Episode 77 – Unlocking the Secret to Successful Pricing

[0:01] Hello, everyone, and welcome to the It's Your offer Podcast. I'm so excited to have you here today for this week's episode on pricing. Over the last several weeks, the topic of pricing has come up quite a bit. And I think it's a really important thing to discuss how to successfully price your offers, and how to set up pricing within your business that allows your products to sell with ease and allows your business to grow in a way that consistently gives you revenue, and allows you to generate the cash flow you need in order to create the business and the impact that you want.

[0:40] When it comes to pricing, there is not a one size fits all. But I believe that there actually are some secrets to successfully pricing your offers so that you can really make your business thrive. And you can do that in a way that's not clunky, doesn't require these ups and downs, and also doesn't require a ton of effort to kind of push this boulder uphill when you're not pricing optimally. I also think it's important to mention that there is not a one size fits all with pricing. And I think this is really important because a lot of people that I talk to will say things like, you know, what is the best price? What should I price this at? And really that question is extremely subjective. And it's very, very much tied to the context of how that offer is sitting in your business, who your target market is how your other offers are priced all the things. So there isn't a one size fits all, there's not one answer. And even if two different businesses had the exact same offers, you could price those very differently, depending on what your result is that you want and the eventual outcome that you want strategically with that offer and that pricing strategy.

[2:00] So today, I'm going to walk you through the three things that I always ask clients about when we're looking at their offers, and we're looking at their pricing. And that I believe really are the secret to successful pricing. And you really need to price successfully if you want to promote increased sales and growth in your business. And as I mentioned on this podcast, I believe that sales and growing are one of the most important things that you can do in your business. cashflow is an integral part of growing a business that is actually going to thrive and be around for the long run. It's also extremely important as it relates to your impact that you have on other people and on the marketplace. Because the more that you're growing, the more sales that you're generating, the more people you're touching, and the more people that you can help. And so it's really important when we think about your business your offer, and you're generating sales and growing your business, that you understand how to successfully price and do it in a way that's really impactful.

[3:11] So I want you to grab a pen and paper and I want you to write these things down. And most importantly, as I say, in every single podcast episode, I want you to go back, and I want you to look at your business. And I want you to take what you hear here. And I want you to go and look at your business audit where you're at. And then make those tweaks and go execute. Because this podcast and the information on it is only as good as the application that you give it. It's not about the knowledge that you take in, it's about the knowledge that you apply. And the application and the execution is the most important piece. So grab your pen and paper. And if you're driving or doing something else, that's fine, you can come back, that's why these things are recorded. It's awesome. But the most important piece is I want you at some point to sit down, write these things down, go and look at your business, audit it and then make the necessary changes that you need.

[4:06] Okay, so when we think about successfully pricing, we think about what are the secrets of successfully pricing? The first thing that we always look at, is you want to choose a pricing strategy that is commensurate with what it is you want to create in your business. You want to think about what products you're selling, and what makes the most sense. And then you want to choose a pricing strategy that matches up to that. In my world, there are a handful of pricing strategies if I just tried to put these in buckets that every business owner can fall, you know, fall into depending on their business. It's one of these four pricing strategies and here's what they are.

[4:48] So the first one is called cost plus pricing. It's where you add a mark a markup to the cost of goods that you have. And then you determine a price, right? So It's called Cost Plus Pricing. Another strategy is Value Based Pricing, where you charge based on a perceived value of what it is that you're selling, or what your offer is to your customer. The third one is what we call Penetration Pricing. And it's where you price at a low initial price to try to attract customers in and gain market share. It's really where you're trying to essentially penetrate into the market with your pricing. And the fourth bucket I call Premium Pricing. And it's around setting a high price that conveys quality and exclusivity to your product. So that you are seen as this sort of exclusive and like coveted product. Okay, for the sake of this podcast, those are the three buckets that I would say, are, you know, the three buckets of pricing strategy that I, sorry, four buckets that I would say that you would want to look at. And it's important when you think about your product in relation to these strategies, that you're thinking about how they meet up.

[6:02] So just to give you an example, if you are somebody who is selling, you know, diamonds, you probably wouldn't use penetration pricing, where you're gonna set a really low price to try to like break into the market, right? Because diamonds are rare, they are mostly known as something that is high quality. And you know, again, exclusive, and rare. So you're probably not going to be using a Penetration Pricing strategy to sell diamonds, that's an example. Okay.

