

Episode 55: Why Your Price Is Too Low

[00:01] Well, hello, and welcome to the It's Your offer Podcast. I'm Jessica Miller, and I'm your host for today. Today we're going to talk about a very important topic as it relates to entrepreneurs. And that topic is around pricing. Pricing, like sales is one of these hot button topics that is so important for our businesses. But it's one of the things that I see most that people struggle with both from a mindset perspective, and just from a logistical perspective, and that in all of the years that I have coached people, I have never seen somebody come through my doors, where they are charging a price that is too high, and my advice has been, you need to lower the price.

[00:47] So today, I want to talk to you about why there's a very high likelihood that your price is too low. And why this is a problem for you. So as business owners, we need to optimally price our products and services, we need to make sure that the price is commensurate with the goals we want to hit the problems we want to solve. All of the things that touch our offers are dependent around optimally pricing. And if you want a business that makes significant income, and results in profits and not losses in your business, you need to sell your products and services at an optimal price point. And what I mean by optimal is that it generates a profit in your business. Okay, I'm gonna repeat that for everybody in the back. What I mean by optimal price point is that it generates a profit in your business. You are in business to make a profit to make money. And here's a truth bomb. If you're sitting here listening to me say this and you're thinking, No, I'm not. That's not me. I'm just here to help people. I'm here to tell you, you're wrong. You cannot help anyone if you are not making a profit in your business, because businesses cannot survive for a very long time in a loss and you cannot help people or at least you cannot help them at the level that you want to. If you are undercharging underpricing and not making any money. This is a universal truth. And I talk to my clients every week about this concept that if you want to help your clients play bigger, if you want to help them solve their problems, if you want to help them get to where it is they want to go. You need to be making money in your business. And one of the linchpins to making money in your business is pricing your products at an optimal level, which many, many people do not do.

[03:03] The majority of people that I talked to come in with a price that isn't optimized, and often it is too low. So today I want to talk about the process of optimally pricing, your product or service program, fill in the blank. And I also want to walk you through why there's a chance that your price isn't optimal, that it's too low, that what you're selling is probably underpriced. And I'm here to also say this is not a judgment call at all. It's not I'm not judging you. No one is judging you. We've all been through this. And we are somewhat condition just as human behavior or just being out in the marketplace to work through our pricing in a certain way to go through that process in a way that I believe actually result in new underpricing. So in my business, we have created a structure a proven system to help people think through their pricing and optimally price their products. And so I'm going to walk you through that process today. So that you can start auditing your products services programs to see is that is there an optimal price here am I optimally priced? And then to really understand what you might be doing that is under pricing or causing you to under charge. Some people don't necessarily know they're underpriced.

[04:34] They are just in it and they don't necessarily know it. But sometimes if they hear the way that people are processing this that's resulting in your price being too low. They're able to see it from that angle. So we're going to walk through this today. Okay, so I want to jump right in and start off with talking about why people underprice philosophically many people under price, because they undervalue what they're talking about and what they're offering in the marketplace. It is very common for us to use different parameters when we price our products that we think are important, that are not important. And when it comes to marketing your product or selling it, for instance, we look at things like, what did I price something at before? Or how much did I pay for it? Or what is you know, my competitor doing? Or how do I feel about this price, there's a, there's a lot of feelings that come first when we think about pricing something. But when it comes to pricing, that's actually not how we price products.

[05:44] And we'll get to that piece when I share the framework that we use. But the feeling and the what is our, you know, competitor doing and what do I think it should be today, that's not the way that you price. So often the thought process that people take when they think of pricing goes something like this. People show up and entrepreneur shows up. And the first question they ask themselves is, what do people need out there? Like, what would they buy? What are they willing to buy? Oh, they you know, they bought an iPhone, and I see people buying this thing. And I think they want to buy, fill in the blank, this widget. So they start by taking this external viewpoint to the marketplace, and thinking about what they believe they can sell that people will buy, because that's the first thing, then they start to think about number two, a random target market. So if I sell this thing, this widget, like who do, I think will buy that? Oh, I think it's this person, you know, I think, you know, XYZ, this person that's, you know, going to be using widgets for this project, whatever it is, until they back into this target market based on their perception of the thing they think people will buy, and the person they think will buy it.

