while another delivers fewer sales but contributes the highest gross profit. These insights help you decide whether to adjust prices, reduce costs, or refine positioning.

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## Part 2: Estimate Operating Expenses

List all expenses, including:

- Rent/lease, utilities
- Salaries, benefits, payroll taxes
- Insurance premiums
- Marketing & advertising
- Office supplies, equipment, software subscriptions
- Professional fees, IT support
- Travel expenses
- Research & development (product innovation)
- Depreciation of long-term assets

Use trailing 12 months as your baseline, then project for Years 1, 2, and 3 based on assumptions about hiring, expansion, or new investments. Engage your bookkeeper, accountant, or CFO to ensure accurate estimates.

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## Part 3: Calculate Break-Even

Break-Even occurs when operating expenses = gross profit.

Steps:

1. Record total operating expenses.
2. Record trailing 12-month COGS.
3. Record total units sold.
4. Calculate average cost per unit ( $\text{COGS} \div \text{Units}$ ).
5. Determine units required to Break-Even.

This allows you to see not only last year's Break-Even but also how your Break-Even will shift in the coming years as expenses rise or fall.

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## Part 4: Analyze & Strategize

Key questions:

- Which product/service has the most traction (units sold)?
- Which is most profitable per unit (highest gross margin per sale)?
- Which generates the most overall profit (contribution margin)?
- Why are some products driving results while others lag?

Consider marketing activity, sales effectiveness, repeat customer behavior, upsells, and competitor positioning. Use these insights to decide whether to raise or lower prices, improve costs, or reallocate resources.

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## Building Habits for Success

- **Weekly Habit:** Track units sold and progress toward monthly Break-Even.
- **Monthly Habit:** Review income statement and margins.
- **Quarterly Habit:** Hold a Pricing Strategy meeting, review trailing 12 months, and adjust strategy.

Practical Example: At Allumé, I tracked hours (service units) booked and delivered each week to ensure we were on track to hit monthly Break-Even. This gave us clarity and confidence as a team.

## High-Potency Actions to Boost Profitability

- Eliminate low-margin products.
- Raise prices on best sellers.
- Invest in improving profitable offers.
- Train sales team in value-based pitches.
- Launch pilot offers with premium pricing.
- Implement systems to track Break-Even weekly and monthly.

*Founders who thrive don't just know what they sell. They know what it costs, what it's worth, and what it earns.*

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## Closing

Today, you defined your Pricing Strategy and Break-Even Point using the **Pricing & Break-Even Calculator™**. You integrated new insights into your 4-Page Growth Plan™, built new habits, and identified high-potency actions.

Remember:

Break-Even isn't the finish line—it's the moment you **take off**.

Together, let's build businesses that are sustainable, profitable, and transformative. The world is made better by women-led businesses. Let's make the world a better place.