

myweeklymarketing.

Janice Hostager: 0:02

I'm Janice Hostager. After three decades in the marketing business and many years of being an entrepreneur, I've learned a thing or two about marketing. Join me as we talk about marketing, small business, and life in between. Welcome to My Weekly Marketing. Sometimes it can be hard to put a dollar amount on the product or service that we're offering. We might be afraid we're charging more than people can pay, right? I can tell you from experience that that mindset is looking at business the absolute wrong way. You're approaching it by placing your own money story on your clients and thinking if I raise my prices, fewer people will buy from me or I'll lose clients, right? But from that perspective, people only buy based on price, and that's not true. There are plenty of high-priced products people buy every day. But also everything is getting more expensive, isn't it? And sometimes we, as small business owners can tend to undercharge, and that results in a loss for us. The reality is that you're in business for one reason only, and that's to make money. That's why I want to talk to you this week about how to raise your prices without losing customers. But before I hop into our topic for today, I want to ask you, do you, like me, spend hours posting, planning, and kind of fretting about social media, hoping to find clients there? The sad truth is that the average engagement rate for social media business pages is less than 2%. That's why it's so important to own your audience and build an email list. So I've created a 14-day email list builder accelerator challenge to grow your list. I'll walk you through all the steps you need to do to get your lead magnet up and working 24-7 and get your list growing. And I'll include a community to hold you accountable and cheer you on. And guess what? I'm even throwing in bonuses along the way. And did I mention it's free for a limited time? So lock your spot in today. Visit janicehostager.com. Forward slash list. Or I'll put the link in the show notes for today too. Myweeklymarketing.com. Forward slash 48. That's episode 48. Okay, so for today, I want to give you nine tips or things to think about when you want to raise your prices. So here we go. Number one check your own money story. You have a money story, and so do I, and unless you address it, it will follow you throughout your life and into your business. Does it sound like I'm talking from experience? You are so right. My money story is this I grew up with a dad who had a small business. When I was four, my mom had a brain tumor and, although she survived, it left her blind in one eye and pretty severe epilepsy. So with that disability, she couldn't drive. She couldn't really hold down a nine-to-five job, so working in my dad's business was a perfect option for her and for him. He needed help, and it gave my mom something outside of staying at home and gave her some extra income. My mom did the bookkeeping and the office work. That meant, though, that when the business did well, our whole family profited, but when the business ran into leaner times, as small businesses often do, money got tight all around. So what did I take from this? In my growing up years,

my perspective was that money is unpredictable, so if you want something, you better buy it when you have the chance because it might not be available tomorrow. Any financial advisor would tell you this is certainly not a good financial philosophy, but it's what's been humming in the back of my brain for all these years. I know better, of course, and I can correct for that error in my own financial thinking now that I've identified that that is what goes on in my head, and now I'm good about putting money in savings and even tithing to my church, because I'm a Christian, but when I have money and I want something, I buy it. Because I have a scarcity mindset about money. I still find myself wanting to buy two pairs of shoes or something really nice when I have the money, rather than putting it in savings. So what's your money story and how is it affecting your business? It might be similar to mine knowing that money doesn't grow in trees, or it might be the opposite, that money is abundant. Whatever it is, think about how you're bringing that story into your business. The reason we need to be aware of this and why it's so important is this we take our own relationship with money and we apply that same framework to our clients. So if you have a mindset that says money is scarce, then you'll tend to think the same is true for your clients too, and we may undercharge them because we think that they can't afford to pay more. Or we think that if I raise my prices, fewer people will buy or I'll lose customers, and that's maybe true. But price in itself is a form of marketing, so pricing higher creates a higher perceived value. For example, a \$500 handbag at Walmart would be considered expensive, but a \$500 handbag at Louis Vuitton would be a heck of a deal. So consider this when you're pricing your product or services. You position your product or service as either luxury or high-end, or it could be a budget item. You may lose customers if you're going to raise your prices, but you're going to be making more money per sale and have a higher perceived value, so you'll have to chase fewer customers and you'll have higher credibility in the process. Okay, tip number two anchors your prices. Price anchoring is a psychological pricing strategy that uses an anchor price to influence how customers perceive a product's value. So that was a dictionary definition. So basically, what it means is that if you have a price down there of what something's worth, it will influence how customers see that product. We do this when we have a sale, right? So the original price is \$50, but it's now on sale for only \$35. But we keep that original \$50 price on that product, so they know it's worth \$50. Or when we have an online course that offers a bonus, we can attach a price for that bonus, such as worth \$1,400, right? So people know that it's valuable. Kitchenware vendor William Sonoma used this concept with bread machines. When they initially introduced a bread maker, it was priced at \$275. This was several years ago, but sales were sluggish with that particular bread machine. However, once they introduced a second, more advanced bread maker at \$429, the original bread maker's sales increased why? The high price of the new model served as an anchor, making the original model seem like a great deal in comparison. Apple did this too In 2010. Before Steve Jobs introduced the first iPad, rumors swirled about its potential price. Many people

