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UNBOXING ENTREPRENEURSHIP: ENHANCING YOUR PRICING STRATEGY KNOWLEDGE

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Abstract

In an increasingly competitive business environment, understanding pricing strategy has become one of the key elements for entrepreneurial success. The Community Service Program (PkM) titled "Unboxing Entrepreneurship: Enhancing Your Pricing Strategy Knowledge", organized by Universitas Pelita Harapan, aimed to provide fundamental insights into pricing strategies for students of SMA Tarsisius 2 and SMA Tritunggal Semarang. The activity involved expert speakers in business strategy and student entrepreneurs who shared their practical experiences. Through theoretical sessions, case studies, and interactive simulations, participants were trained to analyze costs, understand the market, and strategically determine product prices. The outcomes of the program demonstrated improved student comprehension of the importance of pricing in business, along with enhanced practical skills in analyzing and setting competitive prices. Furthermore, the program successfully inspired students to develop entrepreneurial ideas based on a more structured strategy, enabling them to face market challenges with greater confidence.

Keywords: Pricing Strategy, Entrepreneurship Education, Enrepreneurial skill

INTRODUCTION

In activities increasingly competitive business landscape, understanding pricing strategy is a crucial component of entrepreneurial success. For high school students who are interested in entrepreneurship, the ability to set the right product price is not just a skill, but a fundamental element in attracting consumers and gaining a competitive edge. Tarsisius High School and Tritunggal Semarang High School have many students who are passionate about entrepreneurship. However, they often face challenges due to limited access to information and a lack of practical understanding in applying business strategies—particularly in setting prices effectively.

The workshop "Unboxing Entrepreneurship: Enhancing Your Pricing Strategy Knowledge" was designed as a platform to introduce high school students to the concept of strategic pricing. In this event, a speaker with expertise in pricing strategy and a university student who runs a keychain business will share both knowledge and practical experiences. Their presence is expected to provide insights that are not only theoretical but also applicable, enabling students to understand how pricing strategies are implemented in real-world business scenarios.

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Many students have the potential and interest in entrepreneurship, but are often hindered by a lack of knowledge about proper pricing strategies. This issue leads to a lack of confidence in setting competitive and potentially profitable prices (Banurea & Riofita, 2023). In addition, students who are just starting their businesses tend to set product prices arbitrarily, without considering key factors such as production costs, market competition, and the added value offered. As a result, the businesses they run are at risk of stagnation or even financial loss.

This workshop was designed to address these challenges by equipping participants with fundamental insights into pricing strategies that are easy to understand and directly applicable to simple businesses, such as a keychain business. This understanding is expected to help shape a more mature entrepreneurial mindset among students.

IMPLEMENTATION METHOD

To address the need for a better understanding of pricing strategies among students, this workshop offers practical and applicable solutions. The key components of this program include:

1. Fundamental Pricing Strategy Theory
   An academic expert in pricing strategy will deliver material on the basic principles of pricing. The session will cover essential elements such as cost analysis, market analysis, and methods for identifying optimal pricing to maximize both consumer appeal and profitability.
2. Real-World Case Study
   Through a sharing session led by a university student who runs a keychain business, participants will engage in a hands-on workshop on product creation and pricing. This experience will help students explore ideas for future business ventures and inspire new entrepreneurial initiatives following the workshop.
3. Simulation and Interactive Discussion
   The workshop will feature a guided pricing simulation led by the expert speaker. Participants will be given case examples and invited to work in small groups to determine pricing based on their analysis. This session aims to strengthen students' analytical thinking and decision-making skills in the context of pricing strategy.

The main target of this workshop is to enhance participants' understanding of pricing strategies and their crucial role in business. By recognizing how pricing can influence product competitiveness in the market, students will gain valuable insights into strategic decision-making. In addition to theoretical knowledge, the workshop aims to equip students with practical skills in setting prices. They will be trained to conduct price analysis by considering key factors such as production costs, target markets, and product value.

Furthermore, the workshop is designed to develop an entrepreneurial mindset among high school students, enabling them to feel more confident in starting a business and to become more aware of important business elements—particularly in managing prices strategically. Through exposure to real-life experiences shared by a university student entrepreneur, participants are also expected to be motivated to innovate and pursue entrepreneurship. This inspiration will encourage them to launch small businesses or further develop their existing ideas using a more structured and thoughtful pricing strategy.