[07:14] And then once they start to flesh that out, and they come up with the thing that they're going to sell, they start to do their quote unquote market research, which usually encompasses what price sounds good. What do I think makes sense in this marketplace? What price feels good to me? And or what is my competitor doing? What did Joe down the street sell widgets for? And how close can I get to what Joe is, is selling this, this widget out. And then they put together this offer for this like this random offer for this random person. And they pick a price point that's based on their competition, without thinking about differentiation, or positioning or any of that. They don't want to be too far out of that scope of where their competitors are. And they're basing it very much on a feeling or what they're seeing happening around them to create this price point.

[08:23] What ends up happening in this equation is it is riddled, riddled with your own limiting beliefs. It's riddled with your own vantage point. It's riddled with what information you have within the limited scope that you're looking at. And as human beings, Perception is everything we're flawed by what we see and what we know that is our limitation. And so we end up creating this thing that is not optimized for our business for what it is we want. For the problems we want to solve for the people we want to work with. It's not differentiated in a way that compels people to buy it. And we often under value our worth in the marketplace. So it is almost 100% of the time, underpriced. And people go out and they sell things or they create things from this perspective. And I want to say this is a like gross generalization and it's a very general example. But often, no matter how you slice it, that is what it boils

down to people determine these things by an external vantage point. It's very feelings driven. And it's processed through their own psyche, which tends to often underestimate or undervalue their result. What ends up happening there is you create a product that's underpriced. And then when you roll it into your business, it creates all the downstream effects that underpricing creates which is things like cashflow issues, and accounts receivable issues and, creating a profit, and all of the system issues that come with underpricing, meaning traffic issues and targeting issues, and all those pieces that need to be optimized in order to drive your business in a way that's making a profit from a product that's under priced or not optimally priced.

[10:29] This leads to tons of frustration, tons of confusion, and frankly, a very unhappy business owner who ends up having to constantly Chase clients and money to make a profit, never mind, breakeven. And that is not a business model you want to be in, because cashflow and profit is really important. It's the engine that drives your business. And so when you're constantly struggling with that, you it's like start, stop, start, stop, you can't get yourself off the ground. That way, you can't stay in the air that way, stay in business that way, if you're doing that. So that begs the question of how do you price your product service program optimally? What does that look like? And as many people have heard me talk about on my podcast, in the past, starting with the end in mind is crucial. Starting with understanding what in your business you want to accomplish? Who are those people you really want to work with? And what is it that you are helping them solve as far as their problem in the most robust way possible, so that you're creating the most value that generates demand for your business that drives the price point. And so I'm going to break this down into four easy steps to think about this, this makes up the bulk of our model.

[11:59] So when you think about pricing optimally, this is what you need to think about. So the first thing is, how much money do you want to make in your business? Another way to think about this, is what are your revenue goals? Now, if you're listening to this podcast, I want you to really think about this right? Now you can pause this podcast, you can go back and listen to it again. But as we walk through these things, I want you to take a minute and take inventory of your business. What is going on here, when you think about your offers that you have the things that you're selling and your business and how they're priced. So the first question is, how much money do you want to make in your business over a period of time, take it a year? So how much do you want to make? What is your revenue goal? Then I want you to ask yourself, in order to hit that revenue goal, what problem do you want to help people solve that they are willing to pay you for? And who specifically do you want to work with that has that problem?

13:09

[13:09] And here's what I want to really stress about this. I don't want you to think about what problem out there do people have, that they're going to buy something of mine to fill that void? I want you to think internally, meaning, what are you passionate about? What problem? Are you passionate about solving? What is the problem that you know how to solve really well, with people that really light you up to work with? I want you to think about this from an internal perspective, not going outside of you and asking everybody else what they think, or what they're telling you that you know, that you should be doing. But asking yourself, what do you want? What problem do you want to solve? What are you really good at solving? And who do you love working with? Who is that person that really lights you up? Okay.

