

Shopify Pricing Strategy: How To Price Products For Profit

Pricing is the single most important decision you'll make for your Shopify store — and the one most new merchants get wrong. Set your prices too low and you'll work hard for sales that barely break even (or quietly lose money once fees and shipping are counted). Set them on guesswork and you'll leave profit on the table or scare off buyers. Price is the lever that most directly controls whether your store makes money, yet most beginners set it by doubling their cost and hoping.

This guide gives you a proper pricing strategy. We'll clear up the markup-versus-margin confusion that trips up nearly everyone, walk through the main pricing models and when to use each, cover the psychology that influences what buyers will pay, and tackle competitive and premium pricing. Throughout, you'll get beginner-friendly formulas and worked examples you can apply to your own products today.

Crucially, this is about pricing for *profit* — which means your price has to cover not just what your product costs, but the fees, shipping, and overhead that come with selling on Shopify. Those costs are based on Shopify's verified 2026 US rates; the pricing principles are timeless. Let's build prices that actually make money.

1. Why Pricing Matters

Price does more work than any other number in your business. It performs three jobs at once, and beginners usually think about only the first.

Job one: it determines your profit per sale. This is the obvious part. The gap between your price and your total costs is your profit. A small change in price flows straight to the bottom line — often more powerfully than cutting costs or driving more traffic. Raising prices 10% (if customers still buy) can increase profit far more than 10%, because your costs don't rise with the price.

Job two: it influences how many units you sell. Higher prices generally mean fewer sales; lower prices generally mean more — but not always, and rarely in a simple straight line. The relationship depends on your product, your market, and job three.

Job three: it signals quality and shapes brand perception. Before a customer reads a single review, your price tells them what kind of product this is. A \$9 face cream and a \$90 face cream send completely different messages about quality, even sight unseen. Price is the first thing a buyer learns about your product, and they read meaning into it instantly.

Here's what makes pricing especially critical on Shopify: **you're responsible for covering all your own costs out of your price.** Unlike a marketplace where fees are the main deduction, a Shopify store owner pays for the product, the payment processing (2.9% + 30¢

per transaction on the Basic plan via Shopify Payments), the monthly platform fee (\$39 on Basic), apps, shipping, packaging, and — usually the biggest one — marketing to acquire each customer. If your price doesn't account for all of that, a "profitable-looking" sale can actually lose money.

The good news: on Shopify you control your price completely, and you can change it anytime. That makes pricing a lever you can test and optimize continuously — if you understand the mechanics. So let's start with the mechanic that confuses almost everyone.

2. Margin vs Markup

Markup and margin both describe the difference between what something costs you and what you sell it for. They are *not* the same number, and confusing them is the most common — and most expensive — pricing mistake beginners make. Mixing them up leads to chronic underpricing.

Markup: profit as a percentage of cost

Markup measures your profit relative to what the product *cost you*.

$$\text{Markup \%} = (\text{Price} - \text{Cost}) \div \text{Cost} \times 100 \quad \text{Price} = \text{Cost} \times (1 + \text{Markup \%})$$

Example: a product costs you \$20, and you sell it for \$30. Your markup is $(\$30 - \$20) \div \$20 = 50\%$. You added 50% of the cost on top.

Margin: profit as a percentage of price

Margin (gross profit margin) measures your profit relative to the *selling price*.

$$\text{Margin \%} = (\text{Price} - \text{Cost}) \div \text{Price} \times 100 \quad \text{Price} = \text{Cost} \div (1 - \text{Margin \%})$$

Example: same product, cost \$20, sold for \$30. Your margin is $(\$30 - \$20) \div \$30 = 33\%$. The \$10 profit is 33% of the \$30 price.

The trap: 50% markup \neq 50% margin

Look at that example again. The *same* sale is a **50% markup** but only a **33% margin**. They describe the identical transaction from two different angles — markup is based on cost, margin is based on price. Because price is always bigger than cost, the margin percentage is always *smaller* than the markup percentage.

