

#163, Real Reasons Your Pricing Isn't Working

With Janice Hostager

[00:00:00] A few weeks ago, I mentioned that if enough of you wanted a deeper episode on pricing, that I'd be happy to do one. And I want to thank a couple of you who reached out, which by the way, if you ever been on the fence about emailing me about something, please do. I read and pay attention to every one of them. So today I'm taking another deeper dive and talking about pricing, but I'm going to do it a little differently than you might be expecting because the longer I've been doing this work, the more convinced I am that pricing is never really about a pricing problem.

Pricing has traditionally been part of the marketing mix, but there's really a few other things wearing a pricing mask besides just the finances part of it and besides marketing. And until you figure out what's underneath that mask, changing the number on the page doesn't really fix what's actually wrong.

Pricing is a topic that I have struggled with ever since I took my first freelance gig back when I was in college. It was always a struggle knowing how much is enough to charge and how much is too much. For those of us in service businesses, like coaches, consultants, designers, , anyone whose work is essentially that they help people, pricing is never just really about math.

It also carries another weight. Every time you raise your rate, you know that there might be somebody that you are pricing out. But every time you don't raise it, you know what that costs you in time and your ability to grow your business to keep doing this work at all. And that's what I think is one of the hardest scenarios.

You find someone who wants what you offer, they're a good fit, they're interested, and you think that this is gonna happen, and then you name the number, and they're gone. That one really hurts because you were so close. You weren't even pitching into the random void. You actually had a fish on the line, and now you don't, and you're left wondering if it was the price or your offer or both.

So I'd love [00:02:00] to tell you that I've solved this whole pricing issue, but I really haven't. I still feel that exact sting every time a proposal is declined. There have been times where I've raised my rates, and I've second-guessed it for weeks. But there have also been times where I've kept rates lower than I should have and then ended up resenting it because you end up putting more hours in than you think you would.

So this isn't an episode where I figured out pricing and now I'm coming down from the mountain to tell you how. This is an episode where I'm trying to think more clearly about pricing, and I want you to think about it with me. And this is also why just raise your pricing is often not really all that good advice.

So let's go through this together Okay. The core idea I want you to take away from this episode, even if you don't remember anything else, is that pricing wears masks. It's often other things in disguise. , And only one of those five things is actually about the number on the page.

So I've started thinking of it like this: pricing is the symptom that you can see. It's the thing written on your sales page, the concrete thing that potential customers respond to, and it's the thing that feels real and changeable and in your control.

So when business gets lean, pricing is what we reach for first, and then we lower it, and then we raise it, and then we add a payment plan, and we add a discount. Sometimes that's the right move, but more often we're treating a symptom while the actual problem sits one layer deeper.

So I'm gonna walk you through five scenarios disguised as pricing problems, but they aren't really pricing problems. Okay, ready? Let's go. Disguise number one, confidence and values together. The first disguise is the one most of us in service businesses know so well, even if we don't have a name for it.

It looks like a confidence problem on the surface. You don't feel like you can charge higher prices, maybe because you're new to your business, [00:04:00] maybe because you are afraid to, that you think that you're gonna price people out and no one's gonna buy from you. Maybe you don't have as much experience as the big names out there.

But underneath, there's something else that's kind of tangled up. Let's say you're meeting a potential client who you know really needs your help, but you hesitate to name a high number because some part of you isn't sure if what you're offering is worth that amount or if they can afford that amount.

That's the confidence piece. You push through, and you name it anyway. Then the potential client says no. Or worse, you send them a proposal, and they ghost you. Oof, I've had both of those happen just this year. Now you're feeling two things at once. You're feeling the financial loss that you were counting on.

That was real money that could have provided for your family or grown your business, and you also might be feeling the moral weight of it because you believe you priced someone out who actually needs your help. So the next time you present a proposal, you quietly soften that number, and you tell yourself it's really about making your services more accessible And that might be true, but sometimes it's really about not wanting to feel that specific sting again.

You had your hopes set on landing the last client. You had already calculated what you could do with that income. So when you didn't get it, you felt the loss even though you really didn't have it yet. And some part of your brain decided, without really telling you, that you weren't gonna let that happen twice.

