



The Joy of Business

Sweetspot Pricing

Julia Chanteray

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What is this book about?

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I'm Julia Chanteray and I've been running a company called the Joy of Business for the past 16 years. I'm on a crusade to help people build their businesses: the Joy of Business is all about helping little companies grow up to be bigger companies. My job is to help people make more money and have more fun. This book gives away one of my secret weapons. Here it is:

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You probably need to charge more money

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Not exactly rocket science, is it? It's pretty obvious that if you charge more, you'll make more money. So that saves you having to spend any money on actually buying this book, doesn't it? You're all set now. Right? All you have to do is... (probably) charge more money.

Except you need to work out exactly how much to charge. You need to work out the right prices for you and your business. And you need to work out how to use pricing in a clever way, along with the rest of your marketing, so that people want to buy from you at a price which is going to earn you the right amount of money.

That's why you need this book.

Another "secret weapon" I use with lots of my clients is this:

.....

Your pricing is (part of) your marketing

.....

What you charge for the stuff you sell affects how your customers see you. If you charge bottom dollar, your customers probably won't appreciate you, and may well not see what you sell as being as good as one





of your competitors. Your stuff might be a million times better than the other guy's – but if you price it cheaply, they won't think it's as good.

This book is all about getting to grips with those two issues: I'll help you work out how much more money you need to charge and how to feel confident that you're charging the right price for your business. Not too much and not too little – but the right price for you.

We'll also work on what you need to do to revolutionise your business so you will feel confident about charging the right money and bringing in customers who don't think twice about paying it.

This book is not for people who work in big companies. If you have more than 150 staff, you probably have esoteric pricing matrices and goodness knows what to help you with setting your price. If you're reading this and you work for a corporate firm, put the book back on the shelf right now – unless you're thinking about leaving that world and setting up your own company.

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**This book is for people
who want to get serious
about their business**

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Maybe you're a freelancer who wants to be paid what you're worth, but you're not really sure what that is. Maybe you've got a business which is doing okay, but you know that it could be making more money. You want the first and most obvious way of increasing turnover (that's increasing your prices, by the way) but you're not sure by how much or whether it's too cheeky. Or maybe you've got a business which is in serious trouble, and you want to know if it's because your pricing is all wrong. Quite possibly, it is. This book will help you to work all these things out.

As you read more, you'll see that I'm very serious about helping businesses to make more money. I've had sleepless nights in the past because of cash flow nightmares, and it was horrible. I don't want anyone to have to go through that. I think we all deserve to make decent money and not have to worry about cash flow, making payroll or our long-term financial security. This book (and my mentoring and consultancy work at the Joy of Business) is all about helping people do this: to create enough money to live a good life and not worry about whether you can afford to invest in your marketing or pay your rent.



Why you should read it

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There are lots of books and blogs out there about pricing. There are lots of sets of instructions from business schools on how to do pricing “properly”. I’ve read them.

This book takes all of that knowledge, throws out the out-of-date and crappy thinking about pricing, and distils it into a short, easy-to-read manual for small businesses who want to grow into bigger businesses.

If that describes you, a friend of yours or your partner (or your boss), then you should be reading this book. It helps if you pay for it too. Not just because I’d like some money for all the hours I spent on it (although I would) but because if you pay money for it, you’ll take more notice of it. Because:

.....
Your pricing is (part of)
your marketing
.....



How you should read it

When we were young, we were told to read a book from the beginning and continue until we got to the end.

In my experience, that doesn't work for business books. They are usually too long; I never get to the end. However, some of the good stuff in this book is right at the end, so I encourage you to skip the bits which don't apply to you and get straight to the good stuff. For example, if you're already up for increasing prices and want to get on to how to set the right price for your business, you'll probably want to jump right over the first section.

Likewise, I want to make sure that everyone understands the effect that pricing has on their business – but if you're an accountant or have an MBA you probably don't need the bits about gross profit.

What is your sweetspot price?

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There's a certain sweet spot in pricing. That point where your price feels okay, where it's doable for your customers and they're happy to pay it. It doesn't feel too cheap, it doesn't make them feel like they're getting ripped off or really going to hurt. It's also the price where they're happy to come back to you again and again, and are likely to recommend you.

.....

We're looking for the sweet spot where you can get the right number of customers at the best possible price

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Depending on your business, this sweet spot might be high enough that your customers have to think for a while before committing. That's okay, as long as your price is something that they'll think about, but not so high that they will be put off forever. If you're doing the right marketing, they'll already want to buy from you, they'll be emotionally committed, but they might have to rearrange a budget, get permission from someone else or take a deep breath.

To get to that sweetspot we might have to do some work. This book will take you through what you need to do. This might include having to:

- Change your price
- Test your new price
- Maybe change it again
- Improve what you're selling so that people are happy to pay more
- Improve your marketing so that people are happy to pay more – and more people are happy to pay more

We'll talk about lots of things, but first I want to talk to you about what a difference it makes when you get your pricing right.



Why pricing is important

In the past 13 years of working with hundreds of businesses doing all sorts of different things, I'd say that pricing is the number one thing that people get wrong. Unfortunately, this is not just a little thing to get wrong: your pricing has a massive effect on your business and its health. And because your business's health has a direct relationship with your bank balance and your mental health, pricing can also affect everything in your life – from what cereal you can afford to give your kids in the morning to where you can afford to be buried. And how soon you'll need that cemetery plot, because life expectancy is linked to your bank balance.

Pricing is the one thing which we don't think too much about as business owners. We probably set the prices when we first set up the business, and they stay pretty much the same for the rest of eternity. Until you go bust, of course.

Often, fairly randomly, we say:

"I'm going to charge 35p for carrots."

"I'm going to charge £60 per hour."

"This piece of software should be £35 per month per user."

Maybe we put our pricing up 5% every April. Maybe we'll give a new product some extra thought – but its price will probably be in line with our other products.

"Parsnips, they're a bit like carrots. I'm going to charge 35p for parsnips."

Apart from that, people don't think that much about their pricing.



When I come along, asking nosy questions about how the business is running, asking “how do you set your prices?”, these are the sorts of answers I get:

“Well, it’s probably about the middle of the market.”

“I need to be a bit cheaper than Fred; he’s the best.”

“We charge cost x 1.64.”

(Honestly, that’s a real answer, cost multiplied by 1.64. When I asked why 1.64, my client said that that was what his dad had told him to do.)

“It’s £180 for a half day – we’d never get away with any more than that.”

When I go away and do some research (and get my friend Vicky, the secret shopper, to make some phone calls) I find out that my client is not in fact at the middle of the market but pretty near the bottom.

Or I discover that there is, in fact, no such thing as “the market rate”, and that my client’s competitors are charging a wide range of prices. Perhaps you didn’t research the market that much when you set your prices (you had a business to set up, after all) and then it’s all changed over time. Meanwhile, Vicky phones up Fred, who’s charging double what my client is.

The point here is that clients usually think that they have based their pricing on a completely rational process. We tell ourselves that we’ve made a scientific decision based on clear information, but of course, we haven’t. We humans are rubbish at making scientific decisions and we rarely have clear information, but we are very good at telling ourselves that that’s what we’ve done.

Clients—are often surprised when I dig out even a little bit more data to inform their pricing decisions.

So, just to be clear:



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**Do not base your prices
on your competitors. You're
not the same as them**

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We have some much better ways to calculate the best price for you.



The difference the right price makes

Paul had been working hard on growing his business. He was doing well, he'd moved into new premises, he'd got an office manager, five people to make the software, and he was getting lots of orders. Lots of orders. More orders than he could cope with, in fact. Tremaine Productions was very popular indeed.

Paul couldn't work out why he didn't have any money. He was working all the time; the orders were coming in, the customers were happy. At first, he thought it was because he'd spent lots of the business's money (and quite a lot of his own savings) on repairing the roof of the new premises and because he was waiting for some of his customers to pay him. And he'd had to pay for some new computers and ergonomic chairs, all of which were pretty pricey.

But it had been 18 months now. Surely the business would be able to afford to pay him soon. But no. In fact, the business needed him to make a further director's loan of 10k to bail it out.

I saw Paul on a Friday, and we started chasing the money. Where could it be?

On Monday morning, he called me for an emergency meeting. He'd cracked it.

He turned up, holding out his laptop with all the figures on it. Paul had spent all weekend going over each and every job Tremaine Productions had done in the last 18 months. And none of them had made a real profit. Some of them had broken even – they'd paid for the staff time – and some of them had even made enough to contribute something to overheads.

But none of these jobs had made any money for Paul. No wonder the customers were all so happy; they'd got some lovely work at a brilliant



price. No wonder the order books were full, and people kept coming back for more. They would, wouldn't they?

Paul worked out that he needed to double his prices to make a profit. We tested this out, to make sure that he wasn't making the same mistake again, and he did indeed need to double prices.

Very bravely, Paul decided that he would charge at least double for all quotes from that day. If the customers didn't like it, he said, they could fuck off. (Those were his words: he was a bit riled by now, having been up all weekend finding out that the last 18 months were a complete waste of time.)

He gave himself six weeks to start making a profit or he was going to run off and do something completely different. Something about robbing the rich and living in a forest, I think it was.

That was a year ago. Paul's now making a nice profit. The order books are still full, and the customers didn't fuck off, they just accepted the new prices – and more customers came in because of the beautiful work Tremaine Productions was doing.

Paul had a holiday recently for the first time in years.

Again, I'm not suggesting that you double your prices. It's not that simple, and you might not be able to get away with it. But this story, including the swearing, demonstrates that changing your pricing is the single biggest thing you can do to change the fortune of your business.

Here is another example:

I started working with a young woman who had a pretty successful virtual assistant business. She was good at what she did, and her customers liked her, so she had plenty of work. She definitely didn't need my help in marketing or networking.



But Tracey wanted to change her business. She knew that there was a ceiling on how many hours she could work, and therefore how many hours she could bill for. Virtual assistants are like many people who get paid by the day or by the hour, and no matter how successful you are, there's always going to be a limit on how much you can earn. Tracey was both ambitious and pregnant. She wanted to scale up the business so that she could employ other people virtually, and get them to do the work.

Like most people when confronted with the change from being a freelance business to employing other people, she was nervous about three things:

1. All the legal hassle of employing people
2. Where to find good people she could rely on
3. Being able to pay them at the end of every month

Tracey had a bit saved up, enough that she could pay somebody else the equivalent of a full-time salary for three months. Although she was busy herself, she wasn't confident that she had enough work to be able to pay a full-time person, and of course, she didn't want to risk her savings.

We took Tracey's business apart and looked at exactly how it worked. I knew that for Tracey to feel more confident about paying salaries for the first time, she would have to feel that there was more money flowing into the business.

The first thing I recommended was to change the virtual assistant's average hourly rate from £25 to £29 and to make it that Tracey's clients had to book a minimum of 2.5 hours. Of course, Tracey didn't like this, and we had a long discussion about these two issues.

Tracey quickly agreed that her clients would accept the price rise to £29. She knew that she had a solid list of existing clients and that there



were new enquiries every day. There's a basic law of economics which says that if you are offering something which is in demand, you can gradually push up the pricing. Usually, you can go quite far with this until people start to notice, and then you can go a little bit further before people start to question whether they want to use you.

But Tracey was not at all happy about the minimum 2.5 hours. In particular, she was worried that new clients would want to try her out on a small job first but not commit to 2.5 hours of work. She pointed out that many people had come to her this way – they just needed an extra pair of hands or for Tracey to do something for them that they couldn't do themselves, such as set up an email autoresponder. I thought this was very interesting – and, to be honest, I hadn't thought about it before. So we decided to allow first-time users of Tracey's services the opportunity to buy a quickie. We didn't call it a quickie, although we did have a bit of a giggle about that in our meetings. We made a list of all the "quickies" we could think of: first requests that people had come to Tracey with in the past and a few more complicated things that we thought people might not think of, but if they saw them, they might want. Once we had the "quickies" Tracey was happy for all subsequent jobs to be a minimum of 2.5 hours.

This was a pretty easy thing for Tracey to roll out very quickly. She gave notice to her existing clients that the price would be going up to £29 per hour, and several people congratulated her on being so busy. She added the quickies to her website with a button saying "buy me".

We did lots of other things with Tracey's business, but those two things together – putting up the hourly rate by 4 pounds an hour and, more importantly, making sure people had to buy a minimum of 2.5 hours – started a mini revolution: Tracey's turnover increased by 20% in the first two months.



But the really interesting thing was that because we'd put the quickies on the website, those little things that people could buy as a test, the number of new business enquiries went up by 82%.

Tracey had come to me because she was nervous about scaling up the business and taking on other people – but now there was so much new work coming in, she had to take new people just to keep up with it.

Here is one last story. One of my specialist areas is working with smaller scale e-commerce retailers. I did some work with a great company which sells golfing accessories – and learnt far more than I needed to about golf.

They had been doing very well importing golfing accessories from overseas. They had some specialist items which were difficult to find elsewhere but were very popular with people who take their golf seriously. In the three years that the company had been going, they had been selling more and more every year. In fact, in the last 12 months they had more than doubled their turnover. When they'd been smaller, they had made a tidy profit, and the husband and wife team owners had been able to take 50k each out of the company and build up a bit of a surplus as well.

