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# Pricing & Promotions Playbook

How to price confidently, protect margins, and run promotions that drive profit

## Quick Summary

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Pricing is one of the most powerful - and dangerous - levers in retail. Get it right and your pricing and promotions work in harmony with your brand. Get it wrong, and you either lose sales to competitors or give away profit unnecessarily, eroding consumer confidence in your brand and risking confusing customers.

Promotions add another layer of complexity. Done well, they boost volume, attract new customers, and build loyalty. Done badly, they train shoppers to only buy on discount, distort demand patterns, and destroy long-term margin.

By the end of this workbook, you'll be able to price with confidence, plan promotions with clarity, and build sustainable profitability.

## How to use this Playbook

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Use this playbook as both a workbook and a reference guide. Work through each step in sequence the first time, filling in the tables as you go. Then, return to specific steps whenever you're preparing for a buying trip, reviewing performance, or planning a new season. Keep the worksheets handy - you'll use them again and again. Optional worksheets can be downloaded and 5 minute videos are linked throughout.



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# At a glance

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## What you'll achieve

- How to set price points that align with your customer, positioning, and margin needs.
- How to build a price architecture using ladders and elasticity.
- How to protect margin before discounting.
- How to run promotions with purpose.
- How to adapt ideas from multiples to your scale and local market.



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# Step 1 – Find the Right Price Point

Customers have an expected price range for almost every product. Too low, and they doubt quality. Too high, and they walk away. The sweet spot balances customer expectations, competitor benchmarks, and your required margin.

**Action:** Your main goal here is to understand where your price point sits versus your competitors, customer expectations and your brand.

## How To

- Research competitor pricing (local independents, multiples and online).
- Test where your target customer is comfortable – ask, observe or trial.
- Factor in required margin – remember your margin pays the bills.
- Think about how your price point aligns to your brand positioning.
- Think about the product positioning – what value is your brand adding to the product, and can this be part of the retail price, or an added extra?
- Think about price anchors.

## Example

A gift shop sells premium scented candles. Multiples are selling a similar product for £12 but in less attractive packaging and a smaller range of scents. With the premium scents, packaging, and story behind sustainable sourcing, you position your product price point in line with other in near-by towns at £18 (they price between £15–£18).

## Workbook Exercises

- \* Complete the [playbook worksheet 1](#). Finding the right price point.
- \* Audit your customer offer and price point versus competitors, customer expectations and your brand.
- \* Watch the 5 minute [webinar](#).



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## Step 2 – Build your Price Architecture

Price architecture is the structure that underpins your range. It's about positioning and clarity, not just mark-ups. Three pillars help:

- a. **Price elasticity** – how demand changes with price shifts.
- b. **Price ladder** – good–better–best stepping stones.
- c. **Assortment elasticity** – how relative price gaps influence trading up or down.

Action: Understand how you can structure price points to help guide customers through the product range.

### How To

- Research your customers – how influenced are they by pricing?
- Research your products – how elastic (variable) is the pricing for this product?
- Define price thresholds for key products
- Look at how you can introduce product variants to introduce price ladders (e.g. small, medium, large).
- Look at how you can design your product range around price ladders (e.g. good, better, best).
- Test the “rungs” of your price ladder to understand where the best price points are.
- Ensure ladders encourage trade ups that help your bottom line (are you trading up to higher margin products?)

### Example

**Elasticity in action:** A discount of 30% cleared stock efficiently, but 50% would have given away unnecessary margin.

**Cheese graters:** A supermarket priced three graters at £1.79, £3.49 and £5.99. Dropping the entry to £0.99 made the ladder collapse - customers stopped trading up. Raising entry to £1.99 nudged more sales into mid-tier and lifted cash margin.

### Workbook Exercises

- \* Complete the [playbook worksheet 2](#). Build your price architecture.
- \* Review your price points to test the optimal price positioning of the rungs on your price ladder.
- \* Watch the 5 minute [webinar](#).



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## Step 3 – Use Price Psychology

Customers don't always buy rationally. Small price tweaks influence customer perception.

Action: Identify where each product fits in the matrix.

### How To

- Use charm pricing (£x.99) sparingly. Charm prices work best on entry level products and communicate value for money.
- Use round numbers for premium products – round numbers communicate premium quality and product confidence.
- Random price points suggest a 'cost plus' approach to pricing, signalling trust.
- Use price anchors – the "good" and "best" products anchor the mid-tier product in the mind of the customer. Customers often stick to the middle of the road.
- Bundle pricing can feel better "2 for £20" sounds better than £10 each.

