These are the steps you need to take to determine that you are priced for profit. And I will interject that to do this accurately you will need to ensure you have an efficient and accurate financial reporting system and process to so you are working with accurate data.

That said, What I would like to share now is about understanding what Pricing for Profit needs to accomplish and the mindset behind it.

Setting the Stage (Introduction)

When you're a small business producing a product, it's not enough to just cover your costs and hope sales will make you profitable. Pricing must be intentional. In particular, if you're selling to grocery stores, remember they add about a 35% margin themselves. That means your price to them directly affects the final shelf price, and whether you have room left to run a profitable business.

Start with Production Costs

The foundation is your cost of goods sold (COGS)—that's your raw materials, your labour, and your packaging. Your sales price to the grocery store must be high enough that, after subtracting those costs, you have a healthy gross margin. That gross margin is not the same as profit—it's simply the pool of money left over to pay the rest of your expenses.

Covering Operating Expenses (OPEX)

Next, from that gross margin, you must be able to cover operating expenses (OPEX): rent, utilities, admin, insurance, marketing, delivery costs. Most importantly, OPEX must include an owner's salary or manager's salary. If you don't pay yourself, you haven't really built a business—you've just built a job. If your product can't cover your salary, it means if you ever step away, you won't have the money to pay someone else to take over. That makes the business unscalable and unsellable as an investment.

Profit Beyond Salary

Finally, after paying production costs and OPEX—including salary—you need to ensure there's still room for net profit—ideally 20% of your wholesale sales. This is the true return on your business—it's what makes your company valuable, scalable, and sellable.

Why Pricing Wrong Hurts

If your product is priced too low when selling to grocery stores, you might generate sales, but you're undermining your ability to grow. The grocery store will always add its 35%. If your wholesale price is too low, you can't make money. If your wholesale price is too high, the grocery store may not be able to sell it on shelf. This is where some businesses get stuck: they either make sales but no profit, or they raise prices and lose shelf space because the final MSRP is uncompetitive.

Closing Message

So remember, pricing to profit isn't just about covering today's costs. It's about making sure your product can: 1) Cover production costs, 2) Pay all operating expenses—including a real salary for you, and 3) Leave room for a meaningful net profit. If you miss any of those steps, you don't have a scalable, investable business. You just have a job