[6:32] So the first thing that you want to do is you want to think about your pricing strategy. And I always tell people, like think in these four buckets of cost-plus pricing, value-based pricing, penetration

pricing, premium pricing, and you want to decide what is really which bucket that your product would fall in. So again, to use the diamond as an example, diamonds would probably be more as a premium price, right? So we think about, you know, companies that are more premium price based, there are companies that are exclusive, they are rare, they are going to convey quality. So in other words, like high end jewelry would be one of those things, maybe high end, hotels or restaurants, or something that would convey this exclusive experience would be in that sort of a bucket, right a luxury goods, that's something that would be in that bucket. So if we wanted to look at, you know, what type of products would be in a Cost-Plus Pricing type of a strategy, it's things that are more, you know, that they're, you know, common in industries. So they're like things like manufacturing, or wholesale distribution, maybe agriculture, things like that, where, you know, there's this cost of goods determination, and then there's a markup on the selling price.

[7:51] If you wanted to think of something like Value Based Strategy, something where people are selling something that is perceived that is based on the perceived value of the customer, it would be something like technology products, like your iPhone, or an event, right, like a wedding or professional services like legal services or consulting, something like that is often based on Value Based Pricing, they're really looking at how is this valued by the consumer, what is that perceived value that somebody would might have, and then they're pricing it, according to that. And then if you think about something like Penetration Pricing, you're going to think about something that's they're going to like really set that low cost to try to pull a bunch of people into the market gain market share. And a lot of times companies that think about doing something like that are people who are the new entrants into the market, you know, companies that are introducing new products, maybe online businesses that have very low overhead costs, so they can kind of cut that pricing and come in and grab market share. Retailers also do this when they're doing promotional events and sales, right, they're kind of coming in with this low price, and they're trying to penetrate into this market to try to get a large volume of people that come in the goal is really to attract that large customer base and then increase the prices.

[9:15] So what whatever your product is, you want to think in terms of these strategies, Cost Plus Pricing, Value Based Pricing, Penetration Pricing, Premium Pricing, as an example for this podcast, those four buckets, and you want to think about your offer and your product and where it might fall in strategically into one of those buckets.

[9:37] Okay, so that's the first piece. It's like, kind of, I think of this logical framework of, you know, pricing strategy and where does your, where does your product fall into that, which strategy do you want to use for selling your particular product?

[9:53] The second piece that's really important is thinking about your offer stack. And how your offers relate to your business goals, and to one another, when you're pricing. So this is really important. So you start with the overall strategy, and you kind of pick one of these buckets. And that's kind of your guiding principle. Then when you start to drill down even more, you have to look at your own business,

you have to look at the goals that you're setting in your business. And you have to look at the other offers that are within your offer stack. Because when someone is moving through your funnel, right, when they're moving through your business, the optimization of how those offers relate to each other, and are priced accordingly and against each other is going to really influence the decision-making process and also influence the way that people move through your business.

[10:53] So this is why, for example, when you're thinking about your funnel, a lot of people will have as an example, you know, a free offer, a freebie at the very top of your funnel, right $0, they might have a low-cost offer, maybe it's a course or something like that, at $297. And then maybe they'll offer some other program or something else at a more premium price point, which might be just for the example that we're using right now. It might be $1497. And so when you think about somebody moving through that funnel, and the pricing of that, you can see that they're not competing with each other, right? It's a natural progression. And the more sophisticated or the more access people have, or the more information that people are going to get with these offers, the more the price varies, and in this case, the price would increase.

[11:53] So the freebie is the freebie, right? It's $0, maybe the $297 course is a do-it-yourself thing, it doesn't require a lot of access to you, you're not getting on calls, you're not having that kind of one-to-one interaction. But then when you get into the 1497 offer, maybe there's calls or there's some other, you know, item of value that's being given in this more premium, quote, unquote, offer. And they're priced accordingly. And they're optimized to each other. The opposite of this would be if you had this $297 course, and then you sold your quote unquote premium group offer for $397. Right, it wouldn't make sense. And they, they start to compete to each other, with each other, and they're not optimized. So thinking about the pricing of your offer, with relation to your other offers your target market, what it is you want to create within the movement of clients through your business is crucial. And a lot of times when people are putting either offers out there that are not optimized in pricing, because they're the pricing is off in relation to the offers and the other offers within that stack. Or there are like 25 offers.

[13:16] And so all of these pricing, the pricing structure gets all jumbled. And it makes it so hard for people to make a decision. Because there's all these options and all these prices that people cannot easily relate that path to one another, it becomes very confusing. And when people get confused, they don't buy, so sales slowed down. The other piece of this is thinking about your pricing and your offers in relation to your goals. And this is a really, really important piece, especially when people are thinking about new offers, or they're thinking about their overall, you know, quarterly plan or a yearly plan, where they're trying to target some sort of a revenue goal.