This is where beginners lose money. A merchant who wants a "50% margin" but applies a "50% markup" ends up with only a 33% margin — far less profit than intended. To actually achieve a 50% margin, you need a **100% markup** (double the cost).

The conversion table to memorize

Markup	Margin
25%	20%
50%	33%
75%	43%
100%	50%
150%	60%
200%	67%
300%	75%

The conversion formulas, if you'd rather calculate:

$$\text{Margin} = \text{Markup} \div (1 + \text{Markup}) \quad \text{Markup} = \text{Margin} \div (1 - \text{Margin})$$

Which should you use?

Use **markup** when pricing *from your cost* ("I'll add X% to what I paid"). Use **margin** when planning *profitability* ("I need to keep Y% of each sale"). Most serious sellers think in **margin**, because margin is what tells you whether the business is healthy — it's the share of every dollar of revenue you actually keep before overhead.

Gross margin vs net margin (the part that matters for profit)

One more layer, and it's the one that separates "looks profitable" from "is profitable." The margin above is your **gross margin** — price minus the product cost (COGS). But your *real* profit must also cover:

- **Payment processing:** 2.9% + 30¢ per order on Shopify Basic.
- **Shipping and packaging:** especially if you offer free shipping.
- **Platform and app costs:** the \$39+/month subscription and any apps, spread across your sales.
- **Marketing:** the cost to acquire each customer (often the largest cost in ecommerce).
- **Returns and chargebacks.**

Your **net margin** is what's left after *all* of that. A product can have a healthy 50% gross margin and still be unprofitable if marketing and fees eat the rest. The lesson: price for a

gross margin high enough to leave real net profit once these costs come out. We'll build that into the examples next.

3. Pricing Models

There's no single "correct" way to set a price — there are several models, each suited to different situations. Here are the ones every Shopify merchant should know.

Cost-plus (markup) pricing

The simplest model: take your cost and add a fixed markup.

$$\text{Price} = \text{Cost} \times (1 + \text{Markup } \%)$$

Worked example: Product costs \$15. Apply a 100% markup → Price = \$15 × 2 = **\$30**.

Pros: dead simple, guarantees you cover cost. Cons: it ignores what customers will actually pay and what competitors charge — you might price below your true value or above the market. Good as a *floor*, not a final answer.

Keystone pricing

A retail standard: **double your cost** (100% markup = 50% margin). It's a quick rule of thumb that builds in room for fees, overhead, and discounts. Many product businesses treat keystone as a minimum and go higher when value allows.

Margin-based pricing

Instead of starting from cost, start from the margin you need and work backward.

$$\text{Price} = \text{Cost} \div (1 - \text{Target Margin})$$

Worked example: Cost \$20, target 60% margin → Price = \$20 ÷ (1 - 0.60) = **\$50**. (That's a 150% markup.) This model keeps your profitability target front and center.

Fee-aware pricing (the Shopify-smart version)

Because payment processing is a percentage of your price, a truly profit-safe price accounts for it. A beginner-friendly approach:

1. Add up your full cost per unit: product + shipping + packaging.
2. Add the fixed per-order fee (30¢) and your desired profit.
3. Divide by (1 - payment rate) to cover the percentage fee.

$$\text{Price} = (\text{Costs} + 30\text{¢} + \text{Desired Profit}) \div (1 - \text{Payment Rate})$$

Worked example: Product \$20, shipping \$4, you want \$25 profit, on Basic (2.9% + 30¢):
Price = $(\$20 + \$4 + \$0.30 + \$25) \div (1 - 0.029) = \$49.30 \div 0.971 \approx \50.77 → round to a charm price of **\$49.99**. Check: fee = $2.9\% \times \$49.99 + \$0.30 = \$1.75$. Net profit = $\$49.99 - \$20 - \$4 - \$1.75 = \$24.24$. Right on target.

Value-based pricing

Price according to the *value the customer perceives*, not your cost. If a product solves a real problem or carries strong brand appeal, customers will pay well above cost-plus. This model has the highest profit potential but requires understanding your customer and differentiating your product. It's how premium brands command prices many times their production cost.

