

Practical Mindset Podcast

Transcript for Episode 38: Pricing Inadequacy

[00:02] Hello, everyone, and welcome back to this week's episode of the practical mindset Podcast. I'm just Miller and I'll be your host, I'm excited to talk to you about a topic that I get asked about quite a bit. As many of you know, I'm a money and mindset coach, and I focus on helping people create magnetic offers that allow them to sell their products before you ever even speak a word to someone about it. It is about creating an offer that really jumps off the shelf, and tells people about the value that it has in solving the problem that they have. And so as part of those conversations, I get asked about pricing all the time, what is an adequate price? How do I think about my price? What should I price this offer at? And so today, I wanted to talk specifically about why and how people price and what they often do to price their offers inadequately. So what that means is, I want to really dig into what are the components of your business that go into pricing your product or your service? And how do you think about the ways in which they interface with each other in an optimal way, in order for you to make sure that you are pricing your product in the best way for you to generate income in your business. I want to offer to you that it is not enough to just take your program or your service, and put a price on it and put it out there, you have to take account all the things in your ecosystem that touch that product, so that you can pick a price that actually is going to allow you to generate the most revenue, and be the most profitable with ease. So the three components of your offer that are really important to three numbers that are really important to think about when you think about pricing your offer are the price of your product, the cost of your product or service, and the value of your product or service. And today, we're going to talk about what each one of those things are, and how they work together in order for you to create a product or service, price it appropriately and get it out into the market so that you can have it reach people and provide the most value possible, which creates demand and creates people coming, you know to buy things from you or repeat buyers. So we're going to start with talking about cost. So the cost of your product or service is really the dollar amount that it takes to bring that product or service into being. It's essentially the the amount of money that it takes to create this particular service or product. So when we think about costs in our business, it is what we as the business owner, are spending the monetary amount that we are spending to bring this product or service into existence. So for the sake of argument, let's pretend that I'm talking about a \$500 program, I want to create a \$500 coaching program that I'm going to offer online to new business owners. So the costs associated with creating that \$500 program could be something like the cost of software to house that particular product, the cost of the systems to run it, the cost of the speaker's personnel, if I hire a guest speaker to come in the cost of their time, the cost of my time, the cost of any raw materials we might need maybe we're going to send out a you know, a pamphlet as a you know, welcome gift for people that are part of the program. So anything that is included in creating that particular product or service is considered the cost. And that includes things like your email server, if you're going to be sending emails and your zoom or your whatever it is the cost, the actual dollar amount is the cost of the things that it takes to create that particular program. Okay, so let's pretend for the sake of argument for this \$500 You know, program that might cost for those programs to create that and like get it up and running and

put it out there into the marketplace is \$100. So when I pay for, you know, my software and my, the cost of my time and you know, some of the raw materials, you know, it's pretty, it's pretty light, I have to house it somewhere and it needs to exist, but it's around \$100 Okay, so that is the cost of this particular program.

[04:52] The price of the particular program is what I choose to charge for my profit Docker service, the dollar amount that you as a business owner put on something, when you put it out into the marketplace for people to pay you. So essentially, it's the amount that is going to be exchanged in dollar amount for the specific thing that you are putting out there for that product or service. Rule of thumb, which seems very obvious, but really important to think about when you're putting a new product or service out there is that you want to make sure that your price is always at least equal to or higher than your cost. If you're somebody who wants to run in the black, which should be the goal for any of the entrepreneurs listening to this broadcast, you want to make sure that the price that you would take in exchange for this product that you put out there is at least as expensive or at least as at the amount or higher than what your cost is. Otherwise, if it's below, you will be losing money.