Implementation Method

The implementation of this Community Service Program (PkM) consists of several key steps:

a. Opening and Orientation
   The workshop will begin with an opening session that introduces the objectives, benefits, and agenda of the program to all participants.
b. Presentation of Pricing Strategy Theory
   The main speaker will deliver a session on the fundamentals of product pricing. Topics will include cost analysis, market segmentation, value-based pricing, and competitive pricing strategies.
c. Case Study and Experience Sharing
   A university student who runs a keychain business will share insights and real-life experiences related to applying pricing strategies in small-scale entrepreneurship. Participants will learn about the challenges faced and practical solutions for setting competitive prices.
d. Pricing Simulation
   To provide hands-on experience, a simulation session will be held in which participants are divided into small groups and given a business scenario involving keychain production. Each group will conduct a pricing analysis and propose a pricing strategy based on the concepts learned. The speaker will provide guidance and feedback to ensure deep understanding.
e. Interactive Discussion and Q&A Session
   Following the simulation, an open Q&A session will allow participants to ask questions related to the material, share challenges they face, or discuss personal business experiences.
f. Closing and Reflection
   The workshop will conclude with a reflection session where participants are encouraged to review what they have learned and experienced throughout the program. Facilitators will summarize key points and motivate participants to apply the knowledge in their future business projects.
g. Certificate and Module Distribution
   The program will close with the distribution of certificates and learning modules, along with a group photo session as part of the documentation and appreciation for participation.

RESULTS AND DISCUSSION

This workshop provided an essential introduction to various pricing strategies that can be applied in simple businesses such as keychain production. Participants were encouraged to understand that price is not merely a number, but the result of careful consideration of costs, market conditions, and competition. Through real-life examples, students were shown that even small products like keychains require a well-thought-out pricing strategy.

Before discussing pricing, it is important to first understand the types of costs involved. Costs are generally divided into two categories: fixed costs and variable costs. Total cost is the sum of fixed and variable costs. Next, there is what is called the average cost, which is calculated by dividing the total cost by the quantity produced. This average cost serves as the basis for price setting and is commonly referred to as the cost of goods sold (COGS).

There are three main pricing strategies: cost-based pricing, demand and supply-based pricing, and competition-based pricing.

1. Cost Based Pricing

Cost-Based Pricing is one of the most standard and commonly used pricing strategies, especially among small and medium-sized businesses. This method focuses on calculating the total cost involved in producing a product or service and then adding a specific profit margin to determine the final selling price. It ensures that all production costs are covered while also generating profit.

The first step in this method is to identify the total cost, which includes both fixed costs (such as rent and salaries) and variable costs (such as materials and packaging). Once the total cost is calculated, a certain percentage is added as profit. For example, if the total cost of making a product is $10 and the business wants a 30% profit, the selling price would be $13. But if $13-30% not $10 but loss. Therefore, it is important to conduct a deeper analysis of cost-based pricing to fully understand its principles, applications, and limitations.

This strategy is considered simple and effective because it is based on internal cost data, making it easier for businesses to implement. However, it may not always reflect external factors such as consumer demand or competitor pricing. Therefore, while cost-based pricing is a great starting point, it is recommended to combine it with market research for better results.

Cost-based pricing can generally be divided into four key categories:

a. Cost-Plus Pricing, where price = cost + margin.

Cost-Plus Pricing is one of the simplest and most commonly used pricing methods in business. This strategy sets the selling price of a product by adding a specific profit margin on top of the total production cost. In other words, after calculating all the production costs, the business owner only needs to decide on the desired percentage of profit, then add it to determine the final price.

Selling Price = Total Cost + Profit Margin

This formula is very practical because once you know the production cost and the desired profit margin, you can easily calculate the selling price. This method is often used by small businesses and startups to ensure all costs are covered while still making a profit.

Example Case:
If the production cost of a product is Rp7,000.00 and the business wants to add a 30% profit margin, then the selling price is calculated as follows:

Selling Price = Rp7,000 + (30% × Rp7,000) = Rp7,000 + Rp2,100 = Rp9,100

Therefore, the selling price of the product is Rp9,100.00. This strategy ensures that the business does not incur losses, as all costs are covered and profit is built into the price. This method is especially useful for simple products like keychains, where the production cost can be clearly calculated. However, the downside of cost-plus pricing is that it does not take market conditions or competitor prices into account, which can sometimes result in prices that are either too high or too low compared to competitors.

b. Markup Pricing,
Markup pricing is a pricing strategy similar to cost-plus pricing, where the selling price of a product is determined by adding a certain markup percentage on top of the purchase cost or production cost of the product. What makes markup pricing distinct is that it specifically focuses on a markup percentage applied to the cost price, with the goal of covering additional expenses (such as overhead) and generating profit.