But now they were turning over more than a million – yet the company had made a net profit of just £6000.

We looked into it, and I spent a happy afternoon listening to Bach cello concertos while getting to grips with the big spreadsheet. And we found a problem. Despite very healthy sales, Mr and Mrs Golf hadn't taken into account all the extra little costs that came about when they expanded. This, by the way, is something which frequently occurs when you grow from a little business into a bigger business.

We looked at all the little tiny costs and transactions, everything that it took to get a golfing accessory from the warehouse to the customer. We timed how long it took to pick an order and package different items.



Some of the things they sold were a weird shape and took a long time to pack up safely, along with a whole bunch of bubble wrap and tape. We found that because they'd moved to a bigger warehouse in order to buy at a lower price by buying in more, it took a lot longer to dispatch the orders. And when they bought in larger numbers, the items weren't individually wrapped when they came from the manufacturer – so it took longer and cost more to wrap them up.

It turned out that Mr and Mrs Golf had very much underestimated what their cost of sales were. They were still selling the golfing accessories at around the same price that they had been when they had a little warehouse, and they were still doing much of the picking and packing themselves.

I then spent more time with JS Bach, testing out how easy it was to find a particular golfing accessory online if I'd wanted to buy one. It turned out not to be easy at all, unless you went to Mr and Mrs Golf. Most of the other golfing accessories could be easily found but this one was kind of special, at least in the UK and Europe. You could buy very cheaply from America but then you had to pay loads to get it delivered if you wanted it in the UK or Europe, and it would take two weeks to get here.

We had a very difficult meeting during which I suggested adding 35% to the cost of the specialist item, and increasing the price of every other item in line with what it actually cost for all the little bits and pieces of packaging and the time taken to get it packed up and sent to the customer.

It took ages but we changed all the prices and took the opportunity to round them up as well, so that we weren't charging things like £6.52 but a nice round £6.99.

Mr and Mrs Golf continue to expand the business – and because I've changed their names here and of course they don't sell golf accessories at all, I can tell you that they made a 20% net profit last year.





How much do you want to earn?

This is one of the most important parts of the book. Whenever I'm working with my mentoring clients, I always start off the pricing process by embedding it in what my clients want to earn. We'll need this information to set your prices – and it gives us a great baseline to work from because we know what we need to achieve. In fact, I would strongly argue that the whole purpose of running a business is to make sure it generates the right kind of money for you. You might have other additional purposes: the way you run your business or what you sell might be making the world a better place. Or you might be on a mission to have your product in every home in London. Or you might want to have a good lifestyle of flexible working, so you can fit work around spending more time with your children. Or maybe you're running your business so that you can build it up and sell it for a nice wedge of cash in ten years' time.

Whatever your reason for running a business, it has to be a business. That means that it needs to make money. If you're spending money on the business and working hard, the business needs to reward you by paying you some nice profits. Otherwise, it's not business; it's a hobby. And businesses like these can be quite expensive hobbies.

When I ask clients about how much they want to earn, they usually look a bit blank. Sometimes they look a bit nervous, and sometimes I can see a bit of guilt on their faces for even daring to think about making some money. It's very rare that someone will be able to tell me exactly how much money they want to make after tax in the next year, or in the next three years. When they do, I instantly know I'm talking to somebody who is already pretty far along in their business journey.

So let's move you along in your business journey by getting to grips with this pesky issue: how much money you want and need to earn.

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We're going to start off by setting three different target incomes

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Why three? You ask. Why not just go for the big target straight away?

Our three levels represent the different stages of developing your business. You may already be well past our first target, the survival income, or your business may not be at this level yet, but that's a good place to start. Your survival income tells you the minimum amount of money your business needs to create for you.

Our next level is your good income. This is the amount of money the business needs to create for you so that you can have a good life. This might be a life where you don't have to worry about money every day, or where you can start to afford some treats for yourself. Or it might be how much you want to earn to match your last paycheck from a "real" job, or enough money for you to start saving. Your good income is how much money you need to live a good life.

Some people are happy when they get to their good income, and that's enough for them. Other people find that their good income changes over the course of their life, for example when they want to save for a deposit to buy a house or have children. Or when their children go to university and start costing serious money. That's why we include a third level: your great income. This is your ultimate target.

We will use all three of these to set your pricing levels and, of course, to work out how much you need to sell in the business to get to these levels.

As you're working through these first exercises, don't worry if the amounts we're talking about seem either ridiculously small or scarily large. It's just really important that you have the three targets to form a baseline which is right for you – and so we have something to aim for as we find your pricing sweetspot.





The first step: your survival income

This is what you need to live on: the basics. It includes your rent, mortgage, bills, food, loan repayments, a little bit for going out and maybe a basic level holiday. Don't forget about toiletries, clothes and shoes, and things you don't necessarily buy every month. Your list might also include childcare, things you need to look after yourself, such as acupuncture or yoga, school fees and subscriptions like Netflix or Spotify.

If you're the main breadwinner, remember to include the stuff your partner needs too, but add the amount your partner earns to your income total. Don't include any business expenses here, especially not that bit about "working from home allowance" that the accountants love. Keep that for your tax return.

Everyone has a different list, because we all have a different idea of what's essential. I've seen people whose survival income is 5k a month because they have teenage children and a big mortgage, people who include their pilates classes and painting equipment as essential for their physical and mental health, people who spend just £20 a month going out, and people who would find it very difficult to not go to at least one nice restaurant a month.

We're all different, and there's no right or wrong in your list; it's what's important to you, at this point in your life. We're not making any judgments here, we are just trying to get a grip on what your absolute basic minimum earning requirements are.

A note: if you bought this book from Amazon, this version doesn't include the big resource pack. If you want to get serious about all of this and start working on the spreadsheet, you can upgrade your book to the big resource pack version, by going to my website www.thejoyofbusiness.co.uk, clicking on products, and buying the Big Resource Pack version of *Your Pricing Sweetspot*. Use the code B447IIOKMV to get £12.99 off the

cost of the Big Resource Pack. If you didn't pay £12.99 for this because you borrowed the book from the library, got a deal on Amazon or stole it from a friend, then well done for saving some cash.

Most people find that using the checklist or spreadsheet makes it a lot easier to get a firm figure for their target income, plus once we start getting clever with your pricing, the resources in the Big Resource Pack version quickly calculate (and test) your pricing sweet spots for you.

But you can roughly do this on a piece of paper or your own spreadsheet – just make sure that you've included all those pesky bits and pieces that come out of your bank account which you tend to forget about, such as insurance policies or loan repayments.

You now have your survival budget in hand. You might be making more than this already – congratulations! Or you might be around that amount but not quite there. Or you're nowhere near this and you need to get your business in shape, giving you more money as soon as possible.

But...

.....
we want you to do more
than just survive

We want you to have enough money to live a healthy, fulfilled life where you feel financially secure. In fact, we want you to feel successful and generous with your money. Let's set another target income.



The second step: your good income

Your good income is what you need to earn to live a decent life. The first target was about surviving day to day. It didn't have anything extra for those rainy days when the washing machine breaks and you have to buy a new one. It didn't have anything in it to pay for taking time out from work to renew and reward yourself with a good holiday or buy yourself those shoes you don't need but look so pretty in the shop. But your good income isn't about mega success, gold-plated taps, second homes or being greedy. It's about working out what you need to live a decent life. This is probably the budget you're going to aim for.

Start with all the things you have to pay for, your survival budget. Then add in the extra bits which would make your life more fun. Again, this is different for different people – for me, the extra bits are about holidays, being able to spend £350 on a nice suit without worrying about it or putting it on the credit card. And not having to worry about buying the nice olives in Waitrose.

Fill out the next part of the spreadsheet or make some more notes and add up your desired figure for your healthy and fulfilled target income.



The third step: what would success look like?

Now let's think about what your life would be like if your business were truly successful. What would you do with the extra money? You can have some fun with this one, and set some targets for the future.

Maybe you want to save for a deposit for buying a house. Maybe you want to put some money by for the future and set up that pension you've never quite got round to paying into. Maybe you're thinking that you'll have a baby in a couple of years, and you want a chunk of cash put by so you can afford to take a year's maternity leave. Or your children are teenagers now and you need to save for university fees. Maybe you want to dramatically change the sort of holidays you take, so instead of a B&B in Wales, you'll be able to afford that three-week trip tracking lions in Kruger National Park.

If you're a visual person, you can set up a Pinterest board with the lifestyle that you'd like to have, the holidays you'd like to take, or the home/car/clothes/shoes you see yourself in. If Pinterest isn't your thing, just make some notes about what would be truly meaningful to you.

Spend some time on this – try on the new lifestyle.

Don't worry when you get those doubts about how far away you are from all of this. Right now, we're just having some fun. And don't worry that you're being greedy – I've done this with dozens of clients and the most extravagant desire I've ever seen was someone who wanted to spend 100k on a loft conversion with a fancy balcony. It looked amazing when she got it built, by the way.

This can be a very interesting exercise to do with your business partner and/or your spouse. It's fascinating what happens when you each do your own version first and then compare notes.



I've done my version of the three targets in the appendix, just to give you an idea, but yours is likely to be very different indeed, depending on your tastes, priorities and where you live. And, the big difference, if you have children, which can change what you need to earn quite dramatically indeed.

Yes, you do have to fill out the forms

Quick note – I've read hundreds of business books in my time and I confess that I've skipped a lot of the exercises in them. Or I've just done a quick set of notes in the margin or thought it through for a couple of minutes. I'm busy, I don't have time to do this properly – or I'm reading the book for inspiration and I don't want to do the work.

But do yourself a favour – because this “exercise” is very powerful and could change your life forever. If you don't want to make your lists right now, that's fine. But make a note or set a time in your diary to do your financial targets at some point next week. I promise you it's one of the most important things you can ever do for your business: it will change how you think about your prices and, even more importantly, it will change how you think about the money coming in and going out of your business, and what it can do for you.

Wealth calculator

If you have the big resource pack version of this book, I've included a great spreadsheet which will do all the adding up for you and take you through the process. Get that spreadsheet out and start working out the three incomes we've been talking about. If you don't have this version, then get some lined paper from your daughter's school exercise book or use the whiteboard in your office. Either way, let's work out some numbers that mean something to you.

The next resource I want to give you is a little exercise that will help to get your success budget in place. This is the budget that lots of people find difficult – so I have found a way of helping them become clear



about what having a lot more money would mean for them. This is different for all of us, and it's fascinating what people include once they start to envision what success looks like.

Are you sitting comfortably?

Make sure that you're sitting in a nice comfy chair and that you're all warm and toasty. It might help if you've got a cup of tea or maybe a little piece of chocolate to stir your creative juices. Or do some star jumps beforehand to get your brain working.¹

Get into my Time Machine. Yes, a time machine is included with every purchase of this book. Enter the number of years that you want to go forward into the control mechanism of your time machine. This is the one that looks a bit like the settings for a microwave oven.

We'll go forward in time, for as much time as it will take you to be successful. I'm guessing this is somewhere around 3 to 5 years, but you might also be looking long term for the serious money.

I want you to imagine that you're in bed. It's a lovely comfortable bed, and the sun is shining in through the windows. You can feel how soft and crisp and clean the sheets are against your skin. You smile when you think of the day ahead.

Now I want you to imagine getting out of bed and the different steps that you take. You might be in the house that you live in now or we might be living in a completely different place; it's up to you. We're imagining Tuesday morning in the future with you as a successful business person.

Tell me out loud what your morning is like. Tell me about going downstairs, what you have for breakfast, who you have breakfast with, and the kind of clothes that you put on as you get ready for work. Tell me about your journey to work, even if that's going upstairs to your study.

1 By the way, do not do what one client did and smoke a big joint before doing this. It won't help, and you won't remember what you thought about.



Describe your day: I want to hear all the details of what it's like. In particular, I want to hear what your day's like for all your four senses. If you have coffee for breakfast, describe what the coffee smells like. If you walk downstairs from your bedroom to the kitchen, tell me what the floorboards feel like underneath your feet. Tell me what your kitchen looks like, and what the view is from your window. And I'm very interested in finding out how a successful person's breakfast tastes.

How do you spend your day? Are you out and about at meetings? In the office working with others? At a warehouse, supervising your team dispatching all the lovely things you've made? How big is your warehouse? A converted garage or a big industrial unit? Or are you cosied up in your home office working on your writing projects? Or are you out at lots of networking meetings, meeting with new clients or giving talks at conferences?

Tell me about how your week divides up. Do you work Monday to Friday, or do you have a day off in the middle? Is every day in the same place or is it always different? Are you even in the same country week to week?

How do you spend your evenings? And your holidays? How much time do you spend on leisure and fun – and what kind of things do you do? Are you a regular at the beach in Brighton or at a different sunny resort four times a year? Are you a hillwalker or a paraglider? Or are you more of a wine region tour kind of person?

By now, you're probably starting to wonder a) Why I'm so nosy about your dream lifestyle, and b) What the hell this has got to do with setting your pricing sweet spot?

I'm asking you to get in the time machine so that we can look into the future and make some choices about what kind of business you're working to create, and how much money you want to earn from that business. Using the time machine helps us to focus on what we want to build for the future. It helps you work out how you want to spend your



time, what your business is going to grow into and what role you're going to play in it.