Bundle and tiered pricing

- **Bundling:** sell items together at a slight discount to raise average order value (a \$30 bundle of three \$12 items feels like a deal while earning you more per order).
- **Tiered / good-better-best:** offer three versions at three prices. Most buyers pick the middle, and the high tier makes the middle look reasonable (more on this psychology below).

Anchor / compare-at pricing

Shopify lets you show a "compare-at" price (a strikethrough original) next to your selling price. This anchors the buyer to a higher number, making your actual price feel like a saving — a built-in psychological tool, as long as the compare-at price is genuine.

How to choose: start with cost-plus or margin-based pricing to set a profitable floor, then adjust toward value-based and competitive realities, and layer psychology on top. The best price is rarely just "cost times two" — it's the highest price your value and market support, comfortably above your true costs.

4. Competitive Pricing

Your price doesn't exist in a vacuum — customers compare. Competitive pricing means setting your price in deliberate relation to your competitors. There are three basic positions.

Price below competitors (undercutting). Attracts price-sensitive buyers and can win volume. But it's dangerous: it shrinks your margin, can start a price war, and signals lower quality. It only works if you genuinely have lower costs or are using a loss leader strategically. For most small Shopify stores, racing to the bottom is a losing game — bigger competitors can always undercut you further.

Price at parity (matching). Position your product at roughly the market rate and compete on other factors — branding, photography, customer experience, bundles, or service. This is a safe default when your product is similar to others, letting you avoid both the margin damage of undercutting and the resistance of charging more without justification.

Price above competitors (premium). Charge more and justify it with superior quality, branding, or experience (covered in the next section). This protects your margin and positions you as the higher-end choice.

How to do competitive research

- Identify your true competitors (similar product, similar audience).
- Note their price *range*, not just the cheapest — and what they include (shipping, bundles, guarantees).
- Compare the total value proposition, not just the sticker price.
- Position yourself intentionally: where do you want to sit, and can you justify it?

The key warning: don't let competitors set your floor

The biggest mistake in competitive pricing is **blindly matching or undercutting without knowing your own numbers**. A competitor might have lower costs, deeper pockets, or be losing money to gain market share. If you match a price that doesn't cover *your* costs and target margin, you're simply choosing to be unprofitable. Always check a competitor-driven price against your own cost-plus floor: if it doesn't leave a healthy margin after fees, shipping, and marketing, don't chase it. Use competitor prices as a *reference point*, not a command — and compete on value wherever you can, so you're not forced to compete on price alone.

5. Premium Pricing

Premium pricing means deliberately charging *more* than the market average to position your product as higher quality, exclusive, or aspirational. Done right, it's often the most profitable strategy on Shopify, because it leans on the **price-quality heuristic**: when buyers can't fully judge quality upfront, they use price as a signal, and a higher price can actually *increase* perceived value and desirability.

Why premium pricing works

- **Higher margins.** Each sale earns far more, giving you room to invest in branding, marketing, and customer experience — and to absorb fees and ad costs comfortably.
- **Better customers.** Premium buyers are often less price-sensitive, more loyal, and less likely to demand discounts or churn over a few dollars.

- **Stronger brand.** A premium price reinforces a premium identity, which compounds over time.
- **Breathing room for acquisition costs.** In DTC ecommerce, advertising to acquire a customer is expensive. A premium price leaves margin to pay for that customer and still profit — a low price often doesn't.

When premium pricing is right

Premium pricing works when you can genuinely back it up:

- Your product is **differentiated** — unique, higher quality, or solving a problem better than alternatives.
- Your **branding and presentation** are strong (professional photography, compelling story, polished store).
- Your **target audience values quality** over the lowest price.
- You deliver a **premium experience** — packaging, service, guarantees, community.

When it's not

Premium pricing fails if the product, brand, and experience don't live up to the price. Charging premium prices for a commodity product with weak branding just kills your conversion rate. Premium is a *promise*, and you have to keep it. It also addresses a smaller market, so you trade volume for margin — fine if the margin is strong, risky if you also need high volume.

