Product pricing strategy guide – Hostinger Learning lab

Hostinger Learning lab

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What's inside

STEP 1

Know your costs

Before choosing a price, you need to know what it costs to make and sell your product. Every price you set should cover these costs — otherwise you're selling at a loss. Split your costs into two types: fixed and variable, as in the tables below.

Fixed costs	
Web hosting and platform fees	Fixed Costs
Domain registration	Fixed Costs
Insurance	Fixed Costs
Software subscriptions	Fixed Costs
Rent or storage costs	Fixed Costs

Variable costs	
Materials and production	Variable Costs
Packaging	Variable Costs
Shipping and fulfilment	Variable Costs
Payment processing fees	Variable Costs
Labour per unit	Variable Costs

FORMULA

Selling price = Total cost per unit ÷ (1 – desired profit margin)

Example: product costs $50 to make and you want a 30% margin → $50 ÷ 0.70 = $71.43 minimum selling price. Anything below this and you're not hitting your margin target.

STEP 2

Choose a pricing strategy

No single pricing strategy works for every product. The right one depends on your costs, your customers, and what makes your product different. Here are the six most useful strategies for ecommerce stores.

Strategy 1: Cost-plus pricing

Add a fixed markup to your cost per unit

How it works

Calculate your total cost per unit, then add a percentage markup to arrive at the selling price. Simple and predictable — every product sold covers its costs and delivers a set margin.

Best for
Physical products
High-volume items
Commodities

Watch out for:
This strategy ignores what customers are willing to pay and what competitors charge. You may underprice valuable products or overprice in a competitive market.

Strategy 2: Value-based pricing

Price based on what the customer believes the product is worth

How it works

Set the price based on the outcome or transformation your product delivers — not just what it cost to make. Requires understanding your customer deeply enough to know what they'd pay for the result.

Best for
Digital products
Premium brands
Unique products

Watch out for:
Requires customer research to get right. Misjudging perceived value leads to pricing that feels either too cheap or unjustifiably expensive.

> Often produces the highest margins. Talk to real customers before setting the price — ask what problem the product solves and what that solution is worth to them.

Strategy 3: Competitive pricing

Price in relation to what competitors charge

How it works

Research competitor prices for similar products and set yours slightly above, below, or at the same level depending on your positioning. Below for volume, above to signal quality, level to stay neutral.

Competitive pricing
Crowded markets
Similar products
New entrants

Racing to the bottom erodes margins fast. Pricing lower than competitors only works if your costs are genuinely lower or you're building volume strategically.

Strategy 4: Psychological pricing

Use price presentation to influence how buyers perceive value

How it works

Small changes in how a price is presented affect perception significantly. $29.99 reads as meaningfully cheaper than $30. Charm pricing, anchoring (showing a higher "was" price), and bundle pricing all fall into this category.

Best for
Consumer retail
Promotions
Bundles

Works best layered on top of a solid core strategy. On its own it's a tactic, not a strategy — and overuse can feel manipulative to savvy shoppers.

Strategy 5: Penetration pricing

Launch low to win market share, then raise prices over time

How it works

Set a deliberately low introductory price to attract customers quickly and undercut established competitors. Once you have reviews, a customer base, and brand recognition, gradually increase prices toward your target level.

Best for
New store launches
Competitive markets (not recommended for Premium products)

Attracts price-sensitive customers who may not stay when you raise prices. You must have a clear plan for when and how to increase pricing — and enough margin to survive the low-price period.

Strategy 6: Premium pricing

Price high to signal quality, exclusivity, or prestige

How it works

Set your price significantly above competitors to position the product as high-end. Price itself becomes a signal of quality — a paradox where lowering the price can actually reduce demand from your target audience.

Best for

Best for
Luxury or artisan goods
Niche audiences
Mass-market items

Watch out for:
very touchpoint — packaging, website, photos, customer service — must match the premium price. A high price with a low-quality experience destroys trust faster than any other mistake.

Premium pricing only works if your brand, presentation, and product genuinely back it up. If in doubt, start lower and raise once you've built proof.

STEP 3

Match your situation

Not sure which strategy applies to your situation? Use this guide to find the right starting point.

Which strategy fits your situation?

Match your situation on the left to the recommended starting strategy on the right

If...

+ You're launching a new store with no reviews or brand recognition
+ Your product is similar to dozens of others already on the market
+ Your product solves a specific, high-value problem for a defined audience
+ You make physical products and want a simple, predictable margin
+ Your brand is positioned around quality, craft, or exclusivity
+ You're running a promotion or launching a bundle

Start with...

- Penetration pricing — build volume and reviews first, then raise prices
- Competitive pricing — check what others charge and position accordingly
- Value-based pricing — the outcome is worth more than the cost to produce it
- Cost-plus pricing — then test whether the market will bear a higher price
- Premium pricing — but only if every aspect of the experience matches
- Layer on... Psychological pricing tactics — anchoring, charm pricing, bundle framing

When to review your pricing

Pricing isn't set once and forgotten — check it when any of these apply

When to review your pricing
Your costs have increased — materials, shipping, platform fees, or fulfilment
A competitor has significantly raised or lowered their prices
You've launched in a new market or started targeting a different audience
Your conversion rate has dropped without a change in traffic quality
You've accumulated strong reviews and social proof that justify a higher price
You're consistently selling out — strong demand often means you can charge more
It's been more than 12 months since you last reviewed your pricing

Ready to launch your online store?

Apply these proven pricing frameworks to your business model. Start optimizing your revenue strategy today with Hostinger's hosting and business tools.

Build your winning pricing strategy with Hostinger

Getting your pricing right is one piece of the puzzle. Hostinger gives you fast, reliable ecommerce hosting – with WooCommerce support, a free domain, and everything you need to start selling online without the technical headaches.

Get started →