### Example

A florist sells bouquets at £25, £35, and £50. Most choose £35, anchored by both the £25 and £50 price points. Rounded price points communicate quality and are simple and easy to understand.

### Workbook Exercises

- \* Complete the playbook worksheet 3. Price Psychology.
- \* Review your brand to understand if charm pricing, rounded pricing or cost plus pricing is best for your business.



## Step 4 – Margin Matters

Price is meaningless if you give away profit. Understand the margin you need to generate before setting prices or promotions.

**Action:** Aim to launch successfully, generate awareness and manage risk.

### How To

- Pounds pay your bills, not percentages.
- Take VAT out of the equation – that goes to the government. Calculate your margin by product.
- Understand your current margin generated by your products. Use your % margin as a guide to your aspirational margin on new products.
- Look at your annual sales to find your margin heroes and your margin munchers by calculating your margin and multiplying it by your annual sales volume. How can you sell more heroes? What can you do about products that don't contribute much margin?
- Set target £margin and % margin by product group

### Example

A gift shop sells:  
1000 candles at £5.60 margin (41%)  
50 side lamps at £54 Margin, (52%)

Although the candles look less attractive at a much lower price point and margin, the annual sales means they generate significantly more annual margin, making them a product which will be nurtured by merchandising techniques and stock policies.

A new range of candles is being considered, and a target minimum margin percent for new lines is set at 45%

### Workbook Exercises

- \* Complete the playbook worksheet 4. Margin Analysis.
- \* Identify a newly introduced product and define positioning, pricing strategy, promotion plan, and initial stock using the worksheet.
- \* Watch the 5 minute [webinar](#).



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## Step 5 – Plan Promotions with Purpose

Promotions must serve clear goals: clear stock, attract customers, reward loyalty, or increase basket size. Random discounts damage brand credibility.

**Action:** Understand how different promotion mechanics can serve different goals.

### How To

- Attract customers with headline promotions which are timely and present real reasons to buy now (Use promotions sparingly rather than becoming known for always discounting)
- Use Fear of Missing Out with promotions such as 'When it's gone it's gone' (WIGIG)
- Reward customer loyalty (e.g. discount off next purchase, or free gift when you get 12 stamps)
- Help customers trade up the range (save £ on premium products)
- increase basket size ('Buy one, get one free' (BOGOF), or three for two, or bundle offer or save £10 when you spend over £60)
- Clear stock (price discounts or half price when you also buy x)
- Generate cashflow (Save 10% this weekend)
- Understand sales regulations and trading standards requirements

### Example

A clothing retailer often ran 10% off – so often, that customers waited for the regular discounting and never bought at full price.

A premium wine shop has an average customer spend of £40. To encourage a higher average transaction value, they have created a bundle offer for £45. By linking a lesser known wine with a popular wine, customers experienced a new taste the wine merchant knew they'd like and gained repeat sales of the new wine over the next three months.

### Workbook Exercises

- \* Identify your sales and margin goals for key product areas and consider which promotional strategies will help you reach your goals.
- \* Watch the 5 minute [webinar](#).



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## Step 6 – Promotional Calendars

Planning promotions through the seasons, sales peaks and troughs and through the product life cycle generates purposeful promotions that add value.

**Action:** Create a promotional calendar.

### How To

- Understand your supplier's promotion plan – what are their hero lines and national marketing campaigns that you can work with?
- Negotiate with suppliers about how they can support your promotional calendar with cost price discounts, point of sale or stands
- Use national events as hooks (school, sports events, national holidays, special occasions)
- Use local events as themes (local fun run)
- Consider promotions related to the weather and set triggers for when to implement weather based promotions

### Example

A sports shop knows that a key brand is going to run a promotion on cycle helmets during April and May in a nationwide campaign to encourage higher usage. They will share promotional point of sale and social media assets for independents to use and are offering a cost price discount for orders on featured products that are placed by the end of February. The sports shop places the order and puts a note in the system to brief staff on the benefits of wearing / replacing a helmet, orders point of sale and briefs website changes and social media content.

### Workbook Exercises

- \* Complete the [playbook worksheet 5. Promotional Planning](#).
- \* Plan an annual promotional calendar that will help realise your sales goals.
- \* Watch the 5 minute [webinar](#).