The takeaway

If you have a differentiated product and the brand to support it, **don't be afraid to price up.** Underpricing a genuinely good product is one of the most common and costly mistakes new merchants make — it leaves money on the table *and* undermines the quality signal that would have driven sales. Premium pricing, backed by real value, is frequently the path to a healthy, sustainable Shopify business.

6. Common Mistakes

Avoid these and you'll out-price most of your competition.

- **Confusing markup and margin.** Applying a "50% markup" while believing it's a "50% margin" leaves you with only a 33% margin — chronic underpricing. Know the difference and price in margin terms.
- **Ignoring fees and hidden costs.** Forgetting the 2.9% + 30¢ payment fee, shipping, packaging, apps, returns, and especially marketing makes a "profitable" price secretly unprofitable. Price to cover *all* costs, not just COGS.

- **Offering free shipping without building it into the price.** "Free" shipping isn't free — it comes out of your margin. Bake the shipping cost into your price, or set a free-shipping minimum that protects your margin.
 - **Underpricing out of fear.** New merchants often price low because they're nervous to charge more. This signals low quality, attracts bargain-hunters, and leaves no room for marketing or profit. A good product deserves a confident price.
 - **Cost-plus only, ignoring value.** Doubling your cost ignores what customers would happily pay. Value-based pricing often supports much higher prices than cost-plus suggests.
 - **Racing to the bottom against competitors.** Matching or undercutting without knowing your own numbers is choosing to be unprofitable. Compete on value, not just price.
 - **Forgetting customer acquisition cost (CAC).** In DTC ecommerce, ads to get each customer can cost more than your gross margin. If your price doesn't leave room for CAC, you lose money on every paid sale. Price with marketing costs in mind.
 - **Skipping pricing psychology.** Round, un-optimized prices with no charm pricing, anchoring, or tiering leave conversions (and profit) on the table.
 - **Never testing or adjusting.** Prices set once and forgotten miss the chance to optimize. Test prices, watch the effect on total profit, and refine.
 - **Over-discounting.** Constant sales train customers to wait for discounts and erode both margin and perceived value. Discount strategically, not habitually.
 - **Pricing on emotion or guesswork.** "It feels about right" isn't a strategy. Base prices on your real numbers and a deliberate model.
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7. FAQ

What's the difference between markup and margin? Markup is profit as a percentage of cost; margin is profit as a percentage of selling price. They describe the same sale differently — a 50% markup equals only a 33% margin. To get a 50% margin, you need a 100% markup.

How do I calculate profit margin? $\text{Margin \%} = (\text{Price} - \text{Cost}) \div \text{Price} \times 100$. For a \$30 item that cost \$10, $\text{margin} = (\$30 - \$10) \div \$30 = 67\%$. To price for a target margin, use $\text{Price} = \text{Cost} \div (1 - \text{Margin})$.

How do I calculate markup? $\text{Markup \%} = (\text{Price} - \text{Cost}) \div \text{Cost} \times 100$. For a \$30 item that cost \$10, $\text{markup} = (\$30 - \$10) \div \$10 = 200\%$. To price from a markup, use $\text{Price} = \text{Cost} \times (1 + \text{Markup})$.

What's a good profit margin for a Shopify store? Many product businesses aim for a gross margin of at least 50% (keystone pricing) so there's room for fees, shipping, and marketing. Healthy ecommerce gross margins often run 50-70%; net margins (after all costs) are commonly 10-20%. Your ideal depends on your costs and marketing spend.

What is keystone pricing? Pricing at double your cost — a 100% markup, which equals a 50% margin. It's a common retail rule of thumb that builds in room for expenses and discounts. Many sellers use it as a minimum and price higher when value supports it.

How do Shopify's fees affect my pricing? On the Basic plan with Shopify Payments, you pay 2.9% + 30¢ per online sale, plus a \$39/month subscription and any app costs. Build the per-transaction fee into your price (divide by 1 minus the rate) and spread the fixed costs across your expected sales so your margin survives them.