Spending a few minutes in the time machine also helps you work out what's going to be in your life and how much money your business needs to generate for you to pay for this. People with a very strong visual sense particularly like this exercise. Some people come out of the metaphorical time machine with a determination to travel more, buy a house with a garden or have a couple more children! Knowing what's important for you can help you set your income targets at the right level. And that means that we can set your prices at the right sweet spot for you, rather than having to constantly increase your prices as your targets change.

You can do this exercise in two ways. There's the modern way, where you go over to Pinterest and capture lots of interesting pictures of the things that would be in your life if you were at the peak of your success. You can pick your dream house, happy smiling dog, the kind of gin you'd like to drink, the kind of woman you'd like to marry, or a picture of the woman that you're already married to. You can keep your Pinterest board completely private: this is yours; you don't have to show me or anyone else. It's your space – so you can go as wild as you want.

Then there's the traditional way. This is exactly the same but instead of using Pinterest, you collect a pile of magazines or print things out from the Internet and stick them onto a piece of card. I think I like this way better because if you can't find a picture of a vegetable garden (a bigger garden is definitely on my success wish list) you can just draw one in felt tip. It doesn't have to look like a vegetable garden, because this exercise is a secret one. Nobody else needs to see it.

Keep hold of your Pinterest board or your bit of cardboard with your pictures stuck onto it. (If you don't want it hanging around, take a photo of it on your phone so you can refer back to it.)



Now, go back to your spreadsheet and see if there's anything that you would change in the success line. If there was a happy smiling dog or a gurgling baby on your board, you're going to have to include a budget for pet food, vet's fees and nappies. Adjust your spreadsheet, and remember that it's absolutely fine at this stage if it all seems completely beyond what you could possibly achieve. That's the point.

I've put together a very long list of things that might be on a successful wish list, including my own choices, things that clients have put down, plus the very scientific methodology of asking my friends to do this exercise in the pub after a few beers. So, here are some creative ideas for things that you might want to be able to finance if your business were to create some more money for you.

If you have the big resource pack version of this, you can print out and highlight the ones that you find attractive or meaningful. If any are particularly important or stand out for you, put a big star next to them. If any are repugnant or fill you with doom, feel free to cross them out with a big black marker pen.

Here are the suggestions:

- A bigger house
- A house with a garden
- My own flat instead of sharing
- A deposit to buy my own house
- A year off from work
- A month off from work
- A ten-day holiday four times a year
- A trip to Antarctica
- Be able to afford to give 10% of my profits to charity
- Buy a rental property, to give me an income in my old age



- The ability to spend thousands of pounds a year on new clothes
- Put 20K pa into an ISA
- Only work four days a week
- Take every Monday off
- Take every Friday off
- Leave work at 3:30 PM every day to pick up my kids
- Put 20K pa into my pension
- Make 50K per year of additional voluntary contributions to a pension for the next five years
- Pay off my mortgage
- Afford a deposit on a rental property for my daughter who is going to university, so she has somewhere to live, and I get a long-term asset
- Be able to give 10% of my income to the church
- Be able to give 10% of my income to political causes I believe in
- Be able to help save for my dream holiday, which costs XX amount
- Be able to afford private health insurance (approx £110 per month)
- Be able to afford to get my hair professionally styled every week (£30)
- Be able to afford laser eye surgery (approx 2K)
- Be able to afford hair implants (approx 10K)
- Retire at the age of [insert your desired retirement age here]
- Be able to go back to university and finish the degree I didn't complete
- Build a loft extension in my house



- Buy an expensive guitar
- Pay for my parents' retirement home
- Buy a pedigree dog
- Buy a horse and be able to afford to look after it
- Buy a fancy stereo
- Buy a new car [insert here what kind of car and the model, along with the price tag]
- Put solar panels on my house
- Build a treehouse for the kids
- Get my garden designed professionally and re-made
- Not have to worry about how much I spend on books/music
- Be able to take my partner out for dinner at a Michelin-starred restaurant
- Be able to treat my partner to a wonderful holiday to New York, flying business class
- Pay for my mum's hip operation, so she doesn't have to wait any longer
- Buy my mum a new house
- Pay for my kids to go to private school
- Pay my kids' university fees, so they don't have to go into debt to study
- Get a whole arm tattoo done by a top tattoo artist
- Buy a whole new set of sheets from the White Company in their most expensive range
- Set up a social enterprise
- Set up a charity
- Buy a campervan



What are your three levels of income?

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If you've worked through this you will now have three numbers in mind for the money that should land in your pocket to pay your bills and provide for the good things in life. In the next section, we'll translate this into what your business needs to create in terms of net profit, and how much you should expect the tax man to take.

Write down for me what your survival income needs to be

Write down for me what your good income needs to be

Write down for me what your successful income would look like



Top tip: it's useful, especially if your business is already generating your survival income and perhaps your good income, to have a range of success incomes here.

For example, my own success income figure starts at 60K. This lets me do pretty much all the things I would want to do, such as new shoes and nice holidays, and means I don't have to worry about buying a nice meal out once in a while. But I still have a target after that figure to keep me going. For me, that means being able to put more money into long-term savings and charitable contributions.

Next, we're going to work out what the gap is between your spending at the moment and your three levels of income, so we can check where you are and if there are any changes we need to make to our targets.



What are you spending at the moment?

You probably have a rough idea at the moment as to whether your income matches your spending. You can tell just by the amount of money in your bank account and the amount that you worry about money. If you're spending even a little bit more than you earn, there won't be much free in your bank account, you'll probably have some credit card debt, and you're probably spending too much time worrying about money. If you ever go to the cashpoint and wonder whether it will give you money that day, then you're in this position.

But that might not be you. You might be living more frugally and cautiously than you want to, and spending a lot of time working out what you can and can't afford to do. Or you might be doing okay: your business is producing a reasonable amount of money which keeps you out of this emergency zone.

Or your business is doing pretty well financially, and you have more money coming in than you currently spend. But to maintain this, you have to work long hours and take on some jobs that you don't want to do.

Let's transform your business to give you financial security

By changing your pricing (and your marketing) we will transform your business into something which creates the money that you need for your desired level of spending. Plus, if you're currently working too much to make life enjoyable, changing your pricing model will help transform your business so you'll be able to work reasonable hours, which will give you opportunities to focus on the other important things in your life.

So now I'm going to ask you to do another little exercise, to work out how much you're spending at the moment. This will allow us to do two things.



First, once we know what you're actually spending we can see if there are any potential savings. You know the kind of thing I mean: the little bits of money that just seem to fly away. One day you've got a hundred quid in your wallet, and a few days later it's all disappeared – but you don't remember spending any of it. I have to tell you that I did this exercise for the first time about six years ago, and although I think of myself as being pretty careful with money, I was so shocked and horrified I had to go for a long walk when I got the results. But as a result of that, I've cut my spending by about £4000 a year. Which means that I have 24K more in my bank account (six years of an extra 4K a year) which was well worth the 45 minutes this exercise takes.

The second thing we can do with the results is check what your targets should be. It's very easy to set your target income in a bit of a bubble, because after all, it's a hypothetical exercise. Working out what your current spending is will help us to harden up these targets and make them real and connected to your life.

Here's how to work out what you're spending at the moment.

Step one: what's really going on with your money?

Get your personal bank statement out (if you have online banking, you can export it to a little spreadsheet) and play with what's been happening to your money. Take the last full month on your statement and add up where your money went. Put all of your spending into these different headings (feel free to make up different headings – these are just the most common ones):

- Rent/mortgage
- Bills for the house
- Supermarket
- Mobile phone/Internet/phone (don't worry if these are actually covered from your business account)
- Debt repayments not including mortgage
- Going out/socialising
- Insurance
- Travel
- Health (e.g. complementary therapies, dentist)
- Hobbies (my bank account includes a lot of payments to Amazon for books, etc.)
- Cashpoint withdrawals

Here's a breakdown of my personal account spending when I checked it recently:

- Rent/mortgage - £465
- Bills for the house - £110



- Supermarket – £345 (possible overspending alert here!)
- Mobile phone/Internet/phone – £58
- Debt repayments not including mortgage
– nil (used to be £648 per month!)
- Going out – £218
- Insurance – £78
- Travel – £36
- Health – £145 (possible overspending alert here too!)
- Hobbies – £94
- Cashpoint withdrawals – £250

How similar to my spending is yours? There are no right or wrong answers here. Mine is just an example – yours might be completely different.

Did you notice the mysterious £250 I took out of the cashpoint? Using cash means you're less likely to have control of your spending. Cash does seem to fly out of your wallet. We use cash for small amounts of spending: a fancy coffee here, sandwiches at work from the deli, a round of drinks in the pub, a couple of quid to the homeless guy on the corner.

When I first did this exercise, my cash spending was much, much higher, and I hadn't realised how much cash I was using without thinking about it. I was further shocked when I realised that quite a lot of my supermarket spending was actually down to the additional £50 cashback I was regularly getting when I did my shopping. I genuinely had no idea where all that cash was going.

Simonne Gnesson from Wise Monkeys financial coaching suggests that you stop using cash almost entirely and, wherever you can, use your debit card instead. Using contactless payments whenever you can makes life a lot quicker too, as you don't have to rummage around





for change all the time. And it means that you can check where you're spending your money a lot more easily when you repeat this exercise in a few months' time. Which I totally recommend.

If you're wondering why I've still got £250 of cashpoint withdrawals when I'm supposed to be using my debit card most of the time, that is because I pay my Pilates teacher and my acupuncturist in cash. I'll leave it to you to judge whether I am in fact overspending on my health budget.

Some super clever readers have also suggested that you can use a cashback card and earn a little bit of money on all of your spending. Personally, I find this too much hassle and prefer to spend all my money from one bank account, so I only have to deal with one spreadsheet – but you might want to adopt this too.

Step two: the big cull

Now you know where your money is going, there are probably some areas that have jumped out straightaway showing you're paying for things that you don't use or need.

Do yourself a favour and go on a money diet. Cut out all those parasites that are leeching money out of your bank account without you even knowing. What about that Netflix subscription that you took out to watch *Breaking Bad*, but now you've seen all five series plus *Orange is the New Black*, so there's nothing much left that's worth watching? Cancel it. It can be useful to identify your "little luxuries" – what do you spend on cappuccinos, mobiles or treats? Think about whether these can be safely cut out and spent on more interesting things instead.

Useful resources for your money diet

I could talk all day about how to get your personal spending under control, and I've told you a little bit about my own personal journey in this area. But this is a book about pricing, so we'll leave it there for now.

In the meantime, I'm a big fan of two websites with very different approaches to thinking about money, no matter what your current level of income or spending is.

The first is moneysavingexpert.com. If you're in the UK, this is a great site for finding bargains and cutting your personal spending. It's particularly useful if you have credit cards or loans which have got a little bit out of control.

The second blog I like is a slightly crazy guy called Mr Money Mustache. I don't agree with everything that he says but the site is full of challenging thoughts about what we need to spend our money on and what the important things to do with our money are. His mantra is "financial





security through badassity” which gives you a little taste of his attitude. Have a look and see what you think.

I also found *Happy Money: The Science of Happier Spending* by Elizabeth Dunn and Michael Norton a really useful book. They look at how we spend money and what makes us happier. For example, they found that people who bought bigger houses often ended up being unhappy afterwards, because their lovely new house was further away from work, which meant they had a longer commute time. Commuting to work is one of the things that makes us unhappy, so these poor folk ended up less happy than before. Before you work through your financial targets list, the things that you'd like to spend your money on, it might be useful to read this book to get some tips about what will make you happier in the long run.

I used to be a bit of a financial mess. I'd been used to earning good money and then I co-owned a company that was worth millions of pounds. And then, in 1999, that company was sold for a pound, and I was no longer a paper millionaire. In fact, I was unemployed.

It took me several years to find my feet again financially, and during those years I have to admit that I continued to spend in the same way as when I had a good regular income. Now I look back on it, I did some crazy things, like taking my partner on a trip to New York for her birthday and paying for it all on credit cards. That was in 2001 when I should have been saving every penny I earned to reinvest in the business.

I got myself in a little bit of a pickle. Well, to be honest, about £30,000 worth of pickle.

Here's what I did back then to get out of it. You might want to copy some of these whether you're in a big pickle, a little pickle or even if you're doing okay.

- I got some financial coaching from Simonne Gnessen, which is probably the best £150 I've ever spent

- I bought a book called *The Money Diet* by Martin Lewis, which you can still get though it's sadly outdated now
- I spent an afternoon getting all of my credit cards onto 0% interest and worked out how much money I needed to pay them all off
- I factored that into my target income. Before that, my target income was just enough to cover my living expenses plus a bit more
- I had a major mental shift to how to make some serious money because I realised that I had to now – otherwise those credit cards were going to hang around for a long, long time
- I ruthlessly tracked my spending and cut back on all the things which I realised were just leftovers from when I was a lot more wealthy and were really about propping up my ego
- I put every spare few pounds into a separate account, which I called my savings account, which made me feel better. Every couple of months, I transferred some money from the savings account into paying off my debts

Eventually, the credit cards did disappear, and I now have a real savings account.



What happens if there's a massive gap here?