I think most pricing advice handles this part kind of badly. There's a whole genre of business writing about why entrepreneurs undercharge. Most of it lands in one of two camps. It's imposter syndrome, or it's a money mindset. I think both of those are partially right, and both of those miss something important.

You either hear to get over it and charge your worth, which ignores the whole values piece, because that's real that you legit got into this work because you want to help other people.

Pricing out a person [00:06:00] who needs you isn't a flaw to overcome. It's a sign that you really care about people and that you love the work you do. Some other popular advice tells you to price it for accessibility, which ignores that it's an unsustainable business model that helps nobody, including the people you're trying to make it accessible for.

Let's face it, you don't really know if somebody you're talking to can afford your service or not. People can usually find money for something that they really want. A business that quietly bleeds out money, though, can't show up for anyone for very long.

So when you lower your prices in that whole scenario, your hesitation is partially a confidence thing that you can work on, and it's partially a values conflict that really I don't think has a really clean answer, no matter how confident you get. Your job is to be aware of which part is relevant for you.

I hope that makes sense. I know it's getting a little deep into the psychology of money mindset, But I really think it's important to acknowledge, especially for those of us who are helping people and want to help people.

Number two on the list of things that look like pricing problems but really aren't, is a positioning problem masked as a pricing problem. This is one of the most expensive when you miss it, and it's where marketing really comes into play. You see potential customers comparing your five hundred dollar offer with something they think they can get somewhere else for fifty dollars. That's not a pricing problem, that's a positioning problem wearing a pricing mask. If your potential customer is comparing you to something cheaper and walking away because of the price, ask yourself this one question: Do they actually understand what makes your offer different?

Would a stranger, reading about your offer for the first time say, "Oh, this isn't the same thing as that other person has"? Because when they don't see the difference, the cheaper option always wins. Not because it's better, but because when two things look the same, price is the only variable left to compare, so the price decides, right?

So lowering your price doesn't fix this, it just makes you the same as the [00:08:00] cheaper option, and then you get into a pricing war, which is really a race to the bottom. What fixes this is repositioning your offer. It's making your difference obvious before the price even enters the conversation, so that by the time that potential customer sees your number, they already know they're looking at not the same thing as the cheaper competitor's option.

They're looking at something else entirely different. In the early '90s, we lived in a college town in Wisconsin, and you could get a cup of coffee at a diner for like, I don't know, 75 cents. It was a commodity item. Every restaurant in the city sold coffee for like less than a buck, and it often came with free refills.

So when Starbucks came in and they charged , I don't know, \$2 for the same basic cup of drip coffee and much, much more for a latte, that's a lot more expensive. That's two to four times more expensive for coffee. And a lot of people will tell you that the diner coffee was just as good as Starbucks.

Starbucks' genius was because they made sure that you weren't even comparing them to the diner at all. The price wasn't the cost of the coffee, it was the cost of admission to a new identity or the feeling of being in a sophisticated coffee shop, which for rural Wisconsin was a big deal.

The person who drinks a venti oat milk latte isn't there just for coffee. And they were using pricing as a signal and positioning themselves differently because of it, and it works the same way for your service business. So look at how you're positioning your offer.

Make sure it's unique, something stands out, and make it remarkable. Disguise number three: the customer your pricing attracts. It looks like this: the people you're attracting can't afford you, so every conversation turns into a price negotiation. Everyone wants a discount.

If that's your experience, take a beat because this isn't a pricing [00:10:00] problem. This is a foundation and an awareness stage problem. You're being seen in the wrong room. Let me explain what I mean by that. Your pricing is a signal. Whether you realize it or not, it's telling the market who your offer is for.

A \$97 product and a \$4,700 product attract completely different buyers, even if the deliverable looks similar on paper. So I like to think about Nordstrom and Walmart. Both sell clothes, both sell shoes, but Nordstrom's ideal customer is completely different from Walmart's ideal customer. Walmart's customer wants the lowest price.

That's pretty much it. Nordstrom's customer wants great service, top quality, and a top in-store experience, and is willing to pay three or four times more what that might look for a similar shirt on the rack at Walmart. Nordstrom isn't trying to convince Walmart's customer to come shop with them.