[06:00] So if we just think about this product, but I'm talking about this coaching program that I want to create, if it costs me \$100, to create, when I think about pricing this offer, I'm going to think about what that price would be that would be at least \$100, if not more, because I want to break even at \$100 or higher. So the price, the actual dollar amount that you pick as your price is going to be what you ask in exchange from your customers. And you want to make sure that it is at a at an amount that is higher than what your cost is, again, the goal is to be profitable. So you always want to be pricing something higher than the cost. Now, side note. There are many, many different offers. And there are many, many different strategies for pricing things. It is important, in my opinion, that almost always rule of thumb, you want to at least break even if not make a profit on every single thing that you put out there. However, the caveat being, depending on how your offer stack, meaning all the different offers in your business are optimized with each other, there may be a time where you might be pricing something in a way that either you just break even or maybe you even lose a little money, because you're strategically positioning that offer at a price for a bigger reason in conjunction with your ecosystem of your other offers. So maybe, for instance, you might have a very low ticket offer up front top of your funnel, where you just want to make it a very easy yes. And the purpose of that offer is to price it at a place that's an easy yes for people to pull people into your world, expose them to your work, give them a transformation, so that the value and the money and will get to value, but the actual money that's going to come into your business is going to come downstream and it's not going to be specifically attached to that offer with that price. So I just want to caveat that but as a rule of thumb, you want to price at or above what your cost is, okay? This is the difference between price and cost cost is the amount of money it takes for you to produce something, the amount of money, the dollar amount you need to input into creating your product or service. Price is what you're going to put out there as the dollar amount that somebody else is going to pay you. Okay. And as a rule of thumb, you want the price to always be at cost or higher. And for the sake of what we're talking about here, we want it to be higher, we want to be entrepreneurs that are running a business, that profits and you profit, the amount that your price is above your cost, okay, just in simple terms. So price is the amount that you put out there for people to pay you in exchange for you giving them the product or service.

[09:07] Value, on the other hand is the benefit or perceived worth of something. It is essentially driven by other people's perception of how important or beneficial your particular product or service is. It is something that is determined, essentially by the marketplace. And when I was doing some research for this podcast, I actually went out and I was I googled and I found the definition for value in the sense of how do people explain value? How do we What's the definition for that? And then when we think about the proposition that we put out there for people, in other words, how we're selling our products, how do we define value proposition which is essentially like the words in the statement We put out there to exemplify how valuable our product or service is in the market. And so when I looked it up, it basically said that value was considered someone or something to be important or beneficial, it's something that you have a high opinion of. So the value of something is something, the more valuable it is, the more of a high opinion you have, or the more important or event beneficial it is. It's also the estimate of the monetary worth of something. So the value of something as the value goes up, the worth, the monetary worth of that thing goes up. And so the more valuable something is, the more money it is worth essentially, by definition, it's also described as something that is held to deserve the importance worth or usefulness of something. So when something is really valuable, it's how much we regard that thing as being important and worthy and worthwhile and useful.

[11:02] When we think about translating that into the value proposition of something. So when you put your offer out there, when you put your product or service out there, you are constructing a proposition around that thing, to let people understand how to think about this, how to value it. And so a value proposition is essentially a simple statement that summarizes why a customer would choose your product or service, it puts that product in context of why they would want it why it would be beneficial. And so in essence, it communicates the clearest benefit that customers receive by giving you their business. And so when we create a product or service, positioning that product, and positioning the value, so people can understand it, is really important. And where this plays into pricing is super, super critical. Many times people think about when they go out there to price their product, or service or their offer, they think about it in a few ways. Number one, they think about a trade of like cost for time and money. If it costs me this much, I'm going to price it at something relatively close to the cost, based on my subjective perspective and comfort with what that perceived cost is and what that perceived prices. So they make pricing decisions based on emotion and their own judgment, because that's one thing people do. The other thing that they do is they go out and they start to scour the internet and their friends and other people in the marketplace to see what are other people pricing this thing at. They want to make sure that they have sort of data to stand behind their own perception of the price in relation to other people. We as human beings, for the most part, we don't want to stand and, and stray too far from the crowd. Because if we just think about how our primal brains think about this, when you wander away from the crowd, you essentially are vulnerable. So that outlier in and of itself by itself, especially as it relates to pricing your own offer, people don't like to stray very far from that. And so between the sticking with the crowd and watching what everybody else is doing, and trying to make a decision about your product or offer in relation to other people's product or offer. And then all of the limiting beliefs that people bring with them about money, and pricing and cost almost all the time, people will under price, their offer product or service, because of their own preconceived ideas of how they synthesize all this information. And often because they're only taking into account their own perception of their offer and their product and their costs related to creating it. A lot of times, people put value on things like how much time it takes to do it, or how, you know many years of experience they