When I run through these exercises with people in workshops or with my business mentoring clients, one of two things happens. Either people say "Oh, it's not so bad, I'm already hitting my good income target with my current business, so I just need to improve on that and get a bit closer to my success income."

Or people say "Oh my god, I didn't realise I was so far off and I'm not even really meeting my survival income. No wonder I never seem to have any money."

Nobody to date has said that they are already at their success income, that they don't need more customers or better pricing. And that's in 15 years of running workshops and doing business mentoring with hundreds of clients. There is always something to improve on.

If you're in the first category and you're making your survival income and your good income target, then you'll want to pay attention in the following chapters about how to improve on this and set better pricing. You're probably not grossly undercharging, we just need to make some tweaks. Well, to be honest, they might be more than tweaks – you might end up completely restructuring what you sell or even changing how you look after clients by the time we've finished.

If you've been reading all of this and doing the working out and it's left you with a feeling of horror and dread, that sinking feeling in your stomach, don't worry. That's completely normal. I'd say 75% of the people that I talk to about this stuff have the same feeling.

In fact, that feeling of horror and dread is a good thing.





It's alerting you to exactly how big that gap is and giving you the appetite to make some big changes, so you can get into action and make the money that will support you in the way you want to live.

It's time for some upside-down accounting

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Now we know what you want to earn, at the three different levels, we can start to work backwards from this and work out what you need to sell. And then we can work out what you need to charge. And then we can get on to the clever bits.

Our first step in upside-down accounting is to talk about tax.

Your target income figures are based on the amount of money you want to go directly into your pocket or at least into your personal bank account. These numbers are the targets for what you want to spend.

.....
These are not the same
as your net profit
.....

Your net profit is what your business will produce for you – but it's not what you get to spend. Unfortunately.

Before you get to spend any of that lovely money, you have to pay tax on it. The first step in our upside-down accounting is to estimate the amount of net profit you'll need to make so that you can pay the tax and still have your target income in your pocket.

If your survival income is 20K pa, or you need £1650 a month in your pocket to live on, your business will need to be able to give you 24K pa or 2K per month. Taxes will eat up a chunk of your net profit because you'll need to give over £3000 a year to the government.²

2 These are based on UK tax rates and may well be different where you live. To check the specifics for your country, just google "tax calculator" and you'll find a little widget that some helpful person has done for your country.



If your good income is 50K pa, or around £4000 per month, you'll need to have around 60K in net profit or 5K per month.

And if you're looking for 90K pa in your pocket for your success income, you'll need around 131K in net profit in order for you to take this kind of money out of the business for yourself.³

The lesson from all of this, of course, is not to underestimate the amount of tax you'll have to pay. I often work with people who have a little business which is giving them enough profit for their survival income. And then we do some work together and they end up making a whole load more money. It's all too easy to take that money out of the business, spend it on something nice, and then nine months later wonder how you're going to pay your tax bill, which has jumped up a lot. This is especially true if you grow your profits quickly because you won't be used to paying so much tax, and you might well forget to save up that proportion of your income.

I've seen so many businesses go this way – expanding rapidly to meet their new income targets and then have it all disappear because of an unplanned tax bill – so we need to be precise and plan to make more money than you might think you need.

3 If you're in the UK, remember that you'll also have your directors salary, usually £8040 a year going into your personal bank account. If you're not in the UK, this is just something our accountants get us to do. It's a local tradition.



How to work out the exact numbers for you

You can either use an online dividends calculator to go through the different scenarios and work out how much net profit you need to make in order to reach your target income, or you can use the calculator in the Big Resource Pack version of this book to very quickly work it out for you.

If you didn't buy the Big Resource Pack version, you can upgrade now, using the code B447IIOKMV at www.thejoyofbusiness.co.uk, at a discount of £12.99 to cover what you paid for the book. This will give access to all the spreadsheets, checklists and extra resources to make life easy for you.



The next step: your overheads

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Why we're working this out

You'll already have the sense, I think, that everybody wants to chip away at the amount of money that you make before it ends up in your wallet. There's nothing I can do to stop you having to pay that tax, but what I can do is help you plan out your path and make sure that you know where all the money is going to disappear to. That way you won't have any nasty surprises.

The classic small business mistake is to judge how well you're doing on your sales, rather than your net profit. You've probably heard that cliché "turnover is vanity, profit is sanity". We all do this because when we are running a business we're much closer to the sales figures than the net profit figures.

Here's something I did when I first started out running my own business.

I put down the phone and smiled. I had a new client. Someone who was going to pay me £350. Later that day, I was in the centre of town for a meeting and, walking home, I passed John Lewis. I was drawn in and in my good mood I bought myself a new handbag. And a very nice bag it was too. Guess how much it cost? Yes, you're right, £350. I justified this expenditure in my head because I wanted to celebrate getting the new client. Of course, what I'd forgotten was that that £350 wasn't mine. It belonged to the business, and the business (and the tax people) wanted their share.

If I had been thinking clearly that day, I would have put that fancy new handbag back on the shelf. And I wouldn't have allowed myself to go back and buy it until I was sure that I had £350 of post-tax profit in my personal bank account.



Overheads are all the things in your business that you need to pay for whether you sell £1000 of stuff or a million pounds of stuff. They are also called fixed costs, because... well, they're fixed. They don't change if you sell more. If you have a business that sells your time, rather than actual things, your overheads are probably all of your costs.

We need to get a grip on what your overheads are before we can set your sales targets.

You might have this already in your accounts, so have a quick look at what you spent in the business in the past 12 months.

The total for my little business was £14,414. If you're looking at your accounts from your accountant, or from your accounting software, make sure that you don't overestimate your overheads. Your accounts are prepared for what you have to give to the taxman, so there might be a little line in there that says "director salary" or "director's remuneration" and has all of your salary payments. This is just one of the weird things that accountants do to save you paying too much tax.

How to add back the weird things your accountant adds in

My accountant says that my overheads were £22,466. But I know that that included 12 payments of my supposed salary of £671 per month, or £8052 over the year. I therefore take that away from my overheads because that £8052 was money which went into my personal bank account as salary.

They don't make it easy for you, do they, these accountants?

If you also make payments to the pension fund from your limited company, add this back in as well, because that's money which will end up in your personal bank account in 20 or 30 years' time.



Examples of overheads and different types of businesses

Here are some of the things that you might include as overheads in different types of businesses – see which ones fit yours:

1. Just you, and the cat, working from home

If you have a small business where you work from home and don't employ anybody else, apart from the cat, your overheads are going to look something like this:

- Phone/Internet/mobile
- Stationery
- Travel
- Software you pay for every month, such as MailChimp
- Virtual assistant fees
- Books and resources like this one
- Bank fees
- Accountancy fees
- Business coaching
- Insurance
- Computer/iPad/printer (usually spread over 3 years, so take a third of these costs)
- Cups of coffee when you're having meetings with clients
- Training courses

When I run my workshops on pricing, the bit that people get confused about here is the travel. When you travel to see a client, it looks like travel isn't a fixed cost, because the more clients you have to go and see, the higher your travel bill is.



My rule of thumb here is that unless you recharge the travel expenses to the client, you should include travel in your overheads. Yes, it does vary a little bit according to how many clients you have, but not that much for most of us, and it makes life so much easier if you can just include it in the overheads.

You cannot include any of the cat's expenses.

If you're paying for these things in the UK, I'd expect a home-based business to have overheads of somewhere between 6K and 12K.

2. Just you, in a co-working space or small office (no cat and no staff)

If you have a small business that doesn't employ anyone else, but you work from an office or co-working space, you'll have pretty much the same numbers as the previous example, plus your office rent and any utility bills or extra insurance you pay.

This might take you up to around 10-15K a year in overheads

3. You and your team

If you have a bigger business and you have an office and staff, your overheads are still pretty simple to work out. If your staff work for you all the time, add the cost of their salaries and national insurance into your overheads. If you employ casual staff, but they're not necessarily associated with a particular job or piece of client work, add them to your overheads as well. The only time that this would be different is if you take on temporary staff or freelancers to help you with a particular job.

For example, you might run a training company, and you bring in another trainer to help you with a course. She doesn't count as an overhead because you only paid her throughout that particular piece of work; she's a cost of doing that job. She's not a fixed cost or an overhead, she's a variable cost. We'll be coming to variable costs soon, so don't



forget about her. Or if you're a web designer, and you pay for a coder/developer to make your lovely designs into real websites, the cost of the programmer is a variable cost as well.

But I sell actual things... and I have Cost of Goods Sold!

This is where it gets really interesting. If you just sell your time or you sell something like software that doesn't cost money each time you sell it, I'm afraid you won't be able to play with the Cost of Goods Sold bit here. You can read it, but it probably won't apply to you.

Let's think about somebody who sells handmade quilts. He has a team of people who make the quilts for him according to his designs. Each member of the team is paid a set rate per quilt, let's call it £250. And the quilts are made from silk, which is £15 per metre, and it takes 5 metres of silk to make one quilt because of all the different colours.

Our Quilt Guy has what we call Cost of Goods Sold. CoGs, if you like acronyms. Cost of Goods Sold is also called variable costs because, yes, you guessed it, they vary according to how many you sell. You might also hear it called Cost of Sales.

For every quilt that Quilt Guy sells, he has to pay out:

£250 to the quilt maker

5 x £15 for the silk

That was fine when all the quilt makers lived in Quilt Guy's local town. But he's expanded recently, and he had to find more quilt makers, so now he has to pay £22 for the quilt makers who live outside his local area to post the quilts to him.

So, our grand total is £347 for the quilt's Cost of Goods Sold or variable costs.



You can see the importance here of working out all the details of what it costs you to sell a quilt. It would be easy to miss some of these and completely mess up your pricing. Can you see what I might have missed out of the Cost of Goods Sold for our quilt maker?

Yup, I've completely missed out all of the other little bits and pieces that go into making a quilt: the thread, the padding, the tissue paper templates, the edging. In fact, per quilt, these add up to another £17, bringing the grand total for the quilt's cost to £364.

If Quilt Guy sells 200 quilts per year and doesn't take the cost of all of these extra bits and pieces into account, he's lost £3400. After tax, that's £2500 missing from his personal bank account. Because he made that mistake, his kids don't get a holiday this year.

There are two important lessons here if you want to make sure that you can afford to take the kids on holiday.

The first is to count up all the little costs, even if they're just pennies, of making the actual thing that you sell. Otherwise, you'll start to see costs adding up where you don't expect them and your pricing will be all wrong. I've seen clients make these mistakes literally with costs in the pennies. It didn't matter so much when they were selling a few hundred. But by not getting the Cost of Goods Sold right at the beginning, their pricing was wrong and they were making a 60K loss which we had to turn around pretty quickly before the whole business went down the toilet.

The other important lesson, which I've learnt from working with clients as they grow their businesses, and from growing my own, is that as you expand there can be extra costs. Quilt Guy had the extra cost of the postage to get the quilts from the quilt makers who lived further away.

This is especially true if you're moving from doing the work yourself to getting other people to do the work while you concentrate on running the business. Perhaps other people take longer to do something that





you've got fast at, which adds an extra cost, or there are other little costs involved in having extra staff, like paying your accountant to handle payroll for casual staff.

Now you've got all some figures for all the costs and the tax you'll need to pay to get your target income into your personal bank account, we can start to think about how much you need to sell to cover all of this.

How does all of this fit into how you set your prices?

How much do you need to sell?

Whether you sell quilts, days of your time for consulting or programming, business coaching packages like me, or turtles (well I don't know, you might sell turtles) we now have an idea of the relationship between how much you sell and how much you get to put in your pocket. Next, we need to work out a good solid target number for your turnover.

In fact, as you might have guessed already, we need three numbers for your turnover targets.

Of course we do. We need a turnover target which will produce your survival income, one for the good income and one for your success income. To achieve your success income you'll probably need to use some of the ideas from later chapters (the "clever bits") which concentrate on how to repackage what you sell so you can sell more of it without having to more work yourself.

But for now, let's concentrate on the three target income figures.

If you bought the big resource pack version of this book, you can use the spreadsheet to help you work out your sales level very quickly.

A simple business, where you sell your services on an hourly or daily basis with low overheads

This is you if you're a training consultant, marketer, architect, freelance programmer or business adviser with just you working in the business, and you're working from home or a co-working space. You bill your customers on an hourly or daily rate.

What's your day rate at the moment? _____



Work out **how many days you can truly work in a year** (clue: this is not 365) _____

I can work _____ days in a year

Work out **how many of these days you can actually bill clients for**

I can bill clients for _____ days in a year

I've done this exercise with hundreds of people now and one of the things that comes up consistently is that people overestimate the number of days that they can bill clients for. People also ask me how many days a week they should be filling in for marketing and admin. Particularly when I run workshops for creative businesses, such as architects and graphic designers, or for businesses which have recently started up, people think that they can spend half a day on admin and half a day on marketing, and that that's quite a lot.

Unfortunately, the reality is that if you want to be able to send out lots of invoices to clients at a good day rate, you have to do the work to get the clients in, which means spending quite a lot of time on marketing. And if you are sending out lots of invoices, doing lots of projects, then that means that your admin will go up too, because as your business grows there is more complexity and annoying things like VAT.

