

Pricing for PROFIT

How to ensure you are making the most
totally scrummy profit in your business



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1 - Introduction

"Price is what you pay. Value is what you get."

Warren Buffet

"Anything that just costs money is cheap."

John Steinbeck

"What we obtain too cheap, we esteem too lightly; it is dearness only that gives everything its value"

Thomas Paine

Of all the difficulties business owners face, one of the hardest elements of your business to figure out is probably how to price your services. Should we be doing a lot of work for lower prices but guaranteeing we are getting the job in the first place and making our money that way, or should we be doing just a few jobs a week and make sure they really pay top whack for your services? Just what should you charge for your goods or services?

In an age where most industries are riddled with low cost / low performance cowboys, this only makes pricing your professional services even harder.

Pricing your services is not easy, but in this course, you're going to learn a variety of methods that will help you not only pick a pricing method, but pick the right pricing method. No matter what you're selling, getting your pricing right is vitaly important and is likely to be one of the toughest business decisions you will ever make.

WHY?

Because you will be losing money you could be earning by undercharging for your services, or you could be losing customers and therefore sales by charging too much.



But remember this ... even the smallest of increases to your pricing can produce a dramatic effect on your profits, because pricing is the single biggest factor that has the largest impact on sales and profits.

In fact, consulting firm McKinsey & Co. studied many Global 1200 companies and found that if they raised their prices by **just 1%** while demand remained constant, profits would increase by **11%** on average.

How crazy is that?

Since it's ridiculous to think that just a 1% price increase would mean you would lose many, if any, of your customers, this small price change to your customer will mean a **huge** profit boost to your profits.

So, how would raising your prices by just 1% help your business? Or just a 5% increase? Isn't that something you could be looking at doing to boost your profits right now?

This course is all about profit and how you can be, and should be, creating more of the stuff.

In fact it is always worth remembering the BSH motto:

"Our job as business owners is to make as much money as possible in a fair and ethical way."

And it is ... it really is.

So, if you can easily make a lot more profit by raising your prices by just 1% and still treat the customer fairly, isn't that just a great thing to do for your business?

MEGA IMPORTANT BIT ...

The key to pricing your services lies in the value you can prove you provide to your customers in your target market, not in providing the cheapest price to the customer.

Pricing your services effectively benefits you by helping you:

- Meet or exceed your revenue targets
- Remain competitive in your market by pricing your services in relation to those of your competitors
- Retain or increase your market share
- Retain customer loyalty
- Retain your image and reputation as a company that offers quality services at a fair and appropriate price.



By the time you've finished working through this course, you will be able to:

- **Define** your ideal customer through objective data gained through market research
- Effectively **research** your competitors

- Effectively research market trends
- **Position** your services in your market by defining the unique value it offers your target customer and adjusting your image accordingly
- **Understand** a variety of pricing strategies and learn which ones work best for your services
- Create a **system** for monitoring the results of your pricing so that you can keep it up-to-date and appropriate
- **Understand** when it's good to raise or lower prices and how to use these techniques to your advantage

Introduction Learning Activity:

Think about some products or services you have bought in the last month or so.

From a pricing perspective, ask yourself:

1. What products or services did you feel were good value?
2. How long have you been loyal to particular brands that you buy repeatedly from?
3. What differentiates them in terms of their pricing?
4. For products or services that you are willing to pay more for, how does price factor in?

Now please enter your answers on the work sheets that follow.

Introduction Workbook Area

Please write the answers to the previous learning activity here.

What products or services did you feel were a good value?

Product/Service	Date of Purchase	Origin of Purchase	Notes

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How long have you been loyal to particular brands that you buy repeatedly from?

Brand	Length of Loyalty	Notes

What differentiates them in terms of their pricing?

Brand	Points of Differentiation	Notes			

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For products or services that you are willing to pay more for, how does price factor in?

Product/Service	Price Limit	Notes

2 - Defining Your Ideal Customer

The first step in creating a sound pricing strategy is to gain an understanding of who your target customers are.

Why do you need to have a target customer profile?

Because it's a fact that you can't please everyone. It's not even possible to *target* everyone, and indeed is extremely unwise and expensive to try and do so. Many businesses fail to create a customer profile because they mistakenly believe that their services will appeal to everyone. After all, if a prospect has a use for your product, they have to be an ideal customer right?

NO!

Trying to appeal to everyone who may have a use for your services is a massive mistake, because by trying to appeal to everyone, you will actually appeal to no-one. For example, if you do try and target everyone, your message that will appeal to high income earners will not appeal to low income earners, and vice versa.

To create your target profile, you need to create a profile that defines the segment of your customer base that is most likely to find true value in your services, be able to afford your services and actually have a desire to pay your charges.

When you define your target, you can then figure out exactly how to tailor your marketing message, boost your appeal, brand your company, and set your prices accordingly. When you know who your target customer is, you can understand how they feel about your company, and fashion your strategy accordingly.



Remember that unless you create a target customer profile, you will not be able to set your prices accurately. Why? Surely the lowest prices mean the most sales so the more profit for your business right?

Unfortunately not. That would be way too easy.