have and how that somehow is equating to cost and price through their own filter of their own head. And they end up pricing things according to that the one variable that they are leaving out is the value. It's the value and that perceived worth and the benefit of the thing that they have to offer. Now, why is this important? It's important because the market determines value. And so when you to put something out there, if you do not take into account or understand, or do the research for your product in your market, to determine the value of that product in the market, you are inevitably going to price it incorrectly. And you will either price it so there's, you know, it's right at cost, or it's really close to cost, or you will price it in a way that becomes incongruent with the value and will actually force people to have this disconnect in their brain when they're coming into contact with it, that will result in them not buying. So when you think about a product, and something, or service, and you're putting it out there to price it, you have to think about all of these pieces together, including how valuable this thing is in the market, regardless of how much it costs you to create it, or how many hours you put into that, or any of it, that perceived value is a huge determiner of that price. And so one of the things that I tell people is that when you are going to price something, it is obviously very important that you calculate the cost and you understand what that is. And you put your stake in the ground that it's going to be your price is going to be higher than the cost. And you go out and do some research and understand, you know, from your own lens, how it's looking in the marketplace, and what are other people doing and to get a sense of what that is. But then the real like sticking point is you need to go out and test your offer, you need to go out there. And once you synthesize this information, and for instance, you pick a price, you go out and you actually do some market research to understand how are people going to engage with this product or service at that particular price. And so essentially, that's what we call proof of concept. And so you go out and you take this particular product and service, in this particular market, at this particular price, and you go out and test it, and my rule of thumb is, you go out and you see how and what happens when you try to get 10 people to buy it.

[17:19] And you collect all that data and you watch like, did it fly off the shelf? Did people you know, ignore it? How did they engage with the you know, landing page or the offer? Did they have questions about the price did they like it was a no brainer, what is happening with that offer that gives you insight into the value of it, that will allow you to optimize that price. And so you go out there and you test it to find out what the market values that are and how and where, where you can optimize that pricing. And so once you do that, then you can take all that data and synthesize it and decide your next step forward. You also because you went out there and tested it with these constant these these pieces being held very constant, you can get very clear data to understand where your price where your offer and your price are intersecting and what might need to be tweaked in order to, to make that whole ecosystem work together. So in some cases, like I mentioned at the beginning of this talk that I was thinking about this, you know, coaching program that was \$500. So let's pretend that I was going into this, saying I want to have my program sell at \$500, I put together my revenue tracker, pretend it's for 2022. And in order for me to hit the revenue goals that I want and work with the people that I want to work with, I want to create an offer that is priced at \$500. And I am looking to optimize that thing and hold that price constant. And so when you go out there and test it, and you hold that price of \$500 constant, you're going to then start to look at and optimize all the things around that price that are going to help you sell it more easily. Or, you know, increase your profits on it. So you can play with all of those different things meaning, what is happening with your sales page? Are people coming to it and are they getting engaged? Are they clicking on the thing? Are they going to the cart and abandoning it?

It does no one even care is no one even seeing it. You can even play around with your cost related to your price like right if you if you bring your cost down and you optimize those costs in a certain way, then your profit margins are bigger. So you can play with all of these pieces in your offer so that you're pricing your offer a service product adequately. And you're doing that within the ecosystem of what your price is, what you've priced it at, what your cost is, and what the person The value of the marketplace is for that particular product. We've all been in situations, whether it's with our own business or not, where we have been in the presence of, you know, value and pricing all the time, I will tell you, I'm a huge fan of some very expensive face cream. And some people might look at this face cream and be like, Are you crazy, this is like, just some cream that you put on your face, then you could buy something at CVS for \$10. But in my world, the value of my particular face cream that is put together in a certain way and gets me certain results is extremely valuable to me. So I am willing to pay, you know, the \$100 for the face cream, and use tiny little bits of it over, you know, days and months, really stretch it out, right, versus going to maybe CVS and buying something for \$10. Now, it doesn't mean one is better than the other it is subjective value is subjective. It is determined by the marketplace. But the bottom line is I as the consumer and determining the value. And together all of us that are buying this face cream at \$100, we are determining the value in the marketplace, which allows the person who's creating it, to price it at \$100 and sell it. And so it's all these pieces that move together in your business that allow you to do this in an optimal way. And it's really important to understand that in your business, you can pull any of these levers in order to change your bottom line. If you have a product that you want to sell for a certain amount to generate a certain amount of revenue, you could raise your price or manipulate your price. You could take that thing and make it more valuable. How do you optimize the pieces of it? And what is in it to make it more valuable? So that you can sell it at a certain price? How can you keep your costs down or make those lower so that your profit margin is bigger? And how can you pull those levers in all different ways in a different time to essentially back into your model