From there, you can craft your product service or program and you've if you're in business, you've done this already. So you've now created this product or the service that essentially targets a certain person with a certain problem. And you've put together something that is going to help them solve it. This is also affectionately known as your offer. Right your offer is something that offers a solution to a problem a specific person has. And so you put this thing together. After identifying the problem, you really want to solve the solution you have to solve that and who specifically you want to work with. Then number three once you know what your revenue goal is And you have this offer,

[15:04] you're going to reverse engineer the price that you need to charge in order to hit that revenue goal. Kevin to say this again, first you decide your revenue goal, then you craft your offer to solve a specific problem that a specific person has. And you have a specific solution that makes up your offer. And then you reverse engineer the price that you would have to charge for that offer in order for you to hit your revenue goal. I'm going to pause and say this is the part where people usually have some sort of a reaction to here's what happens in this moment. If someone has dreamed big, and they have a revenue goal that they want to make, and they come up with an offer, and then they figure out a price point, that is that they perceive is too high, they start negotiating the price down. If someone has a revenue goal, where they come up with an offer, and then they have a price that they feel comfortable with. They often don't think about how many units of that it takes to sell in order to hit that revenue goal.

[16:27] So when people see the price, there's a whole lot of mind drama that goes on there that essentially throws up these blinders for people and almost gets them stuck in that place. Which leads us to the fourth piece, and that is this. When you price your offer, when you do the math, several things happen. Number one, you come up with a data point, that is concrete, I would even say you can't argue with it, it is the math. So I'm just going to make the simple math, if you want to make \$10,000 as your goal. And you have an offer, that you price at \$1,000 You're gonna have to sell 10 of those things in order to hit your price point. If your goal is \$100,000, and your offer is 1000, you're gonna have to sell 100 of those things to hit that price point. The math is indisputable, until it brings up all of these feelings in for people. And what they start to do is they start to negotiate this price. So whether they negotiate it down, they start to think about the number of things that they need to sell, or that's too many.

[17:49] So I'm going to lower my revenue number, they start to play with this equation to make themselves feel better. And almost always, what they do is they start playing with the numbers in a downward spiral. They either lower their revenue goals, or they're not making the money they need to make, or they're lowering the pricing, so they're not hitting their target. The fourth step in this equation is crucial. And that is this, instead of manipulating your price and trying to prove the math wrong. We teach people the skills to optimize their offer to provide the value commensurate with the price that is optimized with the math. When it comes to pricing in the market, the thing that drives price is demand. And the thing that drives demand is value. And so instead of manipulating the numbers, the best way for you to keep that equation hole and price your product optimally is to start to think about how do I make this offer as valuable as I can. So that the price point that I pick is equal to or less than the value. I'm going to repeat this again. Instead of changing your price point, once you have done the math, the million-dollar tip the key is to manipulate the value of your offer. So that it is equal to or more than the price that you picked. So what this means is if you have discovered after doing the math, that you have

to charge, let's say \$1,000 and sell 100 products to hit \$100,000 and when you look at the logistics of that you don't want to sell 100 And you let's pretend you want to sell 10.

[20:05] If you raise your price to \$100,000, to make the math and the equation work, and then you look at your offer and think about how do I create value for this offer that's actually not worth \$1,000. It's worth \$10,000 or more. How do I create that, so that when I go out into the market, the result and the value that it's creating, not only equals but far exceeds this price point, so that people come into this offer, with open arms, and demand. So how do I optimize that to provide value commensurate with the price? When you think through your business in this way, extraordinary things happen. And here's what happens, you create more value than you ever thought possible. You come up with innovative ways to drive result in ways you didn't think about it before. You move into an abundance mindset, because you start to break down the barriers, that you need to stay in this box and operate at this price point that's far below both your impact and the impact you want to make in the world.

[21:26] And you end up able to step into this future version of yourself, which is someone who's operating in a business with a revenue stream, and a result that you are meant to be in. Because I am a firm believer that we don't come up with these things, unless we're really meant to have them. The problem is our lizard brain and our preconditioning, like I talked about earlier with the way that people price things, tends to like, override this from a very primal place. We don't want to stick out from the crowd, the differentiation piece is not top of mind for us. And we've just been conditioned to sort of stay with the pack and watch and see what everyone else is doing. But I'm here to tell you that business is for the bold. And pricing is for the bold. And I don't mean pricing in a way that you're ripping people off or selling them something that doesn't give them the results that they want or overcharging for something that doesn't have the value. What I'm talking about is doing the math, figuring out the model, to step into the business you are meant to have that's going to help the people you want to help. That's going to make the impact you want to make and the money and creating something that is so valuable to the marketplace, that people are thanking you every single time they pay that money. Here's the other thing I want to tell you, as someone who talks to a lot of people about sales, price is one of these things that people hear as objections. And they walk through my door thinking that that is the problem with their offer.