The general formula for this strategy is:

Selling Price = Cost / (1 – Markup Percentage)

This strategy is widely used in retail businesses because of its simplicity and ability to ensure consistent profit margins. By using markup pricing, businesses can easily calculate a selling price that guarantees a specific percentage of return over the product cost, helping them maintain financial stability and pricing consistency across products.
Example:
Selling Price = Rp7,000 / (1-30%) = Rp 10.000,00

c. Fixed fee.
Fixed Fee is a pricing strategy in which a company sets a fixed price for a product or service, regardless of other variables such as time or additional costs that may be involved in the production process. In fixed-fee pricing, customers know exactly how much they have to pay from the beginning, without any unexpected or additional charges later on. This strategy provides clarity and certainty for both the buyer and seller, as it eliminates the risk of fluctuating costs. It is especially useful for services or projects where the scope and deliverables are clearly defined from the start.

d. Target Return Pricing, where the price is set based on the desired return on investment (ROI).
Target Pricing is a pricing strategy in which a company determines the selling price of a product or service based on the price desired by consumers. After identifying the

acceptable market price, the company then works backward to calculate the maximum production costs that will still allow for a profitable outcome. This approach starts with the customer in mind, focusing on how much they are willing to pay, and then aligning the production process and cost structure accordingly. The goal is to ensure that the product remains attractive to the market while still generating profit for the company.

Even for simple products like keychains, this method helps students and beginner entrepreneurs understand the value of their product and build confidence in setting prices based on cost structures.

2. **Demand – Supply based pricing**

This strategy takes into account the demand and supply conditions in the market. It is divided into two main approaches, namely:

a. Demand oriented pricing

Demand-oriented pricing is a strategy that focuses on the customer's perception of value and their psychological response to pricing. Instead of relying solely on production costs, this approach considers how much consumers are willing to pay and how price affects their purchase decisions.

Types of demand-oriented pricing include (Isah et al., 2024). :

➢ Value-Based Pricing

Prices are set based on the perceived value or benefit that customers receive from the product. The higher the perceived value, the higher the price that can be charged.

Example of Value-Based Pricing:

Premium Skincare Product

A natural skincare brand sells an organic facial serum for Rp250,000, even though the production cost is only around Rp50,000. The price is not based on cost, but on the perceived value by the customer, such as: Natural, chemical-free ingredients, Claims to visibly improve skin within 7 days, Luxurious packaging and premium branding, Endorsements by beauty influencers or dermatologists. Customers are willing to pay a higher price because they believe the benefits and quality justify the cost, even though similar products may be available at much lower prices.

➢ Psychological Pricing

This strategy uses psychological tactics, such as pricing a product at $9.99 instead of $10.00, to make it appear cheaper, even if the difference is small.

➢ Price Skimming

A high price is set initially when a product is launched, then gradually lowered over time. This is ideal for innovative or premium products that attract early adopters willing to pay more (Ali & Anwar, 2021; Shavandi & Zare, 2012).

b. Market-Oriented Pricing

Market-oriented pricing is based on broader market conditions, including supply and demand fluctuations and competitor behavior. This approach is more dynamic and competitive, adjusting prices in real time or based on strategic market positioning.

Types include:

➢ Dynamic Pricing

Prices change based on time, season, demand, or location. This is commonly used in e-commerce, airlines, and hotel bookings (Fachrunnissa et al., 2024; Silitonga & Linardi, 2018).

➢ Penetration Pricing

Products are introduced at very low prices to attract customers and gain market share quickly. Prices are later increased once the product is established in the market (Subrahmanyam et al., 2023).

➢ Auction / Bidding System

Prices are determined through an auction or bidding process where buyers compete for the product. This method reflects real-time demand and can maximize revenue for high-demand or limited-quantity products (Aggarwal et al., 2023).