They know that that customer isn't theirs, and they're not lowering their prices to attract that customer, because if they did, they'd lose the customer they actually want.

So these are two completely different rooms, two completely different customers. The pricing is what tells you which room you're walking into. So if you're consistently hearing from the people you're attracting that they can't afford you, the issue isn't usually that your price is too high. The issue is that the people seeing your marketing are people for whom your price will always be too high.

No matter what you charge, you're trying to sell Nordstrom goods to a Walmart customer. So the fix for that isn't to lower your price to match the room that you're in. The fix is to get into a different room. Get on different platforms, different referral sources, different content, different targeting for your ads.

This is where the compare stage of the trail to the sale shows up. The trail to the sale is a process and a roadmap that I teach inside my Modern Marketing Mastery class. And when potential customers are comparing you to alternatives, [00:12:00] they're not just comparing price. They're comparing the room. They're asking, "Where do I belong? Are they at the level I need?" And your pricing is part of how you answer that question .

People who can't afford what you offer exist. You just have to make sure they're the ones seeing you and that, of course, your service, your offer, everything lives up to that price. And here's something else that I know happens. Sometimes solopreneurs respond to this by pricing for the customer they have, not the customer they want, which seems easier than getting a whole new customer base, right?

But then they get stuck attracting more of the customer that they have because the pricing is now telling the customer they have that this is for you, the cycle reinforces itself, and it can run that way for years. And at that point, it's even harder to get out of.

So the answer to this is to do a deeper dive and develop an ideal customer avatar that's really solid. I do have a free download that will walk you through exactly how to do that, Because they're not gonna find you by accident. I'll put the link to that in the show notes.

Okay, disguise number four, an offer problem disguised as a pricing problem. It sounds like this: "My offer isn't selling at this price, so I need to add more to it, more bonuses, more modules, more stuff, so they can see it's worth what I'm charging."

I see this happen a lot, especially with coaches and course creators. The offer isn't selling so well, so instead of looking at the pricing or the positioning or to look at the offer itself, they start packing the offer with extras. A bonus workbook, a bonus group call, a bonus Canva template, community access, lifetime updates.

The logic feels sound, right? If they're not buying at two thousand dollars, I need to make it feel like two thousand dollars. But here's what actually happens when you do that. One, it overwhelms the buyer. When your sales page lists fourteen [00:14:00] different things, the potential client doesn't think, "Wow, what a great value."

They may think, "When am I gonna find time to do all this stuff? Another mini course, another community to keep up with." Remember, your ideal customer is probably already struggling. That's why they reached out to you in the first place. So when you pile on bonuses or extra, you might be adding to their workload.

Number two, it dilutes the value of your main offer. If your core offer is one-on-one strategy work, but your sales page spends as much real estate on, like, a bonus Canvas template library or something, you just told the potential client that the templates are worth as much attention as your actual ex-expertise.

So you buried your own best work. Number three, it signals that you don't fully believe in the offer. A confident offer is small and clean and has a clear outcome or a transformation. A bloated offer kind of says, "I'm not sure this is worth what I'm asking, so I'm throwing in lots of extras to convince you."

And buyers can feel that even when they can't name it. So here's the question I want you to ask if this disguise is one that you're wearing. Not what else can I add to this to make it worth more, but what could I cut so the value of the core offer becomes really obvious? Most overpacked offers don't really have a value problem.

They have a clarity problem. The value is in there, it's just buried under everything you pile on top of it trying to prove the price was fair. Now, I do wanna be really clear about something. I'm not saying to eliminate all your bonuses. Good bonuses can absolutely make a sale. I've had bonuses make sales, and you probably have too.

The difference is what the bonus is doing. A good bonus removes a specific objection that's keeping the buyer from saying yes. Maybe she's worried that she won't know where to start, so your bonus is a templates pack that gets her moving on day one. It's making the main outcome more achievable, not just making the package look bigger.

[00:16:00] A bad bonus does the opposite. It introduces maybe a new topic, or it requires its own time to use. It has nothing to do with what the buyer is actually weighing. It exists because the seller is anxious about the price, not because the buyer needs it. So here's the test. For every bonus on your sales page, ask yourself one question: Does this bonus help the buyer get the main result faster or easier or with more confidence?