[13:58] So an example of this would be if you have a revenue goal, let's say, of a million dollars, and you have offers that are $297 your plan and the amount of clients that you need, the amount of traffic that you need, the amount of units that you need to sell of a $297 offer to get to a million dollars is very different than if you're selling something that was $10,000. And so when you look at your offers and the

pricing against your, your goals and your revenue goals, and those goals could be like this is how much I want to make in my business in the year 2023. Or it could be this is how much money I need to make to break even on this particular offer, or both. But when you look at that you want to really think about optimal pricing from the perspective of your ability to attain that goal.

[14:59] So if you're somebody, for example, who wants to make $500,000, and you have a $297 offer, and you have an email list of 50 people, and you have a social media audience of 20, and maybe you're just starting out, that's going to look like a very different business plan. Then if you're somebody who has 15,000 followers on social media, you've been in business for 10 years, you've got an email list of 10,000 people, and you've sold other offers, you know, that had been successful until you have a warm following. There's no right or wrong answer within that plan. But they look very different. And that's the most important piece that comes into this second part where you're thinking about your offer stack, and optimally pricing those things, and also the plan that you need to actually create, in order to hit your goals with the offers that you have priced at the price that you have them.

[15:58] And I feel like this is one of those pieces, because I'm just gonna say it, math becomes kind of a dirty word. Sometimes people don't like the numbers. But this is where the numbers come in. And it's really important. And again, it's there's no right or wrong way to do it. If you're in love with your $297 offer, and you want to make $500,000, that's totally okay, you just need to make sure that you have the plan together, that's going to get you there, and that you love it. Because executing on that plan with your pricing strategy is going to become necessary in order to hit the goals that you want, and run the business that you want. So it's really important to look at that.

[16:41] And then the third thing around pricing, which I would say, is equally if not more important than the first two steps, but they're all important. But this third piece is that you want to choose a price that feels like a hell yes to you. Pricing is an emotional thing. It is an emotional thing for the buyer. And it's an emotional thing for you. One of the things that I tell my clients all the time, is that after you do all the strategic stuff, and all the math, there's just you and your price. And you have to be in energetic alignment with that price. And I mean this from a very practical perspective. Yes, it is a little Woo, and it's intangible, right? Emotion is somewhat intangible. But from a practical perspective, when you think about how much your emotions play into how successful your business is, how many things you sell, how you sell how you talk to your clients, how you run your business, being in that hell yes, energy with that price, and not being either totally underwhelmed, or in a full-on panic about it, is so important.

[17:54] And I always tell people, you want to pick a price, that feels amazing. And I personally like to use the gauge in your body, the feeling that when you have something priced in a way that you have bulletproof belief in it. And you feel like when someone buys this thing from you at that price, they have just hit the jackpot, like it is a total steal. And you're almost giddy about the fact that this person is going to go get this thing for this price. That is when you show up in service to other people, because you're not connected to the outcome. It's not about them buying it. You're not freaking out about trying to sell

this thing that you don't believe in at a value or a price that you don't, you know, you don't really feel strongly about and connected about. And you're not so underwhelmed that it's almost like not worth your time and effort to go out and share this with other people. Because it's just not that exciting. You want to be in hell yes, you want to be in hell yes. About you, your price, your offer, and the people that are going to buy this thing and have it blow their damn mind. And when you're in that place, you go tell everybody about it, it is the best. And it just opens the floodgates of energy and emotion and exchange and service-based business in a way that you cannot get with any strategy or any, you know, whatever, optimization of numbers, because it's really an internal game.

[19:28] Now, I think also, it is best when the secret sauce to this is when you take all these three things, and you pull it together. The truth is any one of these three pieces will generate sales for you, right? If you have a really good pricing strategy, then you'll likely generate sales. If you stack your offer in the right way and you price it within those products in a way that isn't competing with each other and you've got your goals reverse engineered, you're going to make some money, if you're in total hell yes about your price, you're probably going to sell it to some people, because there are people out there who are going to catch your energy, and they're going to catch that pricing.

