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# Underpriced

*Most UK small businesses don't have a sales problem. They have a pricing problem, and in 2026 it is quietly the most dangerous one they have.*

**A Moor & Co commercial briefing**

June 2026 · Commercial advisory for small business owners

POWERED BY 3DMAI

IN SHORT

A great many UK small businesses charge too little. Not by accident, and rarely by arithmetic: they underprice out of fear, habit and guilt, and the cost base has shifted underneath them while the price has stayed still. The damage is real but invisible. It does not arrive as a crisis. It shows up as a business that is busy but skint, with no slack to invest, pay its owner properly, or survive a shock. This briefing explains why good businesses charge too little, what it is quietly costing them in 2026, and how to price from evidence rather than nerve.

## 1. The problem nobody calls a problem

Underpricing is the most common commercial mistake small businesses make, and the least likely to be diagnosed. A business that prices too low does not usually notice. It is busy. The phone rings, the work comes in, the diary is full. By every visible sign it looks like a healthy business. The problem only surfaces in the place owners look at least often: the gap between turnover and what is actually left at the end.

That is what makes it dangerous. A sales problem announces itself, you see the quiet phone and the empty diary. A pricing problem hides inside a busy business and is mistaken for bad luck, rising costs, or simply how it is. Owners conclude they need more customers, when what they need is more margin from the customers they already have.

## 2. Why good businesses charge too little

The reasons are rarely commercial. They are human. The biggest is fear: the worry that a higher price will lose the sale, so the owner quotes low to be safe and wins work that barely pays. Close behind is guilt, the sense that charging more is somehow greedy, especially when serving a local community or people you know. And then there is the anchor: the first price you ever set, often a guess or a glance at a competitor, becomes the number you are afraid to move away from, even years later.

Structural habit finishes the job. Most small firms set a price once and rarely revisit it. They underestimate the true cost of delivering the work, leaving out their own time, overheads, and the unpaid hours around each job. And in a crowded market they compete on price because it is the easiest lever to pull, which only drags the whole sector down. None of this is stupidity. It is what happens when nobody owns the pricing decision and nobody reviews it.

## 3. The cost base moved. The price didn’t.

Here is the part that turns a bad habit into a 2026 emergency. UK consumer prices are now more than a fifth higher than they were at the start of the decade's inflation surge in 2021–22. Inflation has cooled to under 3%, but that is the rate of new increases stacking on top of a base that is already roughly 20% higher than it was. A price set in 2022 and held flat since is not a steady price. It is a real-terms price cut of about a sixth.

For anyone employing people, the squeeze is sharper still. From April 2026 the National Living Wage rose to £12.71 an hour, up 4.1%, around £975 a year in gross pay alone for each full-time worker on the rate, before pension. On top of that sits the employer National Insurance change embedded since April 2025: 15% on earnings above £5,000, where it used to be 13.8% above £9,100. Your wage bill has gone up on a fixed schedule. If your prices have not moved with it, your margin has been quietly absorbing the difference.

> *If you are charging 2022 prices in 2026, you have already given your customers a price cut of around a sixth. You just did it silently, and out of your own margin.*

## 4. What underpricing actually costs you

The first casualty is slack. A properly priced business has room: to reinvest, to market, to train people, to pay its owner a fair wage, and to absorb a bad month without panic. An underpriced business has none of that. Every pound is spoken for before it arrives, which is why underpriced firms so often feel busy and broke at the same time.

The second casualty is the customer base itself. Low prices attract the most price-sensitive buyers, the ones who are the least loyal, the most demanding, and the first to leave when something cheaper appears. They consume the most time and generate the least profit. Price slightly higher and you tend to attract customers who value the work and stay. The third casualty is cash: thin margins mean no buffer, so a late payment or a slow month that a healthier business would shrug off can become a genuine crisis.