Should I offer free shipping? Free shipping boosts conversions, but it isn't free — it comes out of your margin. Either build the shipping cost into your product price or set a free-shipping order minimum that keeps you profitable. Never offer it without accounting for the cost.

What's the best pricing strategy for a beginner? Start with a margin-based or keystone price to guarantee a profitable floor, adjust toward what your market and value support, factor in all fees and shipping, and apply charm pricing. Then test and refine. Avoid pure cost-plus that ignores value, and avoid underpricing.

How should I price against competitors? Research their full price range and value proposition, then position yourself deliberately — below, at, or above them. Crucially, check any competitor-based price against your own cost-and-margin floor; never match a price that doesn't leave you profitable. Compete on value where you can.

When should I use premium pricing? When your product is genuinely differentiated and your branding, presentation, and customer experience back it up. Premium pricing earns higher margins and signals quality, but only works if you deliver on the promise. Don't price premium for a commodity with weak branding.

What is psychological pricing? Using price presentation to influence buyers — charm prices ending in .99 (which feel meaningfully cheaper due to the left-digit effect), anchoring with a compare-at price, good-better-best tiers (most pick the middle), and bundles. These nudge perception without changing your underlying costs.

Should I price at \$49.99 or \$50? For most products, charm pricing (\$49.99) tests better because the leading digit makes it feel like "forty-something." For premium or luxury positioning, a clean round number (\$50) can reinforce a quality signal. Match the cue to your brand.

How do I account for marketing costs in my price? Estimate your customer acquisition cost (what you spend on ads/marketing per sale) and make sure your gross margin

comfortably exceeds it. If acquiring a customer costs \$15 and your gross profit per sale is only \$12, you lose money on paid sales — your price needs to be higher.

How often should I review my prices? Regularly — when your costs change, when competitors shift, seasonally, and whenever you have enough sales data to test. Pricing is an ongoing optimization, not a one-time decision. Small, tested adjustments compound into real profit.

What is a compare-at price on Shopify? It's the strikethrough "original" price shown next to your selling price, used to display a discount. It anchors buyers to a higher number so your actual price feels like a deal. Use it honestly — only show a genuine former or comparable price.

8. Conclusion

Pricing for profit on Shopify comes down to a disciplined sequence: know your true costs, understand the difference between markup and margin, set a price that covers everything with room to spare, and shape that price with strategy and psychology. The merchants who treat pricing as a deliberate craft consistently out-earn those who simply double their cost and hope.

Start by getting the math right. Remember that a 50% markup is only a 33% margin, that hitting a 50% margin takes a 100% markup, and that your *real* profit is what survives after payment fees (2.9% + 30¢ on Basic), shipping, platform costs, and marketing — not just after product cost. Build those costs into your price with a margin-based or fee-aware formula so every sale is genuinely profitable. Then move beyond cost-plus: price to the value you deliver, position thoughtfully against competitors without racing to the bottom, and don't be afraid to charge premium when your product and brand earn it. Layer in psychology — charm pricing, anchoring with compare-at prices, and good-better-best tiers — to lift conversions and average order value.

Above all, treat price as the powerful, adjustable lever it is. Calculate your numbers, choose a model that fits your product and brand, and then *test* — change prices, watch the effect on total profit, and refine. Underpricing is the costliest habit in ecommerce; confident, well-reasoned pricing is how a Shopify store turns sales into real, sustainable profit. Price deliberately, cover every cost, and let the margin you build fund the business you want to grow.

Shopify cost figures reflect Shopify's published US pricing as of mid-2026: the Basic plan at \$39/month and Shopify Payments online processing of 2.9% + 30¢ (lower on higher plans). Shopify updates plans and rates periodically, and your actual costs vary with plan, payment

method, apps, and shipping. Pricing-psychology principles are general behavioral findings, not guarantees for any specific product. Always verify current Shopify rates and model your own true costs before setting prices.