But don't worry, we'll make sure that your pricing is at the right level, so that if you really hate doing all of these things, you'll be able to outsource them to other people, who will enjoy doing them much more than you would.

In the meantime, do make sure that you budget for at least a half day a week on admin. Marketing should account for another two days a week if you're serious about bringing in the work.



.....
**If you multiply your current day rate
 by the number of days that you can
 bill clients for, that will give you
 your maximum possible turnover
 figure at your current day rate.**

What does that look like?

What does that number look like if you take off your overheads, to give you your net profit figure?

And what does it look like when it's been nibbled away a bit further by all the tax you have to pay?

If that gives you your good income or your success income, then great – your day rate is already at a good level. You can read on to see how we can improve that even further.

How many do you need to sell if you're a Cost of Goods Sold business?

Let's go back to our Quilt Guy. You remember, he was our example of a business with the Cost of Goods Sold because he gets other people to make quilts for him and pays them £250 for each quilt they make. With the materials and the cost of postage, his cost per quilt is £364.

This bit of working out is relevant if you have a business like this. Maybe you are a book publisher and you have to pay the authors and the cost of getting the books printed and distributed. Maybe you are a green-grocer, a wine retailer or you run training courses and have associate trainers who deliver the courses for you, so you have costs of goods sold with each training course that you sell.

With a business like this you have to be especially careful because your turnover figures can look really healthy but only deliver a small profit,



which then gets eaten up by tax, leaving a big gap between what your business is generating for you and your target income numbers.

So, when you're working out what you need to sell to make your desired net profit, and therefore put the right amount of money into your bank account, you've got an additional step to take if you have Cost of Goods Sold.

The simplest way to do this is to work out your average gross margin. You might already be watching gross margin like a hawk because you know that that's what contributes to your profit levels, but if you're new to this cost of sales business, here's how it all works.

Quilt Guy sells 200 quilts at an average of £600 each, so his turnover is 120K

His cost of sales are £72,800

So his gross profit is $120K - 72800 = £47,200$

We work out his gross profit margin by dividing his gross profit by his sales:

£47,200 divided by 120K, which gives us a gross profit margin of 39%.

You might have different gross profit margins for different things. If you're a book publisher, the e-books that you sell directly to the public will have a much better gross margin than e-books that you sell on Amazon, because Amazon takes a slice of your profit. And if you're a greengrocer, carrots probably have a different gross profit margin to bananas. Don't get confused by all the different bits and pieces, let's just take it as an average across all of your sales at the moment.

Once you've got your average gross profit margin, you can start to think about what your target is.



Quilt Guy is doing well at the moment selling 200 quilts. Because we know what his gross margin is, 39%, we can easily work out what would happen if he scaled this up to 300 or 3000 quilts.

If Quilt Guy sells another 100 quilts a year, at a gross margin of 39%, this gives us another £23,400 gross profit. This extra gross profit immediately turns into the same amount of additional net profit because the overheads stay the same.

Now his net profit has gone from £47,200 at 200 quilts to £70,600. That gives him 60k in his pocket, which is much closer to his success income.

Try doing this for your business. Work out your maximum sales with your current infrastructure, apply your gross margin, take off your overheads and you've got a new net profit target. Take off the tax, and see how that compares to your three target incomes: the money you want to see in your personal bank account.

If you use the sales planner in the Big Resource Pack, this will do all the sums for you in one handy calculation

There are three ways that you can improve your net profit and therefore get closer to your target income:

- You can increase your price, which improves your gross margin, so there's more money for you
- You can improve your gross margin
- You can sell more stuff

Or you can do all three.

We'll be looking at all of these later on in the book, so stay tuned.

How far off your success income are you now?



Big Resource Pack note: I've made a spreadsheet to make the working out of these different things nice and simple. You can just plug in the numbers from your accounts to get some turnover targets and then compare these with your income targets. I've used this spreadsheet with clients and it has made my life – and theirs – a lot easier. It also means that you can just play with the numbers and see what different levels of turnover transform your income targets: the spreadsheet runs the calculations for you, so it's a really useful tool to see exactly how much you need to start getting the income you want.

The spreadsheet is included in the big resource pack version of the book. If you only bought the book, you can get the big resource pack version here. <http://bit.ly/2oNFHcuk>.

Here's a discount code B447IIOKMV to give you £12.99 off to make up for the fact that you have already spent £12.99 on the book.



How far are you from your target income?

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Okay, we've got a bunch of numbers to play with now. We've got:

- Three different levels of your target income
- How much your net profit will need to be to give you this target income in your personal bank account with all the tax paid
- Your overheads, or how much running the business itself will cost you
- Some costs of goods sold if you have them
 - because you sell actual things or employ freelancers to help you with particular projects

We've been working backwards so far, starting from how much you want to earn and then adding in all of the costs that chip away at your sales. Now it's time to arrive at that total sales figure: your target for the year. Prepare to be a little bit shocked by how much you actually need to sell to achieve your target income.

Let's put our figures into the right order, so we can get our numbers straight:

Sales _____

Cost of goods sold _____

Overheads _____

Net profit _____

Tax _____

Money that ends up in your pocket _____





You can fill this in here with your own numbers, or if you bought the Big Resource pack version, there's a handy spreadsheet that does all adding up and taking away for you.

What does this look like for different types of businesses?

Here are some of the numbers I expect to see – work out which one fits with your business.

Quilt Guy

If Quilt Guy sells 200 quilts a year, he should end up with 38k in his pocket.

If you are Quilt Guy – how does this fit with your target income?

Training business run from home

If you sell 60 days a year of training at £1200 a day, I'd expect you to end up with 50k in your pocket after all your costs and tax have come out.

Would this work for you if you were Ms Trainer? I wonder what would happen if she charged £1500 a day, rather than £1200?

Let's run those numbers again at £1500 a day for training – she ends up with 61k in her pocket now.

Web design business, with five paid staff plus the director in an office

Our web design business is doing okay, turning over a little more than half a million. The director ends up with £93,000 for herself.

How does this fit with your target income?

From just these few examples, we can see that the level of turnover is not directly related to how much money ends up in your pocket – because it goes through all these different stages and is whittled away by Cost of Goods Sold, overheads and tax.



How do these numbers fit with your target income?

Are they the sort of figures that you've been thinking about or do you want to be earning a lot more money? Or are they far in excess of what you think you might be able to make?

When you look at your business at the moment, what do you see? If you're like most people that I work with when we do this exercise, there will be a big gap between the amount that you're billing for and the amount that you need to bill for.

Mostly, I find that the problem is made up of several different parts. Most businesses are not charging higher prices, and this limits the sales figure. By the time this figure has been nibbled away by the cost of goods sold, overheads and tax, there is not enough left to support the kind of lifestyle that people want. Often when I do this exercise, I make the problem temporarily worse by getting people to set those three targets. Here's what people say:

"I thought I was doing okay, but now I realise that at the age of 50 I need to do a lot more saving and put at least 30K away every year."

"I knew that I wanted to make more money, but when I started looking at what I should be achieving for all this hard work, I came to the conclusion that my targets were much too low. I need to increase sales by at least 75,000 a year."

"I came to you because my business was in a bit of a mess. I used to get a salary of 60K when I worked in London and I thought I was near that now. But I'm not; I'm nowhere near it. I want to be able to buy some new boots, but I'm going to have to make do with the old ones until we get this sorted out."

You might have had a similar reaction and realised that your business isn't going to give you new boots – or whatever else was on your list for your good or great income.





Don't worry, we're going to work on your pricing right now.

.....
**Remember that changing your
pricing (and getting going with
some better marketing to make
people want to pay those prices) is
the single quickest, easiest thing
you can do to change your business.**
.....

John's story⁴

I met my new client, let's call him John, at a training session I ran. He made loads of really good contributions in the training session and helped me out because he came up with lots of ideas in all of the participating parts of the workshop. He added a lot of value to the training sessions for all the other people who came along.

He called me to set up a coffee meet-up after the training session, and I looked at his website. I was totally shocked. You really wouldn't have matched that website with the guy I met. It looked cheap and nasty and had loads of really horrible pop-ups and freebie offers on it. In fact, I had to double check that I had the right web address because it looked so much like one of those awful spam sites that you find by accident from a Google search. And it didn't have any mention of John. It didn't have a photo of him, it didn't talk about all of his years of experience, and the tone of the website was one of those emails selling cheap Viagra or life insurance.

When we met for coffee, fortunately, John was still the very experienced, knowledgeable, lovely man he had been at the training session.

But then it all came out. He used to work for a big computer company but he'd been made redundant three years ago. Because he was 55, he had real trouble getting another corporate job, so he'd ended up freelancing. He didn't have a plan, so did bits and pieces of web development work just to make ends meet. He'd been scraping by and told me that he got into some financial difficulties which ended with him having to sell his house because he couldn't afford the mortgage anymore. The debts, having to sell his house and not having regular work coming in dented his confidence. By the time he got round to making

4 All the stories in this book (except the ones about me) are based on real people. But I've disguised them, and some of the stories are based on two or three people all put into one to disguise them further.



a website for his freelance work, he didn't have the psychological resilience to put his true strength in front of people, and he had ended up making this shabby spammy looking website, desperately trying to attract customers. Of course, he didn't attract any customers and his main income was coming from the work he got on peopleperhour.com, doing web development at £30 an hour.

I could tell from working with John that he knew his stuff, and we worked out what part of web development he was interested in. Fortunately, the work he really wanted to do can attract much bigger fees than bits and pieces on peopleperhour.

To cut a long story short, John and I agreed that he would only do his current crappy freelancing for two days a week, and he would spend the other three days working on developing an entirely new business. I got him to take down the horrible website in case anyone saw it, and we put together a whole new business proposition.

In just four months, working on the new business three days a week, John developed some new packages, put them online and did some great promotion. I sent him his first customer, and John started billing at a completely different rate. He went from £30 an hour to selling packages for 2.5K. That was six months ago, and John is now selling three or four packages a month, with each package lasting for six months.

John's new problem is having too much work coming in. He's been employing people through peopleperhour, but he can't get enough qualified subcontractors, so we're working on finding him some high-quality staff.

What do we learn from this?

The obvious lesson is that John needed to charge much more because otherwise he simply didn't have enough money. Many of the rest of us could learn this lesson too.





I'd add that John needed to charge more based on his actual abilities. The reason for my cognitive dissonance, the gap between my impression of John when I met him and how he was representing himself through the website, was because I could clearly see that he was extremely able but his website made him look like a loser. He only had to package up his services in a better way to get the rest of the world believing in him as well.

We'll come back to this issue about charging according to your abilities later on.

I sneaked another little learning point in there too. Did you spot it? John had been selling tiny little projects at an hourly rate. Once he and I had finished the transformation of his business, he was selling packages of work at a fixed monthly price on a six-month recurring income model. We will definitely be coming back to talk more about packages, fixed prices and the recurring income model.

My central message – and what you can do to get your pricing right

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By now I'm sure that you've started to get a grip on my central message here.

.....
**Your prices need to be set according
to what you want to earn. And you
need to structure your business and
your pricing to achieve this**
.....

The central purpose of your business is to earn you enough money to live in the way that you want to live, to achieve the income you want from your business.

As I mentioned earlier, you probably have lots of other purposes in your business, besides earning money. I know I do. Maybe you're mostly interested in doing a great job, balancing your work with time to see your children or doing things your way. Maybe you're most interested in creating something in your business which will outlive you. Or your current business is just something you're doing to get enough cash together to do something completely different.

Weirdly, most people who run businesses are not primarily interested in money. After all, money is just an artificial concept, some numbers on a computer or oddly printed bits of plasticky paper, isn't it? When I have these conversations with clients and people on my training courses, people often tell me that they're not interested in being rich, they just want enough money to live in a reasonable way.

And you can.



You can set exactly how much you want to earn and set your prices (and your marketing, and how much you want to work) to exactly the right level for you. Only you know what the right level is for you.

Here are some examples of the kind of meaningful targets people have told me about:

"I want to be able to work three days a week, so I can spend two days a week with my three-year-old."

"I want to earn enough to put enough money away to buy an investment property for my pension."

"I end up working all the time, and I don't ever have anything to show for it. I'd like to be able to buy some better artist supplies and have enough time to see if I'm any good as an artist."

"I'd like my customers to value me enough to pay £1000 a day for my time."

Out of hundreds of people I've had these conversations with, I can think of two people who have made me think, wow, that's a bit greedy. Two people. Everyone else seemed to have very modest aspirations indeed – in fact, I'm usually trying to tempt people to make a bit more money just so they can save a bit more for investing in the business later on or for their retirement because I'm worried they won't have enough money for the future.

We now know what your three levels of target income are. The rest of this book is about how to get you there. We will look at all the areas which are holding you back from charging what you need to charge to get your business on track to provide the right income for you.



A quick note on hard work

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One of the best – and the worst – things about running a small business is that it takes a lot of hard work to make your business a success. And because you're reading this book, I know that you also know that you have to do the hard work in the right area. It's not just grinding away doing any old busywork, it's doing the clever things which will make the difference to your business. If you do the right things and work away at them over time, and stick to doing the right things, you will get there.

