

Thought Leaders
BUSINESS LAB

EPISODE 263

How To Price Your Programs

WITH SAMANTHA RILEY & TIM HYDE

SAMANTHARILEY.GLOBAL

S | R
SAMANTHA
RILEY



Pricing considerations



A lot of questions and considerations go into how you price products and services. For example:

- work hours
- hours spent sourcing materials
- packaging
- marketing
- how much value will clients get from it



When offering programs, it's more about solving or shining a light on problems than it is about the price.

You can do this through demonstration. Even if what you're selling is intangible, you can demonstrate the transformation that your client can achieve. Thus, you can apply more value and contextual relevance to what you're offering.

Undercharging



Remember this basic formula of whatever price you want to charge:

- $1/3$ is the cost of delivery (time and work it takes to create and deliver your product or service)
- $1/3$ is the business overhead
- $1/3$ is the profit that you will otherwise take out



Reasons for undercharging

- Many business owners get into the grind and become busy or overwhelmed. This may be an outcome of not pricing products properly.
- Reason 1: You tie your price to your self-worth so you believe you're not worthy of charging a high price.
- Reason 2: You are afraid to get rejected even though this is a natural part of owning a business, and is not personal.



Transitioning from employed to business owner

- Typically, you set prices that are lower than your hourly rate in your day job and forget that you need to consider other things like costs or wages.
- Reflect on your position in a different light. Ask yourself, if you were in a day job would your CEO or manager be okay with you shying away from making a sale or doing a particular task? This can give you an insight into where you need to focus.



Overcharging

- ▽ This happens when you don't give enough value for the price you charge or when clients don't get the transformation you promise.
- ▽ There's a difference between being the most expensive and overcharging. It's okay to charge a lot if you deliver the value; it's not okay to take people's money but not deliver what you promise.

You are not a beginner

- ▽ You might think you're a beginner because you're starting a new program or a new business, so you undercharge. This is not true.

You have the expertise, confidence, self-worth and skills gained from years of working in your field that you can use to create the impact that you want to create with your client.

You're only a beginner if you've just graduated from school and are starting in a new field.

- ▽ "You don't have to be the best in the world. You just have to be the best in "their" world." Don't use other people as the benchmark for your success and worth. You bring things that other people don't have or can't do.

Determining the number

- ▽ You don't pull your price out of thin air. Ask yourself:
 - What is the outcome that you are offering to your client or that your client will achieve from working with you?
 - How much is the problem costing your prospect?
 - How much is the outcome of the transformation worth?
- ▽ The best way to determine this specific price is through market research. Try these tactics:
 - Set a price and ask several people if they're willing to pay the amount you are suggesting. If you get rejected, then it may not be a good price, or they may not be your ideal client.
 - Get a focus group or mastermind group together to give you feedback on how much they will be willing to pay for the solution.
 - If you can't get a group together, bring your existing customers together and get their feedback.
 - Some companies can conduct focus group discussions for you if you don't know how to do it yourself.



▽ Get very clear on the problem so you can work out how much it is costing your prospects. For example, if it's worth the cost of losing a client then you know you are able to charge accordingly - a customer loss can be a huge deal.

To understand the problem, listen to your clients as they describe their problem and put those words in your marketing.

▽ The value is the transformation you provide - the shortcut to a new reality.

▽ More is not necessarily more value, because a lot of 'stuff' can create overwhelm. It holds you back from recognising your value. Value is helping your client achieve the outcome with the least amount of friction and as fast or easily as possible.

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