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## Step 7 – Localise what works

Multiples spend millions on pricing strategies. Independents can borrow ideas – but only when adapted to brand and community.

**Action: Decide whether to discontinue, harvest, or reposition.**

### How To

- Inspiration is all around us. Look at which promotions appeal to you, and how you can use that mechanism in your business.
- Understand any local events that are happening and create promotions based on these.
- Talk to other businesses about creating a collaborative cross promotion that drives footfall to both businesses.

### Example

A national chain uses '3 for 2' as they know customers use more shower gel when there's more in the bathroom cabinet. The promotion is focused on increasing product usage. An independent retailer selling hand-made soap bars offers 3 for 2 on sample sized soaps. This increases usage rates but also helps to introduce customers to new scents.

### Workbook Exercises

\* Complete an audit of what's happening in your industry and in other retail sectors.



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## Webinars

You can find all our Pricing and Promotions webinars on [YouTube](#).

Part 1: [Price Positioning: Setting Prices That Build Trust and Value](#)

Part 2: [Price Architecture: Building a Balanced Range That Sells](#)

Part 3: [Margin Matters: Protecting Profit in Every Sale](#)

Part 4: [Purposeful Promotions: Boost Sales Without Killing Profit](#)

Part 5: [Promotional Planning: Create a Calendar That Drives Results](#)

## Worksheets and Templates

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Take a look at the worksheets and templates designed to help complete actions in this Playbook. Follow the links to [Retail Accelerator Programme](#) for full size worksheets.

1. [Find the Right Price Point](#)
2. [Build your Price Architecture](#)
3. [Price Psychology](#)
4. [Margin Analysis](#)
5. [Promotional Planning](#)



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## Worksheet 1. Find the Right Price Point

Customers have an expected price range for almost every product. Too low, and they doubt quality. Too high, and they walk away. The sweet spot balances customer expectations, competitor benchmarks, and your required margin.

**Action: Audit your price points and customer offer versus your competitors, customer expectations and your brand.**

My product offer and price point	My business	Competitor A	Competitor B	Competitor C	Customer Expectation	Action
15cm scented candles with gift wrapping £18		£16.99				
Notes (Price Points, activity, Product overview, SKU count)		Poor merchandising, no instore theatre or experience				



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## Worksheet 2. Build your Price Architecture

Price architecture is the structure that underpins your range. It's about positioning and clarity, not just mark-ups.

Action: Review your price points to test the optimal price positioning of the rungs on your price ladder.

Product	Entry Price Point	Mid Price Point	Premium Price Point
Pricing			
Product Benefits			
Annual Sales Volume			
% Mix of Sales			
Notes			
Test Price Point			
Test Results			
Action			

## Worksheet 3. Price Psychology

Customers don't always buy rationally. Small price tweaks influence customer perception.

Action: Review your brand to understand if charm pricing, rounded pricing or cost plus pricing is best for your business.

Product	Current Price	Current Price Strategy (e.g. charm pricing)	How my brand can add value	Action (Pricing and Communications)



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## Worksheet 4. Margin Analysis

Price is meaningless if you give away profit. Understand the margin you need to generate before setting prices or promotions.

Action: Aim to launch successfully, generate awareness and manage risk.

Product	Cost Price	Retail Price	£ Margin	% Margin	Annual Sales	% of sales	Notes

## Worksheet 5. Promotional Planning

Planning promotions through the seasons, sales peaks and troughs and through the product life cycle generates purposeful promotions that add value.

Action: Create a promotional calendar.

Month	Month	Month	Month
Key sellers / hero lines for this month			
National Events (e.g. religious holidays, school terms, sports events)			
Local Events (e.g. Heritage Open Day, Half Marathon)			
Social Media Days			
Supplier Activity			
Promotional Activity			
Marketing Activity			
Shop Window Display			



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## Wrap Up Checklist

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Tick the actions as they are completed.

- Research Competitors
- Research Consumer Expectations
- Understand factors influencing your market
- Create price architecture

- Set minimum margin targets
- Design promotions with clear goals
- Consider how to localise plans
- Build a promotional calendar
- Review results and refine

## Next Steps & Further Learning

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- Explore related playbooks, worksheets and webinars at our [Retail Accelerator Programme](#)
- Contact your local Growth Hub Adviser via <https://www.businesslincolnshire.com/contact-us>