3. Competition based pricing

Competition-based pricing is a strategy in which a company sets its product or service price based primarily on competitors' pricing, rather than solely on its own production costs or customer demand. This approach is commonly used in highly competitive markets where price is a major factor in consumers' purchasing decisions.

There are two key variations highlighted in the image:

a. Perceived Value Pricing

In this approach, companies set their prices based on the value that consumers perceive in comparison to similar competitor offerings. If customers view the product as having higher value than the competitor's, the company may charge a premium price. Conversely, if the product offers less perceived value, the price is often set lower to remain attractive.

b. Average Market Pricing

This strategy involves setting the price at or around the average price of similar products in the market. It helps companies stay competitive without underpricing or overpricing (Suherman, 2024). Businesses adopting this method usually monitor market trends regularly and adjust their prices to stay aligned with the industry standard.

Competition-based pricing helps businesses maintain market relevance and respond quickly to shifts in competitor behavior. However, it's important that companies still consider their cost structure to ensure pricing remains profitable.

CASE

Pict 1. Pipe Cleaner Keychain – Workshop Creation

Source: Documentation of the Institute for Research and Community Service (2024)

Table 1. Pricing Strategy Pipe Cleaner Keychain

Description	Quantity	Price	Per pcs
Pipe Cleaner	100 pcs	Rp 13.000,00	Rp 130,00
Glue gun stick	100 pcs	Rp 10.000,00	Rp 100,00
Keychain	100 pcs	Rp 20.000,00	Rp 200,00
Packaging and accessories			Rp 300,00
A wage of Rp20,000 per hour results in 10 keychains produced			Rp 2.000,00
Total Variable Cost			Rp 2.630,00

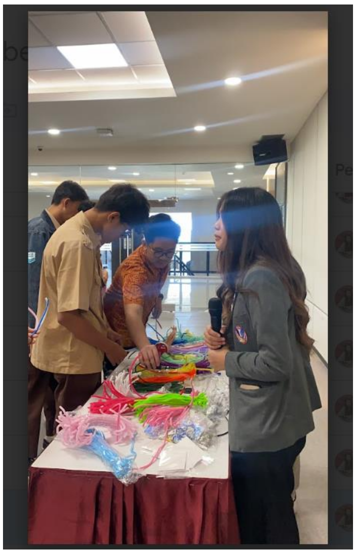
Based on the cost analysis, the total variable cost to produce one keychain is Rp2,630.00. Using the markup pricing method, a 40% markup is applied to ensure a reasonable profit margin. When calculated, the selling price becomes Rp4,383.00 per piece. However, for practical and marketing purposes, the price is rounded up to Rp5,000.00. This rounded price not only simplifies transactions but also provides additional profit that can cover unexpected expenses or contribute to business growth.

$$BEP\ (unit) = \frac{Fixed\ Cost}{Price - Variable\ Cost}$$

In this case, the break-even point (BEP) is calculated to determine the minimum number of keychains that must be sold to cover all production and operational costs. The fixed cost, such as table rental, electricity, and tools used during the workshop, is assumed to be Rp 1.000.000,00. The variable cost per keychain, including materials and labor, is Rp2,630, while the selling price has been set at Rp5,000. Using the BEP formula:

$$BEP\ (unit) = \frac{1.000.000}{5.000 - 2.630} = 422\ pcs$$

This means the business must sell at least 422 keychains to reach the break-even point. Any sales beyond this will generate profit, while selling fewer would result in a loss. This calculation helps students understand how pricing, costs, and production volume affect financial sustainability.



Pict 2. Work practice

Pict 3. Audience

Source: Documentation of the Institute for Research and Community Service (2024)

CONCLUSION

The implementation of this community service program has proven to be effective in increasing students' understanding of pricing strategies, particularly in the context of simple entrepreneurial activities such as keychain production. Through a combination of theoretical learning, practical simulations, and direct exposure to real-world business cases, participants gained insights into various pricing methods including cost-based, demand-supply based, and competition-based pricing. They also learned how to analyze cost structures, set prices strategically, and determine break-even points to ensure business sustainability.

Moreover, the workshop succeeded in developing entrepreneurial awareness among high school students by motivating them to explore creative business ideas and implement structured pricing strategies. By integrating educational approaches with hands-on experience, the program empowered students to be more confident in launching small businesses and responding to market challenges. This initiative not only enhances financial literacy but also strengthens entrepreneurial mindsets needed for future economic participation.

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