[23:05] I will tell you that almost 100% of the time, it is never about the price, why people don't actually buy from you. The reason people will not pay the price no matter what it is. And there is no such thing as a high price or a low price, there's just a price for a product or a service for a program. It just is it's a neutral thing. What determines whether or not people will pay it is whether or not they see the value in what it is they're buying. And its ability to solve their problems. If they can see that they will pay the money. So it's never about the price we think it is which is where again, it goes back to we start negotiating with this pricing. And oftentimes we negotiate down we underpriced thinking that's going to drive ourselves, I promise you it will not what drives your sales is value, its value in the marketplace. And the people that determine the value are your clients. Your job is to help them see that value. It's your job is to help them connect the dots and to show them if you're here and you want to get here and you buy my solution.

[24:19] This is how I get you out of pain and into pleasure. And the more that you can do that, the easier it is to sell your product. In order to keep your business afloat and profiting, you need to optimize your price. And often people's prices are too low for all of these reasons. So I want to recap I'm going to walk back through this. Pricing is not determined by what you think how you feel or what your neighbor is doing. If you want a business that makes significant income, and results in profits and not losses you need it to sell your products and services at an optimal price point. Optimal price point is a point that generates a profit in your business. It is a price that generates profit, you are in the business to make a profit, you are here to make money. There are no exception to this rule. And I promise you, you cannot help anyone if you are struggling in your business to make money. And you will not help people on the level that you want to help them with the impact you want to help them if you're not making money in your business to generate a profit. So how do you do this?

[25:29] What is the framework? I'm going to repeat this again? So number one, determine how much money you want to make in your business. What is the revenue you want to make? Number two, decide what problem you want to help people solve? What are you good at solving? What is that problem that lights you up that you want to help people get out of? And who specifically do you want to work with that has this problem? When you take that and you put it into a container, and you optimize it, you have your offer? That's what makes up your offer? Right? It's something that is tailored to a specific person that calls that person in it is offering them a solution to their problem that's compelling. They really want it. And it's something you're passionate about. Right? It's your hell yes, energy we always talk about that is your offer. And then what price point do you need to sell that offer at to reach your revenue goals? That includes X dollar amount, times X number of products, services, calls, whatever it is, equals your revenue goal? And then whatever the number is for that? Logistically looking at that, how does this rollout in your business? Right?

[26:45] Do you need to help 1000 people, 100,000 people? How does that look? And then how do you optimize your offer to provide the value commensurate with the price that you need to charge in order to break even with your revenue goal, or exceed it? And how do you raise the value of your program your product or your service, so that it's commensurate with that price. So that it is one of those things where you look at it, and you're like people are getting this product service program for a steal, because you know that the value that you're offering through this offer so far exceeds whatever the price point is that it's almost a no brainer. Like you're almost giddy with this idea that you get to give this to people, because you know that the return on the investment is going to be so much bigger. And here's the other secret to this whole equation around pricing.

[27:47] When you optimize your price, when you bring the value of your offers up to the price point that makes you whole that generates a profit in your business. And you know that it is incredible. And it is sound, and you can stand behind it. It streamlines your entire sales process. This is where it gets so much fun to sell. Even though people think selling is hard. Or they might think it's easy. When you have something that is so valuable, that it helps your people solve their problem. It gets them out of pain. It's something you're passionate about. Here's what happens. You want to tell everybody about it. And when people start to get results, guess what they do? They tell everybody about it too. And guess what that does for your business. It drives demand. And guess what happens when demand goes up? price goes up too. That is the beauty of this equation. And the best part of all of this is it is not only win for

you, but it is win-win for every person that you touch in your business. Every person that buys your product, your service or your program, and all of the things that you generate out from your business come from that place of value first, pricing second, and profits next.