If the answer is yes, keep it. If no, even if it's a great bonus on its own, then cut it. Okay, disguise number five, an actual pricing problem. you know when I said only one disguise is really about pricing? This is it. This is the rare case where the number on the page is genuinely

wrong for the market and the value that you're delivering. An actual pricing problem looks like this: Your positioning is clear, you're being seen by the right people, your offer is solid, and you're confident in it, all of it.

Your finances tell you what the business needs, and the price is still off. Usually, it's off for a reason. It could be that you set it years ago and never revisited it, or you set it by guessing, or you set it by looking at what a competitor charges and maybe went slightly under. More on why that's a bad idea in a second.

If you've ruled out the first four disguises and the price still feels wrong, then it probably is wrong, and the fix is exactly what it sounds like. Change the number, test the change, and watch what happens. But notice this is a rare scenario, not the most common one at all, which is why "Just raise your prices" is such bad advice when somebody hands it to you without context.

For most of the people who hear it, the price isn't the problem, so raising it doesn't really help. It just adds friction to a system that was already broken somewhere else. Okay, quick zoom out because we can't have a real conversation about pricing without taking a minute to talk about [00:18:00] the finances underneath it.

There's a difference between what feels comfortable to charge and what's financially viable to charge, And often service-based entrepreneurs price from feeling instead of from the math. So by that I mean you have to take an honest look at a few things.

First, what do I actually need this business to pay me after taxes? What does it cost me to run it? So the software, insurance, rent, all the things that keep the lights on, right? And then how much margin do I need for the slow months to cover me when I want to take off some time, or for the unexpected thing that happens?

And then working backwards, what does my pricing actually need to be given how many clients I can realistically take on? A lot of us have never done that math. I personally hate doing math, so I-- we picked numbers that felt right or matched what somebody else was charging, and we've been adjusting it ever since based on whether or not it felt too high or too low, which is fine until it isn't.

This was a wake-up call for me personally, because I realized that the numbers make the business. If you're not making a profit, if you're not keeping going, you're gonna h-hurt more than you're gonna help. Without the numbers that work and move your business forward, you are not gonna succeed. So the numbers really have to work. Underpricing is a slow leak. You can survive it for a while. The business looks fine, and maybe you're getting clients, you're delivering good work, money is moving, but a slow leak is still a leak, and it compounds over time.

If you're wondering if that's you, here's what it looks like. You can't pay yourself enough or take a real break or a vacation, or you start to burn out because you can't afford to hire help, or you

can't afford to invest in your business, like better software or a contractor or some real marketing, like paid [00:20:00] promotions and ads, so your growth stays stuck.

Then you can't say no to clients who are a bad fit because you can't afford to say no. So you keep saying yes to clients who drain you, and one day you look up and the business that was working is actually quietly burning you out from the inside. Here's a test to see if you're in this group. If you can't take a two-week vacation right now without your income falling apart, your pricing or your business model isn't supporting your life.

That's just information. It's telling you that something is seriously off. Notice I said that pricing or business model, because sometimes the pricing is right and the business model is wrong. For example, you may have too many hands-on hours or no recurring revenue. That's a business model issue.

Sometimes the model is fine and the pricing is too low. But either way, that two-week vacation test is a real check on whether the math underneath is actually working.

Now, before I get into the actual pricing tactics, I want to address something a lot of you are probably wondering about. If you sell a high-priced offer like coaching or consulting or maybe a course, you've probably thought about offering a smaller low-priced thing first, something people can buy to try you out before committing to a big thing.

Is that a good pricing strategy? That's a good question, and the short answer is it depends on what you're trying to do with it because there's a smart way to use a smaller offer, and there's a way that quietly backfires. Let me give you the quick version of both.

There's something I call the funnel ascension model. Sometimes I call it the bro funnel ascension model. The idea is that you sell a \$27 thing to strangers and then upgrade some percentage of them to your \$5,000 offer through emails and things like webinars.

That model does work for some businesses, but it requires serious infrastructure, it requires a big audience, and a big ad budget. And even with all of that, the ascension rate is usually somewhere between [00:22:00] 2% and 8%. So most solopreneurs who try this end up with a lot of \$27 buyers and not so many high-priced clients, because they're only attracting the low-cost people to their low-priced offer. There is a smart way, though, and the smart way lives in the evaluate stage of the trail to the sale.