## 5. The sole trader trap

Sole traders and microbusinesses underprice more than anyone, usually because they price their time as though every working hour is billable. It is not. Out of a working year of roughly 1,900 hours, a sole trader might realistically bill 1,000 to 1,200. The rest goes on quoting, admin, marketing, holidays and the days you are too ill to work, and none of it is paid for directly. Your billable rate has to cover all of it.

A ROUGH ILLUSTRATION — YOUR NUMBERS WILL DIFFER

To take home around £55,000, a sole trader needs to cover income tax, National Insurance, a pension and business overheads first, so the business needs to generate closer to £85,000 in revenue. Spread that across, say, 1,100 billable hours and the rate you actually need is in the region of **£75–£110 an hour** — not the £55–£70 many still charge against a 2026 cost base.

The point is not the exact figure, which depends on your costs and how many hours you can really bill. The point is the method: price for the income you need after everything is paid, across the hours you can actually charge for, rather than picking a number that feels acceptable to say out loud.

## 6. Pricing from evidence, not nerve

Confidence is not the cure for underpricing. Evidence is. When you know your true cost and your real margin, the right price stops being a nervous guess and becomes a calculation you can stand behind, including to the customer. Four things do most of the work.

- **Know your true cost,** including your own time, overheads, fees and the unpaid hours around the work, not just the obvious materials and labour.
- **Know your margin per line,** so you can see which products, services or customers make money and which quietly lose it, and act on the difference.
- **Price to value where you can.** What the work is worth to the customer is often well above what it costs you to deliver. Cost sets your floor; value sets your ceiling.
- **Raise the floor where the headline price is sticky.** A minimum order value, a minimum job, a shipping threshold or a call-out fee can restore margin where a straight price rise feels too exposed.

And then review it. The single cheapest improvement most small businesses can make is to put a date in the diary, at least once a year, to look at every price against current costs and decide deliberately, rather than letting last year's number carry on by default.

## 7. A practical response

- **Work out your true cost per product or service,** with your time and overheads in it.
- **Find your real margin per line,** and fix or drop whatever is losing money.
- **Reprice at least to stand still,** recovering the ground lost to costs since 2022 before you even think about growth.
- **Move from cost-plus toward value** wherever you can defend it, especially in services.
- **Raise increases with confidence:** give existing customers reasonable notice, explain the value plainly, and do not over-apologise for being paid properly.

- **Diarise a review** at least once a year, so the price never drifts this far behind again.

Repricing feels risky. Staying underpriced is riskier, it is just slower and quieter. Most owners who finally raise prices find they lose far fewer customers than they feared, and keep the ones worth keeping.

ABOUT MOOR & CO & 3DMAI

## The right price is a calculation, not a nervous guess. We help you do the maths.

Moor & Co is a commercial advisory for small business owners, built by someone who has run, scaled and exited real businesses. Pricing and margins are the heart of what we do: we help firms across North Staffordshire and South Cheshire work out what they should really be charging, and hold their nerve when they raise it.

The tools behind it run on **3DMAI**, our commercial intelligence platform for UK SMEs. Its Pricing & Margin Modeller shows your true margin per product, what a price change does before you make it, and the commercial consequence of each option, on your own numbers and in plain English, for £19.99 a month. The free tools, including a pricing calculator and break-even analysis, need no sign-up. If you would rather talk it through first, the discovery call is free and there is no commitment.

**Book a free discovery call →**
moorandco.co.uk

**Try the free pricing tools →**
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SOURCES


1. Office for National Statistics / House of Commons Library — Consumer Prices Index; UK consumer prices have risen by more than 20% since the 2021–22 inflation surge (CPI 2.8% in the year to April 2026).
2. Low Pay Commission and GOV.UK — National Living Wage of £12.71 from 1 April 2026 (a 4.1% increase).
3. HM Treasury / HMRC — employer National Insurance at 15% on earnings above the £5,000 secondary threshold (in effect since April 2025).


*Figures are drawn from the sources named and were current at the time of writing. The worked example is illustrative; real costs and billable hours vary by business. General guidance only — not financial or legal advice.*