[22:15] that's going to create revenue in your business, and allow you to also package all of that, to really meet the needs of and speak to your ideal clients. Because all of those things coming together in your ecosystem. And you've heard me say this before, it's one thing to have an optimal product, and really create a magnetic offer, for example. But that offer doesn't just float around in isolation, freight the way that you position it within your ecosystem, including all the pieces that go into creating that offer, meaning the cost and all that plus what you price it at plus how you are positioning it to your ideal clients, all matter in making your business hum and run in an easeful way, because when one of those things are off, it is your system, your business is breaking down somewhere. So either for instance, if your cost is too high, right, you're not going to be making any money because you're not right, you're not making enough money to cover those costs. If your price is out of whack, then either you're not, you don't have enough of a profit margin, or you're not pricing it in a way to hit your revenue goals. Or if it's priced in a weird way for your ideal market. There's this mental disconnect, right the marketing has is off and the perceived pricing is off as it relates to your ideal clients and your ideal market. And so understanding how to do that in the right way and taking into account these three variables that really are important and making sure that you price adequately, is important. So again, to recap these three numbers that you want to think about when you are creating a product service or offer these three numbers that you want to make sure you keep at the top of your mind. And I really encourage you to go back and look at your business right now look at your offer, and see how are you thinking about these three numbers in your business? Have you created something where you're only picking a price based

on cost? Or are you creating something where your costs are so high? You're not making any money? Or are you pricing something based on your own insecurities or your own perception, or you're not taking into account the value that your particular product or service has in the marketplace? And so it's falling short. So again, just to recap, price is the amount that you charge the market for your product or service. It's essentially the dollar amount that one of your potential clients or your client is going to exchange to you in exchange for you giving them whatever it is that you've created, whatever product service or offer you have, that is your price. As I mentioned rule of thumb, you want your price to always be higher than your cost. We are entrepreneurs that are here to make some money in our business. And if you want to impact a lot of people in this world, you need to be in the black, you need to be making money. Otherwise, you're not going to be able to impact the people that you want to impact, you're not going to be able to have the impact on the world that you want. So making money and making a profit is important, it is essential, and it is something you should absolutely embrace. It should be that baseline marker, okay, not breaking even making money. Second is the cost. That is the actual dollar amount it takes for you to produce something to create your offer to create your product or your service, it's actually the dollar amount you pay for the things that bring your product service offer into existence. So that means it might be the systems you use the raw materials, the software, the cost of time and personnel, if you hire a guest speaker, et cetera, anything that is that is costing you money in order to create or bring that product or offer into existence. And then last, but absolutely not least, I would say one of the most important pieces is understanding the value of your offer. It's understanding what the market believes is the perceived worth benefit, or value of the thing that you have to offer. And remember, the more valuable something is perceived to be, the more monetary value it has. And this is almost always true. And if you think about the things in the world that have the most value, maybe it's like a life saving pharmaceutical product, or it's, you know, the airbags in your car, or the car that you drive, right, we're not driving around in something that costs, you know, \$100, right, these things are keeping us safe.

[27:00] The value of that, sometimes it's also just the value as it relates to the perceived value for you, in the sense of how it makes you feel your status as human beings, right, there are things that really trigger us and that we value from a perspective of life. And status is one of those things. And so, as I was talking about, you know, my \$100 face cream, right, I value my skin looking beautiful. And I think because it helps me show up in the world in a better way. And I can see myself in a certain way that is very valuable. And so so the value of what you have to offer in the marketplace is a huge determination, determiner, of your pricing, and your model and how that mixes in to the whole picture of your ecosystem, to make your business streamlined and run with ease and allow you to make money with these very, very often where people fall short. And where they are pricing in an inadequate way is they are devaluing their, their product. They're devaluing their product or their service, or their value in the marketplace. And so they under charge, they undervalue under charge, and they underprice their product. So, I want you to go back and really look at these three things. Look at your prices, look at the costs, it's taking for you to create the things in your business. And look at the value of the things that you have out there. And if you have trouble figuring out things like value, ask the marketplace go and be a sleuth. You know ask people, what do they really care about? Listen to what they're telling you. Ask them. Also, if you have, if you have someone, if you are someone who has clients, ask them like, why did you buy this? What is important to you? Why What made you you know, pay this money for it. And listen to what people say, and especially listen to the things like, oh my gosh, I love XYZ thing. And

I would have paid 10 times over for this, you know, I paid \$100 But I would have paid 10 times over. Okay, why? And so that is the value. That's the value people are perceiving. So I want you to go and I want you to pressure test your offers and your business through this lens. And I want you to see what you come up with. And I would love to hear from it. Here at the practical mindset podcast, we always want to hear from you. So if you want to share with us what you're hearing, tell us what you've learned about the value of your product. We want to hear it. We want to hear about what's coming up for you around you're pricing around your costs around all the things because we're here cheering you on, and we're here to help you optimize that in a way that allows you to make money with ease. So drop us a line at support at [Jessica Miller coaching.com](https://jessicamillercoaching.com). We would love to hear from you. And until next week everyone wishing you a great week. Have a great week everyone!