This is something which works on a completely different premise. The premise is that people who have bought from you once are statistically more likely to buy from you again. That's a well-established marketing principle that goes back decades. They've crossed that trust threshold of giving you money.

They now have real data about you and whether or not they actually know, like, and trust you. So that small purchase offer that lives inside your evaluate stage is for someone who's already been following you, already reading your emails, listening to your content, or whatever.

It's there so they can buy something smaller to try you out. It's not a funnel, it's a trust accelerator. That's when you say, "I know this person is considering working with me. Let me give them a low-risk way to experience what working with me is actually like so they can decide with more confidence."

But two conditions have to be true for this to work. First, the small price offer has to be aligned with the bigger offer. If your high price thing is one-on-one strategy work and your low price thing is, say, Instagram templates, those two don't connect. The buyer of one isn't necessarily a candidate for the other.

The second condition is that the small offer has to leave them wanting more. A lot of well-meaning business owners build a low-priced offer that's so packed with value that it accidentally solves the customer's whole problem with a small price tag.

Speaker 5: So you just cannibalized your own main offer. So done well, a small offer opens a door, but done badly, it can actually close one, which means if your high-priced offers aren't selling, the problem maybe isn't your price. It's that your potential clients haven't spent enough time on the trust ladder yet.

They don't know you well enough [00:24:00] to say yes to a big number. The fix is in the consideration and the evaluation stage of your marketing, not in the price tag. Okay, we've talked a lot about disguises, and we've talked about the finances and about small offers, and now I want to give you actual pricing moves, and these are four pricing tactics that you've probably heard of or maybe not, but I want to address them anyway.

The first one is anchor pricing. If you have one offer at one price, your potential customer has nothing to compare it to except your competitors or the cost of doing nothing, but if you have a higher-priced option, even if it's something that nobody hardly ever buys, your main offer suddenly has something to compare it to

There's a famous example from the 1990s. Williams Sonoma introduced a bread machine to the American market at that time. Remember when bread machines were really popular? They'd sit on your counter. You could make fresh bread all day. It smelled really great. Well, Williams Sonoma was one of the first companies to come out with one, so they released it, and they priced it at two hundred and seventy-five dollars.

But most customers had no reference point for what a bread maker should cost because they were really new. So because it seemed expensive, sales were slow, and Williams Sonoma almost pulled the product from the shelves. But instead of discounting the two hundred and

seventy-five dollar machine, they introduced a second premium bread machine at four hundred and twenty-nine dollars, and they placed it right next to the other one.

That new model offered a few minor feature upgrades but cost s-significantly more. In that case, the new four hundred and twenty-nine dollar machine served as a price anchor, and shoppers suddenly had a frame of reference. They thought if the better one is four hundred and twenty-nine dollars, then buying the two hundred and seventy-five dollar version was a smart choice.

So the result was that the higher priced machine barely sold, which was actually the [00:26:00] goal of Williams Sonoma. By providing a second higher priced option, it shifted the customer's decision from, "Is a bread maker worth two hundred and seventy-five dollars?" to, "Which bread maker is the better deal?" And the sales of the two hundred and seventy-five, the lower priced bread maker, doubled almost overnight.

This is something that you can do in your marketing too. The higher tier option should be real, and it should be deliverable, and it should be genuinely worth what you're charging because there are some people who will actually buy a higher priced offer. But its job isn't necessarily to sell it. Its job is to make your main offer a little more grounded, a little more anchored, and to have it make sense.

So if you've only got one pricing now, one price tier, one package, This is one of the highest leverage moves that you can make. Okay, the second tactic is outcome-based pricing versus time-based pricing. This is a shift that can change everything for consultants and coaches and I used it as a designer when I had my business.

When we price something, we have the option to price it by the hour, which is time-based, or by the job, right? Time-based pricing means your income is tied to how many hours you can work, like hourly rates or day rates.

The more time you put in, the more you make. Now, outcome-based pricing means that your income is tied to what your work is worth to the client. If your work helps a client land a thirty thousand dollar contract and your price is based on that number, it's not important how many hours you spent getting them there.