If, however, you have already slipped on your commitment to hard work and you haven't completed the exercises in the book so far, then the rest of it won't be as meaningful for you. The first part of the book was all about setting your targets and getting realistic about what you want to earn, and the gap between where you are now and where you want to be. I've read hundreds of business books, so I know what it's like. Sometimes I just like to read them through, maybe skipping through the exercises and not doing them.

If this is you, before you go any further, I have a couple of suggestions about how to work out your target income.

How to cheat

First suggestion – just have a go. Even if you don't want to get into the work right now of writing down what you'd like to be able to afford in your success income, pick a number. If you want to cheat, pick 60K net profit, which equates to 50K in your pocket.

50K is the number that researchers into the subject of happiness have found to be the amount of money that, on average, people need in the Western world to make them happy. It seems that any money after that level doesn't contribute to our happiness. But if we're earning less than this, money does contribute to our **unhappiness**. Because (on average)



below that level, we're not financially secure and we end up worrying about money.

Now, just have a little look at your accounts and see how far off that number you are at the moment.

Second suggestion - when you've read the rest of the book, go back to the beginning and set your targets more accurately. Re-read those sections and work through the exercises. They'll probably make a lot more sense the second time around. The reason why we're going into so much detail is so that you have accurate targets to work towards and something very concrete in your head.

There's lots of research into how we human beings are motivated and how our brains work. It seems that setting a random target doesn't stimulate us to meet that target. If you've ever worked in an organisation that has sales targets, you'll know exactly what I mean. Your boss gives you a sales target of 100K this year, but it doesn't mean anything to you unless you compare it to what you sold last year or last month. That's why traditional sales managers give out rewards, such as fancy cars or holidays in Hawaii; it's not because their staff want fancy cars or holidays in Hawaii, it's to make the sales targets meaningful and tangible.

By working through the exercises in the book you will get a much better version of what is meaningful for you, rather than your boss giving you the keys to an Audi. Your targets will be rooted in the things that you care about.



What we'll look at in the rest of the book

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You know that it's not as simple as just raising your prices. Otherwise, you wouldn't be reading this right now. If you knew exactly what you needed to charge, whether that's £100 per hour, £1000 per quilt or 10K per week, the simple advice would be to raise your prices to that level.

I know from all of the hundreds of people I've had this conversation with that you won't do that.

Whenever I suggest raising prices, people start bringing up all kinds of objections. At the moment, you probably don't have the confidence to just go ahead and increase your prices – although if you're tempted to try this on Monday morning, then that could be a great start.

If it's not going to happen on Monday, then we need to talk some more.

- We'll talk about what might be holding you back from charging more and how to feel good about raising your prices
- We're going to look at some great ways to persuade your customers to pay more and feel good about it
- We'll look at ways to increase the value of what you sell to your customers
- And we'll talk about how to attract customers who will pay what you need to charge, and how to ditch the ones who can't afford you
- After that, we're going to look at how to make sure your potential customers are wowed by what they see and asking you if it's possible to buy from you.
- Once we're done with that little lot, we'll move on to talking about how you can maximise the income you get per customer by changing your underlying business models



How to feel good about charging more

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Your confidence is probably one of the main factors in not setting your prices high enough. Most of us battle with being able to set prices higher. We might have fears around not being good enough, we might worry that our clients will desert us, or we might feel that we can't "get away with it". Some of us might feel that our products aren't as good as other people's or that people will simply never pay that much. During the recent economic difficulties, this has been a big factor for many businesses; the feeling that they just need to hold on to the clients they have and that this isn't the right time to risk increasing prices.

Some of us have been told from an early age that we mustn't be too pushy. I certainly was: don't stand out, be a good girl, don't think that you're better than other people... Lots of us were given a good dollop of all that crap when we were young. But when we're adults we can look on many of the things we were told by our parents and teachers and see them for the nonsense they really were. It's particularly interesting to see how my female clients are often less assertive about pricing than my male clients. And, of course, it's a peculiarly British trait to not want to be seen as arrogant or pushy, whereas other cultures have more of a 'go ahead' attitude or a history of haggling for even the smallest of transactions.

But confidence in business (or the trick of making yourself confident) is one of the key success factors needed to grow your business. Sometimes we could all do with being just a little more assertive, and take a few small carefully calculated risks. This book is all about helping you to do this and feel good about doing it. We need you to smile when you look at your profit and loss account.

Here are some of the things people have told me about why their prices are lower than I think they should be:



"I'm just starting out, I can't charge more."

"I don't want to appear greedy."

"I don't think my customers would like that."

"I don't think my customers would pay that much."

"I'm not doing this for the money."

"I just need enough to live on."

"Some of my clients don't have a lot of money."

"They can do this for themselves for free."

"They can use X product for free."

And here are some of the things I say in response. (Pick one of the objections to raising prices that you might say yourself and see what you think when you hear my response. Some people have told me that it's helpful to say these things out loud, so you hear the whole discussion.)

You: "I'm just starting out, I can't charge more."

Me: "Why not? Does anyone know from your website that you're just starting out? They don't need to know that."

Or "You have 15 years of experience, you've worked with the best people in the world, and you've just told me that the clients at your last job loved what you did."

Or "Is it fair to your clients to offer them something that looks like a cheapo service from someone who has just started out and doesn't know what they're doing?"



That last one was a bit harsh, I know. I did say it once to someone who was amazingly talented at some technical stuff I didn't understand but had somehow adopted a pink logo with a cartoon version of herself.

You: "I don't want to be greedy."

Me: "It's not greedy to want to earn a good living. It's greedy to be the CEO of a big corporation, pay yourself a five-million-pound bonus while sacking your lowest paid staff and not paying any corporation tax. That's not what I'm hearing you say that you want to achieve, so I'm not getting even the slightest hint of greediness."

You: "I don't think my customers would like that."

Me: "But would they pay it? We don't necessarily need to be liked by our customers; we just need them to pay for a good product and feel that it provides them with what they need."

You: "I don't think my customers would pay that much."

Me: "Shall we try?"

We'll talk soon about how you can test out your increased pricing and see whether customers will pay it. When I've done these tests with clients' businesses, hardly any new customers blinked at all at the new prices. Plus you can test out when the point comes where you risk losing business because of higher prices and make sure that you don't go beyond this point.

You: "I'm not doing this for the money, I just need enough to live on."

Me: This is where I start to ask people about how much money they need to earn, and then we can work back from that point to set the right price.

You: "Some of my clients don't have a lot of money."



Me: There are a couple of answers to this one. For some people, this is true. They're selling something which is purposely aimed at people without a lot of money – for example, a charity providing English language lessons for refugees, or a club promoter selling drum and bass nights for students. Sometimes, increasing the prices as much as you can may not be the answer, as you would either lose customers because they simply can't afford it or they choose to go to one of your competitors. The charity might need to maximise profit as much as any other business, perhaps more so, because they need to help as many people as possible. If you're in this sort of situation you should pay close attention later when we'll talk about clever ways of pricing and packaging services together to help the maximum number of people.

Our drum and bass club night needs to look at its product. If you're selling something that people only buy because it's cheap, then you've got all sorts of problems: there will always be someone who can come up with something cheaper to compete with you, including your customers organising their own parties. If you're a small business and people are only buying from you because you're the cheapest, that usually means that the business doesn't have long to survive or is just incapable of making a profit. If this is your situation, you might need a major rethink about what you're selling and who you're selling to, or even if you should be in that business at all.

Other times, businesses might believe that their customers don't have a lot of money – but this simply isn't true, it's just an assumption. Often this assumption comes from the business itself: because you've been pricing too low, you don't have any money, so you assume that no one else does either, and you're caught in a vicious spiral. If your clients really don't have any money, maybe you're looking at the wrong clients. Because I'm based in Brighton, where there are lots of tiny businesses and not a lot of money in the local economy, I often advise local businesses to forget about selling to Brighton businesses and concentrate on selling 50 miles up the road in London, where there are lots of medium-sized companies and a whole lot more money.





You: "They can do this for themselves for free."

Or "They can use X product for free."

Me: Well, yes they could. And I could clean my own flat and not pay for my cleaner, or use Open Office instead of Microsoft products, or do my own SEO. But as long as you can provide something which is better than the free products, frees up time for people or offers more utility, then it's okay to charge a little more. Or maybe a lot more... Microsoft Office is about £169, which is a lot more than the free Libre Office. But it's a little bit prettier, includes Outlook, which many people can't do without, and hardly anybody's even heard of Libre Office because they do zero marketing.

Assuming that you're going to charge something for your product, we might as well set the price at the right point and maximise your profit while we're at it.



Get better at what you do

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Most of the objections to increasing prices are based on a lack of confidence, often around ideas of not being good enough. Let's look at the most obvious way of getting around that: getting better at what you do.

If you're not sure that the software you've developed is good enough to price at the top of the market, what do you need to do to make it better? Are you the best yoga teacher in the world? Or at least in... wherever you live. Do you make the cutest teddy bears or the best environmental cleaning product that you can possibly make?

If your answer is resoundingly yes, then skip ahead to the next part about how to make yourself look good so people will pay more. If not, here are some thoughts on how to make sure that you're the best.

To maintain confidence in yourself, feel good about what you sell and feel that you're worth every penny someone pays you, it's important to spend time and money on investing in making what you sell genuinely really good.

Quite often the person who cares most about the quality of what you're selling is you. You sell this stuff every day, you live and breathe it, and it's probably really important to you. It should be, as caring passionately about what you do is another of my key success factors for business. But let's be honest: your products are important to you, but they're probably not at the forefront of your customers' minds all the time. Your customers have other stuff going on in their lives; to them, you're just another supplier.

Here's how to get better at what you do

- Learn more. The people I've worked with who have been very successful and charged a lot of money for what they do are people who have spent a lot of time learning how

to do what they do really, really well. I don't mean go and do a degree or an MBA, but if you want to genuinely make the best handmade teddy bears in the world, watch a YouTube video on sewing techniques to help you make your teddy bear leg seams stronger. If you want to be a hot in-demand coder, take an online course on new programming techniques; and if you're going to be the best yoga teacher in your area, go on a super advanced yoga course to find out about extreme breathing techniques.

- Learn around your subject. Most people learn about their own area of expertise and define that quite narrowly. But the people who are truly exceptional (and therefore who can easily justify charging the top prices) tend to learn about all sorts of stuff around their subject. So, if you want to sell the cutest teddy bears, maybe you need to know about the history of teddy bears, what makes for the highest priced collectable antique bears, and a bit about child psychology and attachment theory.
- Practice. Malcolm Gladwell says that you need to have spent 10,000 hours doing something to get good at it. That's about 10 years of doing 4 hours a day of what you do, every working day. That's a hell of a long time. If you're new at what you do, then get in as much practice as you can. If you're a trainer, find groups that you can train for free, just for the chance to get in a room and do your thing. If you make exquisite high-end corsets, you need to do a lot of practice pieces. Doctors practise suturing on pigs' trotters for hours on end before they get to have a go on humans, so think about what your equivalent of the pig trotter might be to practise on.
- Get a mentor. I don't necessarily mean a business mentor like me (although that can be a good idea too) but find yourself someone who is already good at something similar



(but maybe non-competitive) and see if you can hang out with them and help out. A trainer might want to volunteer to co-facilitate at a meeting with someone who trains in a different area, just to get the practice of being in the room. Or they might volunteer to work alongside someone who is experienced in working with a difficult group, such as working with unemployed people who are learning maths.

- Hang out with other people who do something similar. It's often really useful to be around people who are interested in the same things as you. If you're a designer, you might want to join a design networking group and immerse yourself in the world of people who care about typography. If you can't find a similar group near you, find one online or set up a Meet-Up yourself. Often, people can be sceptical when I suggest this, especially if they're pretty experienced. They feel I'm effectively telling them to work for free when we're supposed to be working on getting them more money. But as long as you're not giving your real work away for free, this strategy works well. Firstly, you're getting practice, which is always going to make you better at what you do. Secondly, you're getting more confidence (especially if you do things which are slightly outside of your usual way of working, like working with a difficult client group) and you're establishing a group of people who know you and know your work, so there's a good chance that they're going to recommend you for something that you can get paid for.

Here are some examples of how it's worked

Nick Price, my futurist consultant client, volunteered to speak at the National Museums Association conference. They didn't have any budget to pay him his usual rate for speaking but paid his expenses to go to Newcastle. Nick got some great photos for his website, some material for a blog, and had fun talking about the museums of the future. A few



months later, one of the museum CEOs he'd spoken to at the conference booked him for a paid facilitation session.

Susan Carroll has 20 years' experience of high-level executive coaching but is one of the most curious and open-to-learning people I've met. Susan spends a lot of her time reading management books, keeping up with trends in her clients' industries and going on courses. Because she's constantly improving and learning new things, Susan's at the top of her game and can command very high day rates – and get them.

Wendy Ward runs MIY Workshop teaching people how to make their own clothes. Wendy has been in the clothes industry for a long time, has written books on pattern making and sells her work for very nice prices. But she's always trying out new techniques and learning how to work with different materials. I was particularly struck by a tweet Wendy sent out on Boxing Day one year, saying that she was in her workshop on her own working on some new patterns and couldn't imagine a nicer way to spend her holiday. That's a woman who loves to play at learning.

