

8 PRICE for Profits

*Most people make purchases because they think they're getting a good deal. Try this: Desire or Need + Perceived Value = Price. If your customers desire/need your product or service, then the perceived value and its associated price must be aligned. You know how it feels when you're car shopping? If a salesman shows you a \$24,000 car with \$30,000 in amenities (value), you'll buy! **DARE to PRICE!***

DECIDE

Do you know if you're leaving money on the table by undercharging? *Are your prices too competitive (low)?*

Answer these Questions	Yes	No
Have you developed a pricing strategy?		
Are you aware of the factors that determine the price of your product or service?		
Have you aligned your prices to your costs and profit margins within the past ninety days?		

If you answered, "NO" to any of these questions you're ready to make more money. DARE to Price!

ANALYZE

How much does your pricing strategy cost you? Pricing can be a juggling act – just don't drop any of the balls!

1. When was the last time you reviewed your pricing strategy?
2. How do you determine your pricing structure today?
 - ___% lower than top competitor
 - A multiple of costs
 - Higher than last year by \$_____ or ___%
 - Baby needs a new pair of shoes

Select a key product/service and put it to the test!

Price of product/service today \$_____ (A)

- Raw/hard cost of product/service
- Advertising/marketing cost

- Overhead (labor, facilities, utilities)
- Sales cost (commissions, bonuses)
- Packaging/shipping/delivery
- Administrative (fulfillment, billing)
- Miscellaneous
- Profit

TOTAL \$ _____ (B)

Does total (B) match or exceed price (A)?



If your strategy is to always have the lowest price, then make sure you: 1) stay on top of your competitors’ pricing; and, 2) offer a strong guarantee not to be undersold. Also, check out some pricing tips below.

Support your prices with strong value statements.

- List the top “selling points” (differentiators) of your products/services.
- Prioritize your value statements and emphasize them across your business.
- Copy price (A) from the Analyze Form \$ _____

Is this price supported by your value statements?

Yes No

If you answered NO:

- __Reduce your price (if your profit margin allows)
- __Re-think your product/service (possibly eliminate it)
- __Use your product/service as a loss-leader to get customers in the door (knowing you're won't make much \$\$, but should get other sales)

If you answered YES:

You might be leaving \$\$ on the table. Try the following:

- __Raise your price (10%) and reinforce your value statements.
- __Offer more value (bundle with another product/service).
- __Price the same – but with the confidence of your value statements, let customers know they're getting a “deal”.

Other Pricing Tips:

- **Instant discount** – Offer a big discount for a limited time. If the product/service still doesn't sell, it's not about price – it's about the product/service or value statement.
- **Add-ons** – check out the *Add-on Sales* section of this book for other innovative ideas.
- **Inventory** – let your “extra” inventory offer customers deals in the form of discounts.

EVALUATE

How successful is your Pricing? Every three months, measure the success of your Pricing strategy.

Product or Service _____

What's changed since your last pricing review?

New competitor products/services

Your costs increased/decreased

Available market (potential customers) increased/decreased

Distribution changed; how? _____

New employees (require training)

The economy on the rise/fall

Is your new pricing working? Yes No

If yes ...

Great! But, is there room for an even higher price? Will your value statements support an increase? Will your competition come into play if you have a higher price? Use the Realize Form to review your pricing for this product/service.

If no ...

Do your customers know about your product/service?

Yes No (If they don't, tell them!)

Do your customers know about its incredible value?

Yes No (If they don't, tell them!)

Do your customers have a driving "need" for your product/service?

Yes No (If they don't, find customers that do?)

Do your customers balk at the price?

Yes No (If they do, test some new price points if your cost permits to discover the "right" price.)

Turn a lost sale into a customer! They showed interest in your product/service, but didn't buy. Offer them a random prize drawing to tell you WHY. Have them answer:

"I didn't buy _____ (product or service) because of:

- Poor selection
- Price too high
- Poor Quality
- Poor payment options
- Sales rep
- Poor service
- Poor presentation
- Other _____

He DARED to Price!

Amateur deep-sea fisherman, Eddie Lopez, started a carpet cleaning business two years ago and has already been through lots of ups and downs. Aside from getting new customers, his biggest challenge is keeping his current customers as they're always bombarded with coupons and flyers for discounted carpet cleaning from competitors. The only thing he's caught lately is a bad case of insomnia, worrying about his business.

Fast-forward: Six months later, his sales are way up, and more importantly, his customers now realize the true value and quality of his service and his fair pricing and aren't interested in trying someone else.

What happened: Eddie compared his prices to his competition's introductory offers that were stealing away his business. He realized his competition charged less but also gave a lot less in quality and service. Eddie compared each of his competitors by quality and service and then asked his customers if his slightly higher price wasn't worth it? The unanimous "YES" answer brought Eddie steadily increasing sales with his reinforced compelling sales argument in his advertising.

Now what: Eddie is beginning to reel them in again – by matching the success he's having with his business. Nothing like fishing with the right bait!

Would you rather charter a boat to fish for Blue marlin or chum for scrod off the local pier? DARE to PRICE!

*“Don't confuse fame with success.
Madonna is one; Helen Keller is
the other.”*

ERMA BOMBECK