These two ways of pricing pull in opposite directions. Time-based pricing actually punishes you for getting faster. The more skilled you become, the faster you work, the less you can charge for the same outcome, and that's really backwards. Outcome-based pricing does the opposite. It lets your pricing grow with your expertise instead of being capped by your calendar.

The better you get at delivering outcomes, the more your [00:28:00] pricing reflects that, not less. Like I mentioned earlier, when I had my design agency, I quickly moved to outcome-based pricing, especially for things like website or logo designs, because I knew I could work fast, and pricing by the hour penalized me for being efficient.

I also knew that a website, for example, could bring in m-millions of dollars for a client, depending on the client. So charging five thousand dollars for a website, for example, was something that could be justified. But it also helped my client because there were times when I struggled to get something right in a design or on a website, and it took a long time for me to figure it out, and they didn't have to pay the hourly rate for that additional time.

So it really was a win for both of us. Custom work can be challenging to package sometimes, but understanding how it will benefit them financially in the long run will make a proposal so much easier to sell. The third tactic is what I call the 20% experiment. I want you to consider this one, especially if you haven't raised your prices in a year or more.

Raise your rates by 20% on your next potential customer, not your existing clients, your next new potential customer. Here's what usually happens. It's not a big deal. Most of the bad fit potential customers, like the ones who are gonna haggle anyway and never really quite fit, they self-select out.

The clients that say yes do so at about the same rate as they were saying yes before, and you discover that number that you were super scared to name is really just a number. I'm not saying to do this often. Don't do it every quarter, for example. But if you've been sitting at the same price for a long time because it feels comfortable, then test that assumption.

You'll either confirm that your pricing was spot on, in which case great, or you'll discover that you've been leaving money on the table, in which case, now you know. I remember the first time I quoted a price that was uncomfortably high, and I held my breath, afraid that they would say no, but they didn't, and it made me realize that I could charge a higher [00:30:00] price because there was value behind it and there were somebody out there who could pay for it.

Okay, the last tactic. Sometimes service-based solopreneurs price by looking at what their competitors charge and going slightly under. That logic feels sound if they're charging X and I charge a little less, I'll win more business. But here's the trap. You're assuming that competitors know what they're doing.

You're assuming that their pricing is based on maybe their careful analysis of the value and their finances, but it probably isn't. They probably picked a price that felt right the same way you did, or they looked at their competitors and went slightly under the same way you're about to do. Now you're pricing off somebody else's guess, which was pricing off somebody else's guess, which is guesses all the way down.

Competitor pricing tells you what the market is doing, and it's good to know this number, but it does not dictate what your offer is worth. Your offer's worth is based on four things: the outcome it delivers, the audience it serves, the alternatives that audience is comparing you to, and what your business actually needs to be sustainable.

The math is your math, and nobody else's pricing should set it for you. And your offer is probably different than theirs, as we talked about earlier, so price it accordingly. Okay, so here's what I want to leave you. If you came to this episode thinking you had a pricing problem, I want you to go through all these things, go back, look at the five masks, run yourself through them honestly, figure out what it is that is causing you a hang-up with your pricing.

Is it positioning? Is it your customer? Are you in the wrong room? Is it the offer itself? Does it really feel like it's actually worth what you're asking? Or is it really just the number? Pricing in a service industry is gonna feel hard forever. That's not a sign that you're doing it wrong. It's just a sign that you're doing it with your eyes open.

The people who tell you they've solved pricing and that [00:32:00] it doesn't sting anymore when they get rejected and That they never second-guess

I'm a little skeptical that that's really true because there's real tension here. It's between what you need to survive as a business, what your customers can afford, what your work is worth and what feels fair. That's not tension that resolves cleanly. So the goal I would say isn't to make the discomfort go away, but the goal is that it's helping you build something sustainable and really discovering if you've got an issue that needs to be resolved.

So this stuff is hard, and it's hard for me too, so I would just recommend name what's actually going on and give yourself a little grace while you do it. So thanks so much for joining me today. For more information about anything I talked about in this episode, visit myweeklymarketing.com/163.

I'll see you next time. Bye for now