I'm over my 10,000 hours of coaching business people because I've been doing this for a long time, but I still need to get better all the time, as this is difficult, complicated work. I've learnt tons by trying out different things on my clients and asking them for feedback. I've worked with unemployed people who are starting up their businesses and learnt lots from adapting my techniques to working with clients who don't speak great English. I've also done lots of training sessions for free for Brighton and Hove's Chamber of Commerce, which offers low-cost business training in all kinds of subjects, including the one about pricing for creative businesses, which led (eventually) to writing this book. Interestingly, by spreading myself around to get better at what I do by practising – and especially practising things that might be a bit different to what I normally do – I get referrals and clients. Which is always nice.



This might seem like a huge reversal of what I've just told you, but I do have a word of caution here. Sometimes, all the learning, practice and courses in the world will never be enough to make you feel confident that you're good at what you do. If you're someone who has already done a lot of courses and learning, and you're still not sure about your strengths, this isn't the right route for you. It just won't make any difference to how you feel.

But it will make a difference to how much progress you can make with your business. There's always one more course you can do, one more article you can read – and though these might not make you feel more confident, they will help you to get out there and do the marketing to sell your stuff.

I know this because I've been that person. I love learning new things and obsessively devour new books and courses. But what I don't love is that sickening feeling of overwhelm that comes when I realise that what I'm doing isn't perfect, and that there's always more to learn. Ironically, of course, the more you learn about something, the more you realise that there's tons more to learn.

If this is you, then we're going to have to use a different technique. You're going to have to just go out there and do it, with the knowledge that you're not perfect. Welcome to being human – we're all winging it to some extent.

The next part of the book is not about how good your service or product is because you'll probably never be able to be objective about this. The next part of the book is much more important than what you think – it's about whether your customers think it's good, and how to persuade them that it's brilliant.

Let's have a look at how to do just that.



How to get people to pay more

Which breakfast cereal did you have this morning?

Some people will have had Sainsbury's Basics Cornflakes. 65p for a bag of cornflakes - or 13p per 100g. Great value! Cheaper than chips!

And I'm sure they're very nice. They would do the job of filling you up in the morning; no need to cook anything, prepare anything, just pour them into a bowl, add some Sainsbury's Soy Milk (85p a litre) and you're away.

So why don't we all eat these for breakfast?

This is what I have for breakfast:

Muesli I make myself from Mornflake oats, brazil nuts, cashew nuts, Waitrose Orange River sultanas, cocoa nibs and sunflower seeds, coconut milk, organic yoghurt and maple syrup.

I have no idea how much this lot costs per portion, but it's a lot more than a bowl of Sainsbury's Basics Cornflakes. Probably 30 times the price, plus the time to chop all those nuts and shop for the perfect fairtrade cashew nuts.

But it's still breakfast. I think it does me good but I'm not a nutritionist, so I don't really know if it's the right thing for me. It does fill me up and make me feel like I've looked after myself and, of course, it tastes better than soggy cornflakes. Unless you're my friend Tim who thinks that muesli is only a fancy version of what horses eat.

To me, my muesli is better because:

- I made it myself so it must be good
- It has healthy things in it, so I'm investing in myself



- It makes me feel good
- I'm less likely to be in a bad mood after I've cycled to work because I've had some complex carbs, fats and lots of protein from those expensive nuts

I'm paying 30 times the price for something I have to make myself because I perceive it to be better for me, and I like it more.

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**How do you persuade people
to pay more? You make
them think it's worth it**

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That's what the rest of the book is all about - how to persuade people to pay more using a mixture of ways which make them think it's worth it.



Make it look good

If pricing is a marketing issue, then marketing is a pricing issue too. The better your marketing, the more people want what you are selling and the more you can charge for it.

The first marketing lesson builds on what we've just been talking about: be confident. Work on becoming more confident, so that you totally believe that your clients will benefit from what you're selling them. And if you're not feeling confident today or this week, just make sure that you sound confident.

If you're confident about your business, or at least sound as if you are, you can talk about what you sell in a way which makes people want to buy from you. Make sure that you talk about it from the customer's point of view, in particular the things which customers value from you. And talk about it positively. If you're selling something like IT security, which is all about businesses protecting themselves, don't talk about the threats out there, talk about how you take care of all the complicated stuff so that your customers don't have to worry about online threats.

If you're not sure what your customers value...ask them.

If you don't have any customers yet, ask some potential customers what they would value the most, in order of priority. In fact, do this even if you have lots of customers because it's a great way to engage with people who might buy from you and get them to think about what you do.

Then take a cold hard look at your marketing material. Make a list of all the ways in which a potential customer might find out about you. This might include:

- Website
- LinkedIn



- Twitter
- Google local
- Business card
- Facebook (including your personal Facebook page)
- Directory entries, e.g. your page on your local Chamber of Commerce site, your restaurant's page on Trip Advisor.
- Reviews of work you've done

Check if these all consistently represent what you do (from the point of view of what the customer values) and what you want to stand for. It's amazing how many different messages can creep in over the years, and how many confusingly different versions of ourselves we can have out there. Any one of these can be the first thing that a potential client sees: don't assume that they'll come to the homepage of your website first.

Make sure that all of these things look like the quality product/service you're proud of and want to sell. If your website is tired and out of date, get it redone. Have a great big tidy up and polish your online footprint to make sure it reflects you at your best. Then go through it all again with a fine-toothed comb to make sure you haven't missed anything.

Finally, add in the things that are often missed which will make you look brilliant.

Add in client testimonials

Get clients to talk about what they value about you. Your customers are much more likely to want to buy from you and buy at the right price if someone else says that it's great. After all, I could tell you that I'm the best business adviser in the world, but you're much more likely to believe one of my clients if they say it.

Here's my statement: "I'm a really good business adviser, and you'll definitely make more money if you work with me."



Well, I would say that, and there's no evidence for this being any more true than these statements:

- "My special blend of muesli cures cancer" (unlikely to be true)
- "I stood on my head for hours while dictating this book" (definitely not true, the headset would fall off)
- "I wrote this book in a week" (it took two years)

But if you listen to other people:

"The difference between working with Julia now and where we were is enormous" –Joanna Nutley and Kate Ashton, Nutley's Kitchen Gardens

"She has a great brain and is full of ideas for how to develop my marketing" – Nick Price

"Vervate is already doing really well: we're getting tons more enquiries for the new services and I'm able to suggest much more interesting and innovative things to our existing customers" – Susi Doherty, Vervate

These statements are very different, aren't they? They all talk about some particular aspect of working with me that someone has appreciated, and they are from real people.

One thing I did recently for my own site was to get two of my clients to talk to one another about what they liked about working with me, and I got someone to video it. I had to hide in another room while they did this and, to be honest, it was quite nerve-wracking. But of course, they said very nice things (in fact they were much more complimentary than if I'd written them a script) and it looks fantastic on my website. I highly recommend it.



Some clients will be happy to write a testimonial for you, but others will need a bit of prompting. Others will say that they'll do it but forget because they're busy with their own stuff. Feel free to write something for them, send it to them in a Word document and invite them to add to it or edit it.

Testimonials are a great way of making people think that what you're offering is packed full of value. Most of the people I work with don't regularly collect testimonials from clients because they're too busy chasing new clients. But if we work on your marketing and show people how brilliant you are, you won't need to chase new clients so much, because you'll be able to charge a lot more.

So, make sure that you spread the word about what people say about you and your work.

Write about what you love about your job

Write a piece about what you value about the work you do. Get into detail about this, if you're a coder, write about the magic of creating a piece of elegant code that works. Write about seeing smiling faces, clients who make more money because you changed the size of the buy buttons on their website, customers who have more time because you took all the boring bits away from them. If you're an accountant, write about how you've always liked things to be neat and tidy, so sorting out clients' finances makes you smile. It's very powerful for your potential customers to know that you enjoy your work, and they'll believe that you'll do a better job for them if you enjoy it.

Write a story

Tell the story of how you got into doing this. Tell the story of how you feel when you wake up in the morning and get to go out into your small-holding and see how the kale has grown. Tell a story of how you've had to overcome some hurdle or adversity to get this business working. It's



the stories that people remember, not your bullet point list of why your kale is better than anyone else's.

Do some of these stories as videos. You can film a video on your phone, put it out there on Facebook, and suddenly the world knows the story behind your business.

Optimise

I'm going to get back to talking about pricing in a minute, so I'm just going to mention here that most of the small businesses I see haven't spent much time optimising their websites. The ones that have get more enquiries from more potential customers, and are therefore able to sell their wares for better prices.

Network

Get out there. No matter how brilliant you know your service to be and how beautiful and shiny you've made it look, you still need to tell people about it. Most of us don't get out there often enough, and when we are out and about with other people who might be able to help us to sell or might even be interested in buying, we don't tell them about what we do. We don't sing our own praises often enough. By networking, I mean any activity where you can talk to other human beings about your work, so this might be online through interacting on Twitter, commenting on other people's blogs, or in the real world by joining Meet-Up groups, business networking groups or telling the other parents at your kid's school.

Remember:

- tell stories about your work to engage people, rather than trying to sell to the folk at your book group
- be upbeat and don't whinge (remember the stories about what you like about your job)





- if people are unlikely to understand or go blank about your work (this often happens if you work with computers or figures or something complex) break it down into simple metaphors. They don't have to understand the finer points of what a stock control data analyst is, but if you talk about how you found that your client's company was wasting 100K a year on keeping the non-selling stock in the warehouse, so you recommended that they send 90% of the poorly selling lines to Indian orphanages, they'll get a little bit of the picture.

Make your customer feel good

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We're all used to marketing which says how good the product is. And we're used to testimonials which have other people saying how good it is. These are all useful and necessary – but just how interested are your potential customers in how good it is?

What they're interested in is whether what you sell will meet some emotional need. The more you can meet their needs, the more you can charge for what you sell.

We're all selfish. We all want things that will be good for us in some way. Maybe I want the best-made dress or one that's not made by people in sweatshops, and I'm interested in the reviews which talk about how lovely the fabric is. But ultimately, I want a dress which makes me look attractive, gets me compliments from strangers and is the favourite item in my wardrobe. Selfishly, I want a dress that makes me feel good. That's my true return on investment.

All of your customers are human beings – and every human being wants to feel good. The dress example is a simple one, but you can work out what's going to make someone feel good with all of your marketing, no matter what you sell.

Here are some key customer motivations to think about:

- Does your customer want something that other people will envy or talk about?
- Do they want to be admired for their clever purchase?
- Do they want something which will make them feel higher status? This might be a luxury car or art, or it might just be something around your brand which demonstrates that they've achieved something in life.



- Do they want something which will save them time?
One of the biggest human complaints is that we don't have enough time. People will pay more for something if you can demonstrate that it will save them time or make them more productive.
- Do they want help avoiding something tedious? We all hate certain tasks and will go out of our way (and pay more) for something that does the boring stuff for us.
- What would they pay for added security and peace of mind?
- Will they pay more for something that reduces guilt?
- Will they pay more for convenience?
- Will they pay more if your product makes them feel healthier? Not just a claim that it's healthy – we all know that blueberries are good for you – but something which makes them more alert, feel better, or look better.
- Do they want to look younger?
- Maybe they want to show allegiance to a particular group or belief which makes them feel good about themselves?
- What makes them feel that they've met their targets or desires?
- What tools make them feel that they're using something that only professionals use?
- What can you sell that makes your customers feel special?
- What makes them feel that their families are safe and looked after?
- What makes them feel that their futures are safe?
- What makes them feel that they are playing in the big league now?



- What helps them to make more money and be more profitable?
- Are your customers motivated by association with something or somebody they think is great?
- Do your customers want to feel in control of their lives or their businesses?

Think carefully about what motivates your particular customers. It might be very different to what motivates you.

Here are some great examples of how different brands have made things appeal to various customer motivations.

Be consistent, so life is easy for me

Morning Star makes 10% of the world's processed and canned tomato products. I'd never heard of them until I saw a talk by their CEO at a conference about progressive-minded businesses. They sell exciting sounding products like "31% concentrated crushed tomatoes", which you can buy in a 300-gallon bin – so you might not have heard of them either because they sell to other companies who use their products to make the things that you might have heard of (or at least eaten). Morning Star's CEO Paul Green was speaking at the Meaning Conference because Morning Star has some very interesting ideas about how to let their 2400 staff manage themselves.

Although his talk was fascinating to people like me who are interested in business and management, Paul pointed out that Morning Star's customers are not that interested in all the self-management stuff.

What they want is a consistent product. Imagine that you make huge quantities of microwave dinners. What you want is a just-in-time delivery of concentrated crushed tomatoes which is exactly the same as the last batch you got. You don't have time to adjust the cooking time for



your lasagne sauce, you just need to pour in the 300-gallon bins and get them cooking.

Now maybe some of Morning Star's lasagne-making customers totally agree with their way of working. But that isn't going to make them buy Morning Star products unless they also make consistently tasty tomatoes which will not cause any problems or upsets on the lasagne production line. The main customer motivation here is: make my life easy.

No thinking, no hunger, no guilt and I get a present!