[20:10] So we've all seen businesses that work in this way. And if you're somebody who's listening to this, who's had an offer that you've priced and sold, and you know, it's been okay, but maybe it hasn't been amazing. Or maybe it's kind of clunky, you know that each one of these pieces can make some money. But the real key, the real key to unlocking the secret to successful pricing is doing all three of these things. It's when you can pick a strategy that is sound, it's when you can do the math, and you see it and your brain is like, oh my gosh, there's the data. And then there's the hell yes. Like you look at it, and you're like, yes, this is it, I can see it. This is a sound strategy; I can see how the math works. And I am so in love with this. And this is an awesome price. And who can I go out there and help when those three things come together. That is when you are totally unstoppable. And that's when it gets so much fun to sell your offer. Because you're just right, you're right in it, it's all, it's like that perfect combination of things.

[21:11] So just to recap, number one you want to go, and you want to make sure that you choose a pricing strategy that is in alignment with your product and what you're selling. And that makes sense within your marketplace. Those four buckets for the purpose of this podcast when we think about pricing strategies are cost plus pricing. So adding a markup to the cost of goods that you have to determine your price to value-based pricing charging based on the perceived value to your customers and charging at that level. Third is penetration pricing. So setting a low initial price to attract customers and gain market share, or for premium pricing, setting a high price to convey quality, and exclusivity of something that's rare and coveted.

[21:53] Okay, so first you want to choose your pricing strategy, then to you want to think about your offer stack, you want to think about your other offers, and how your offers relate to your goals and to

one another when you're pricing. Your business is an ecosystem. When you take your offers, and you optimize them, and that includes your price. And they are optimized in relation to one another your business flows, your customer experience is streamlined. People come in and it feels good and easy. And they can make decisions quickly. And when they make decisions easily and quickly. They buy from you. That's how it goes when you make it hard, or confuse them, they leave. That's the way that that goes. Okay. So you want to make sure that you think about that, that offer stack in the pricing and your goals.

[22:37] And then third is when you choose a price that feels like a hell yes, you want to price that you are in a full-on tizzy about you want a price that feels amazing. You don't want it to be too low, where it's underwhelming. You also don't want to try and sell something that's so high that you're freaking out about it because you're not in belief, you know, for the value of that price. You want to be right in the middle. It's kind of like the Goldilocks, right. And I would say you even want to be in that place where you feel like it's amazing. And this is a steal, like the person that buys this is going to hit the jackpot. If you're in service to people in that way that you feel like that. Would that hell yes, energy behind that price, you will then go and sell this with ease because your will be compelled to tell everybody about it.

[23:20] So I want you to now go, and I want you to look at your business. What is your pricing strategy? Do you have one? Does it need to be tweaked? Right? Have you? Are you somebody who's in business? And maybe you know, you have a lot of offers now and you've been doing a lot of things, but things have kind of plateaued? Or you're not exactly sure? Like, what strategy are you using? Is that aligned? Or is it kind of disjointed? Where you're not really sure. Go back and take a look at that and figure out? What is your pricing strategy? To look at your offer stack? How do your offers relate to each other as it relates to price? Are they optimized? Does it feel good? Do you have your goals that you've set most recently for your next 90 days? Are your offers optimized in pricing to hit those goals? What does that look like? Do you need to shift that? How do you need to make that work for you? And then third is the gut check. How excited are you about your offers and your price?

[24:19] If the answer is not that much, here's your opportunity to change it. I want you to really feel forward in this in this way. Right? What would it help? Yes, price be for you. If you could go and take your current offers or an offer that you're creating? And price it so it was a total? Hell yes. What would that look like? And here's what I want to offer to you about this too, after you come up with that price. Because usually it's very visceral people can just come up with it. It's like X amount of dollars. Once you come up with that price, I want you to hold it and I want you to then ask your the question, how do I make the value of this offer commensurate with that price? How do I instead of changing the price because most people will pick a hell yes price, and then their brain will freak out? How can you instead of changing that price and moving it away from the hell yes, how can you bring the value of your offer up to the price? That is how yes for you. This is how businesses create breakthroughs. Instead of settling for something or just dismissing it, you challenge yourself to create the thing that is energetically aligned with that pricing and that feeling and that is how you come up with hell yes, it's in there. It's usually like I said, it's very visceral, but then we either you know, are freaked out by it, you

know, discount it, like whatever we do, but I want you to hold it, and I want you to bring your offer or offers to the value right to the price that you've picked. And from there, it's hell yes, all the way. And it is awesome.

[26:06] Okay, so those are your next steps go out, look at your pricing strategy, audit your offers, oh, how is that pricing going with your pricing stack? And then make sure that you dial in to your hell yes, pricing and your HELL YES energy because it will not steer you wrong. And when you put all three of these together, you will have unlocked the secret to successful pricing.