speculated that it would cost \$1,000 or even more. However, when Jobs finally unveiled the price on stage, he revealed it to be just \$499. Compared to the anticipated price of \$1,000, \$499 seemed like an incredible deal, even though the \$499 initial price was a high price for a tablet at the time. By allowing a much higher price to set an anchor in customers' minds, Apple made the actual price of the iPad feel like a great deal. I'm going to guess those advanced price speculations were fueled by some clever PR work on Apple's part too. But how do we apply this to your business? Well, by offering a suite of products for one. If you offer three packages or three similar products, statistically speaking, the middle package is the one that's most often chosen, not necessarily the higher price which serves as an anchor, and not necessarily the lowest price either, because people want to price up a little bit. You can also use this principle to add anchor prices to any extras you include in a service as a way to show the value of your offer. For example, if you're a photographer, you might include a free 8x10 frame portrait with a photo session. When you put a value, a price on what it's worth on the free market you'll anchor the price of your whole package based on the price of that bonus gift or gift with purchase. So, number three compares your apples to oranges. Sometimes we have a product that isn't entirely unique. For example, you might be a health coach and there may be a lot of other health coaches in your same market, many of whom are less expensive. So when they come to your pricing page, you don't want them to go price shopping. So, instead of trying to do a head-to-head comparison with your competitor, present your product by comparing it to non-similar products. So, as a health coach, point out that you provide exercise videos, which will save them \$500 on the cost of a personal trainer or gym membership. Or you could provide recipes and menu options to help them lose weight. That would save them \$20 a month by not having to join something like Weight Watchers. With my own fractional CMO services, which is where I work part-time with smaller businesses and new startups to become their part-time Chief Marketing Officer. I know it will save clients thousands of dollars by not having to hire an expensive agency or an in-house staff. Are there cheaper CMO services? Maybe, but I also know I bring more than 30 years of experience, in addition to my education, to the table, so you actually won't be able to compare my background to anyone else. So there you go, apples to oranges. Tip number four: watch how you price. Initially. When you started your business, how did you set your price? If you're like a lot of us, you said something like how much would people be willing to pay for this? I have to thank my coach for this because I did the same thing. My coach would say that it's entirely backward because people will almost always want to pay as little as possible. So back to my own experience with my fractional CMO services. No one can duplicate my experience, the things that I've learned from my other clients, not to mention all the courses I've taken, the coaches I've paid, and the many, many conferences I've attended. So I need to keep all of that in mind when I price my services because all of that has cost me money. I may not be cheap. But do you really want

someone who is when you're talking about the success or failure of your business? So price what you bring to the table and stand by all that you bring. Tip number five is 10x your value. People like to get more than they pay for. So if you are able to raise your rates times two, times four, times five, you can do that. But people again want to. They expect to get what they pay for. So when you stay at the Four Seasons Hotel you expect to have a way better service than at the Motel 6. That's just a fact. But there are plenty of people who stay at Motel 6 because that's what they can afford, which is totally great. But if you're going to be a Four Seasons, you need to provide a Four Seasons service. The same is true in your business. If you have a lot to offer, but don't just price high and expect to do well if you don't offer great value at that price. I can pay \$8 for a cup of coffee at Starbucks and now I'll get good coffee stars which are their bonus points, a nice environment to work on, free Wi-Fi, and free refills on brewed coffee. But if I just went to a gas station and was charged \$8 for a cup of bad coffee. I would not be happy. So when you add value, you can charge for it. Tip number six reminds buyers of the cost of not taking action. If you raise your rates, people may balk and they may want to put the decision off to make a purchase right. But here's a fact you can remind them of there's a cost to not taking action. If your business coach and your prospective customers are nervous about investing in a coach and he delays doing that, the cost is that his business will suffer one more year or however long it is before he hires a coach or someone to help him. Small problems can become big problems. So reminding buyers that there's a cost to not taking action will help them realize that they're making an investment when they do business with you. Also, when you use words like investment or rate or value instead of price, you signal to your readers that you are not an expense but an investment in their future and whatever aspect, that is, their health, their business, or even their photo memories if you're a photographer. Tip number seven know what your audience needs to make a decision about price. Author Roger Dooley, in his book *Brain Fluence*, breaks down three types of buyers: tightwads, spendthrifts, and average buyers. When we sell our product or service, even with the same ideal customer, we may encounter all three of those types of buyers. Tightwads are 24% of the market and they focus on the functionality of the sales. They're persuaded by function, number of stats, and so on. Spenders are 15% of the market and they're persuaded more by emotion, but, in short, they love to spend money. Average buyers, which is most of us 61% of consumers. They make decisions based on both facts and emotions. So making sure you appeal to how different people make decisions is really helpful when pricing your product or service. As you raise prices, appeal to both emotions and logic in your offer and on your sales page to appeal to all three types of buyers. Tip number eight price by the job or product, not by the hour. When I first started my design business, it was just me, so what I did to figure out my pricing was I took my annual salary from my last position, divided it by 2080, which is the number of working hours in a year, and I came up with an hourly rate. I added a little bit for overhead and all of that, but generally, it was a bad idea.

What didn't factor in was how I was paying now paying self-employment tax. I had mileage to visit clients. I had a computer and expensive software to buy. None of those things were factored into my pricing. Also, I had degrees and many years of experience with top businesses that can't really even be quantified. Worse, I could work really fast on some projects, while others took me much longer, especially when clients had lots and lots of changes. So there were times when I went back to the clients with bigger bills than they expected and other times when I didn't even cover my overhead. So I changed my pricing completely. I started out by tracking how much time it took me on average to do a single type of job, maybe how long it took me to design a logo or a website or a brochure. Then I looked at the cost of my overhead: my phone, electricity materials, software, mileage, including my experience, all the things and I also included hiring contract staff when I needed to and I included a profit for me. Then I broke it down and created packages. For example, I had a new business package which included a logo design, business card design, and a letterhead for X number of dollars. I don't recall the amount. I was specific about what it included and how many sets of revisions I'd do as well. So if they wanted more revisions than like two or whatever I included in the package, then I would charge additionally for each extra set of changes that made such a big difference. Although there were some people who were upset that my prices were higher and they didn't want to pay, the clients that I did work with knew that I was priced ethically and they would get value by working with me because I always gave them extra. And finally, tip number nine: listen to your customers' feedback. Maintaining a relationship, a good relationship with your customers as you adjust your pricing is really important. Most people understand that everything has gotten more expensive and that it's simple economics too. So I hope you understand that pricing is a form of marketing and how you position yourself. You can choose to be a discount provider, where there will always be a lower price and that becomes a race to the bottom, or you can charge with your experience, service and costs are worth. You might lose some customers, but the ones you keep will mean fewer hours of working chasing, fewer clients, fewer headaches, and a better life. So what do you think? Are you going to raise your prices? It can be scary to make that choice, but ultimately it's a decision you need to be comfortable with. Take a look at your own money story and see if it's creeping into your business too. That's all for this week. For anything we talked about today, visit my show notes at [www. myweeklymarketing.com](http://www.myweeklymarketing.com). forward slash 48 See you next time. Bye, for now.