Graze Boxes meet customer motivations in several areas. Firstly, their healthy snacks make customers feel that they're eating something good for them – but still tasty. At the root of customer motivation, this gets rid of hunger (a primary motivation) but also the guilt that you might feel if you ate crisps or sweets at your desk. Secondly, Graze boxes are convenient. If their customers only wanted healthy snacking, they'd get up early in the morning to peel and slice carrots to take to work. But who has time for this?

Graze send you a different snack selection in the post every week, so you just have to pop them in your bag. Although you might not be hungry at your desk if you had your little box of carrot sticks, you'd get bored of them quickly. Because Graze have put a lot of time and effort into thinking of great flavour combinations, you'll always be surprised by what you get in your box. And above all, because you're paying on a subscription basis, you don't think about the price. You've already set up the subscription, so the Graze box delivery is like a little present in the post for you.

It's a very clever model because if you had to think about paying £1 for a tiny little plastic box of wasabi nuts, you wouldn't buy them. Graze must have some very enviable gross margins. Let's learn from them.



Super fast, no learning curve, don't make me think about boring things

Pensions are boring for most of us at the best of times. When you're running a small business, the last thing you want to have to think about or learn about is how to set up a pension scheme for your employees. That sounds like something that could drag on and seriously distract you from all the other much more interesting things on your to-do list, right?

But the UK government made it obligatory for small businesses to set up pension schemes for their employees, probably because so few of us had done so before. They brought in new laws requiring "auto-enrolment". Unfortunately, it wasn't automatic at all; you had to set up the scheme for your employees.

The clever people at Secure Pensions (www.autoenrolment.co.uk) realised that there was an opportunity here. They offer to set this up for you, free of charge, in minutes. Now, of course, it won't be free of charge because Secure Pensions will make some nice fees out of all the money your company and your employees put into the pension scheme over the next 30 years – but it won't cost anything now. Their selling points are "fast, secure and free".

I want to show the kind of person I am

I wish I could include pictures in this book but you'll just have to go over to <https://www.hippyclothinguk.co.uk/> to see why I love what this brand has done. I would never wear one of their multicoloured patchwork cotton grandad shirts, but I know people who would. They have identified a niche: people who want to show their values all over their shirt sleeves with fair trade, brightly coloured hippy clothes. Their website looks as if someone knitted it themselves. It might not be to my taste but it's a great idea, and their customers will love their products.



Demonstrate the value of what you sell

One of the best ways of making your customers happy is to make sure that they have more money in their pocket. If you're selling to consumers, this means either saving them money, making them feel like they have more financial security or helping them earn more money. If you're selling to businesses, this means that paying you will create more sales for them, or will save them money they're currently giving to someone else.

Here's a conversation I had with Susanne, one of my mentoring clients, this afternoon:

Julia: Your marketing packages mean that your customers will make more money. We need to make that clearer on the website.

Susanne: But I can't guarantee that. I can get them lots more qualified leads, but I can't guarantee that they will make the sale – ultimately that's up to them.

Julia: Well, yes, that's true. But it seems pretty simple to me. They give you two grand a month, you do your magic stuff with the marketing and create potential customers for them which are worth ten grand a month. You give them a money-back guarantee, so there is zero risk to them. As long as we can get this across to people properly, it becomes a no-brainer. I'd happily give you a cheque right now for two grand if you can give me ten grand in six months.

Susanne laughed uncomfortably. We then sketched an infographic which she could use on her website to show how she can create those leads for her customers. She went away and found somebody who made up the infographic which is now on her website, on one of her most popular sales pages.



Susanne is a clear example of somebody who can legitimately demonstrate her return on investment to the clients. She helps people with all kinds of complicated online marketing services, and because this is all trackable, her customers can see that the money they spend with Susanne comes back to them five or ten times over.

But what if your services are not as easily trackable as Susanne's? How do you prove that people can make more money or save money if they invest in working with you?

How can you demonstrate the value of what you sell? Here are some ideas of things you might use:

An investment they can't do without

Encourage people to see paying you money as an investment they can't live without. Use the word "investment" in your discussions with prospective clients, including in the marketing they see before they've even met you. Make sure that they don't see working with you as a "nice to have" because the "nice to haves" are the first things people will cut if they feel under any financial pressure.

Give them the science

Find a way to make the impact of your work trackable. Make it look scientific – that was why I got Susanne to make an infographic: infographics look like facts, so people are more likely to believe what they read in them. Give people some statistics about your work and the impact of your work.

For example, how many hours of staff time would using your services free up? If you are selling to businesses with a number of staff, you can multiply this number of hours by the cost to the business of that member of staff. If you're selling to businesses which are mostly one-person, you can go even further and offer to free up X number of hours of the owner's time, which allows them to go out and get Y amount of business.



Does using you mean that a business will save money? There are lots of companies around which will offer to save me money on my utility bills but maybe you sell something which is traditionally seen as more cuddly. As an extreme example, exactly how many days would an average company save by bringing in a mindfulness coach? Preventative health management like this is usually sold as something that only quite rich companies can offer as benefits for their staff because they want to be nice to their employees. Maybe you could position this instead as an average number of days of sickness saved + the number of hours added to employee productivity because they're more focused on their work + the number of hours that staff are freed up to work because mindfulness helps employees to lose bad habits like smoking or constantly making cups of coffee.

Can you show this ROI with some statistics and facts, rather than just assertions? If you tell people that your mindfulness coaching will improve sickness absence, they'll probably continue to think of it as a nice to have and not bother investing in it. If you can show a definite correlation with some figures, this means you're creating a solid business case, not just a nice-to-have luxury.

What's the added value for them?

What can you provide that ends up as a value-add for their customers? If you sell superfast Internet connections which can work across a large number of users at once, you want to make it very clear to a hotel chain or conference venue that this will allow them to charge more for their customers. I would back this up with statistics – or even commission my own survey to show how important reliable fast Internet is to hotel guests and attendees at business conferences. Then I would put a price per attendee/guest on this.

Will they need fewer employees because your service frees up so much staff? Many companies are not using the most up-to-date technology or are not joining up that technology to make their employees work



more efficiently. If you can show that they need fewer admin staff, or they can redeploy Jenny from reception to do something more interesting and moneymaking instead, this shows a definite saving for them.

Here's how to demonstrate the return on investment you can bring for your customers before you sell to them:

Make sure that you use some great examples on your marketing material. These could be examples from customers that you've already worked with, examples you work up from industry averages or just little stories you make up about hypothetical customers.

Make sure you include real numbers in these as much as possible. Don't do it in a boring mathematical way, think about making a video or illustrating it graphically, so that people can absorb the information quickly and will remember it.

Give them a little calculator to work out what they might be able to get from working with you. You can easily embed this on your website

Or, even more cleverly, offer them a spreadsheet to work out how much they could save or how much extra they could make through working with you or by using your product. To get the spreadsheet they have to give you their email address, and you can follow this up with an automated series of emails which builds your relationship with a potential client and makes sure that they come to you for that product when they're ready to buy.

The super clever people (especially if they're selling a higher price offering) will offer a free consultation to help people work out how much more money they could make by working with you. This instantly transforms your relationship from one where you are trying to sell something to one where they want to buy from you. Instead of trying to persuade people to grant you the honour of a meeting, where you are in a low-power position, you can meet them when they already have





an investment mentality. You can charge more money to somebody who is keen to invest in working with you, rather than somebody who is suspicious or bored because you're trying to sell to them.

The problem with “faster, cheaper, better”

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One of the business creatures that I love to hate is the exhortation to make something faster, cheaper, better.

These are all good things and can work as a source of differentiation. For example, I need to get my laptop repaired this week. I could take it into a local shop but I'd have to find a shop, take the laptop in, tell them more about it, and then go back and pick it up when it's hopefully fixed. Instead of that, I'll use a service called Geeks on Wheels, where a nice man called Jon comes to my office and either fixes my laptop there and then or takes it away to fix and then brings it back to me. Geeks on Wheels is a good example of something which is fast and convenient that I'll happily pay extra for, for not having the hassle of dragging my laptop around town.

However, the problem with the “make it faster, cheaper, better” approach is that to do all three is almost impossible for a small business. Geeks on Wheels make it faster for me, but they're not necessarily better, and they're certainly not cheaper

The point here is, do make people perceive your service is better through being faster or in some way better than the rest – but don't try to make it cheaper. That's the kiss of death for most small businesses and the exact opposite of what we are trying to get you to do by finding your sweetspot pricing.



How you can appear to be faster

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"I don't have enough time"

"I ran out of time to do that"

"There just aren't enough hours in the day"

Most of us don't have enough time to do everything we want or should do.

If you can highlight how much time you can save for your customer (and what they might be able to do with that time instead) you can charge much better prices and get people to buy more stuff, all at the same time.

.....
**Which means much
more profit for you**
.....

So, how can you make your product or service appear to be faster?

You might want to adopt the Geeks on Wheels approach by having a service which appears to be faster for the customer.

Is there something about how you deliver your service which makes it much faster and more convenient for the customer because they don't need to move from their desk because you deliver to them? This always appears to be faster because it allows customers to do something else at the same time.

How Deliveroo pretend to be faster to get you as
a customer

When I get home from work and I'm tired and hungry I have a number of options for very quickly filling my stomach. My personal favourite is a fried egg sandwich, which I think takes 3.5 minutes, but perhaps isn't



the healthiest of all my diet options. I can knock up a chickpea curry and rice in about 12 minutes, but I can only do this if I've previously been to the shops and bought my curry spices, plus tinned chickpeas and tomatoes. I'm sure you have your own favourites for exactly this situation.

The slowest way of sorting out my tired and hungry problem is one that is sold as the fastest solution.

I can go online, pick my favourite restaurant, pick what I want to eat and order it from Deliveroo. I don't have to talk to anyone; I just need to put in my credit card details. And then 30 minutes later, someone turns up on their bike with my dinner. The traditional version of this, of course, is to dig out the takeaway menus from the kitchen drawer and order a Chinese meal, an Indian curry or a pizza by phone.

But wait, that's cost me at least a tenner + the £2.50 fee to get it delivered. Plus, even if you know what you want, it's going to take you at least a couple of minutes to put your order through and 30 minutes before you get your food. That's expensive. And it takes ten times longer than my fried egg sandwich and at least twice the time of my chickpea curry. But it appears faster for the customer because it's only two minutes of your actual time. You can spend the other 30 minutes thinking about how hungry you are and changing into your pyjamas.

Have a look at how Deliveroo sells.

Their strapline is "Your favourite restaurants delivered fast to your door". The first thing that you see on their website is the idea that it's fast. They give you a timer, so you know that you can have your dinner by a certain time. I'm writing this at 11:45 AM, and I could have a veggie burrito in front of me by 12:15 PM. By using that little real-time calculator, they make it seem immediate, even though it's not. Amazon is also very clever with this and use it as a marketing ploy. If I look at something on Amazon, it tells me that if I order it by 3 PM, I can have it by 10 AM tomorrow.



Incidentally, this also makes me want it because I've seen the nice shiny thing and I need instant gratification. If you've ever hung out with a two-year-old, you'll know that when they want something, they don't want to wait, they want it right now. As adults, we're pretty much the same as those two-year-olds. The need for instant gratification doesn't die out as we get older, we just kid ourselves that we have more patience and willpower. You can charge more by tapping into this need.

So, could you include something for your business that says when you can deliver by? This isn't just for selling products like veggie burritos or a new set of headphones; you can give this sense of urgency and speed to a service that you provide as well. If your business is something traditional like bookkeeping for small businesses, you could offer an express service to sort out somebody's bookkeeping backlog in just two weeks.

A web design business could offer to completely redo my website in a month, or maybe I'd be interested in an SEO makeover in just six weeks.

The make-it-seem-faster approach allows you to charge premium prices. It taps into our very human desire to get things done quickly, and to get what we need or want as soon as possible.

The opposite of this also applies.

For certain products and services, fast looks cheap. The ultimate example of this is the luxury goods market.

If I'm buying a beautiful table and paying 25 grand for it, I don't want something which can be made in a week. I want something which I have to wait for because it's being handcrafted by expert people. In this case, the amount of time that I have to wait is a signal of the quality, which I'm prepared to pay more for.

Restaurants could make a feature of forcing people to book in advance for particular menus or menu items. These could be more complex dishes which genuinely do need to be made in advance – but the trick would be making sure that people know what goes into them and the hours of love and care that are spent on them.

A friend of mine was recently telling me about an amazing meal that she'd had at a local restaurant. She was raving about this restaurant, saying that they should have a Michelin star because the food was so good. She spent a long time telling me about the 90-day aged beef that she'd had, and that this was the best steak in town. Going to this restaurant was a big treat: it was a premium pricing situation. I asked my local butcher, who knows everything about meat and has been around for about 90 years, what he thought of 90-day aged beef. He revealed that this was just a gimmick and that after 28 days of ageing there is no improvement in the taste of beef – in fact, you run the risk of it being a bit off.

So, how can you demonstrate quality, which allows you to charge premium prices, by making what you sell appear to be slow to create?



Can you demonstrate your process to show exactly what is involved?

Video, photographs and diagrams can all add to making it clear to your customers how much expertise and time goes into what you sell. There's a fascinating example of this at Brighton Body Casting where they show photos of the process of full body casting, which makes you realise why it costs upwards of £4500. (Be careful which pages you click on if you go to their website, as they cast all body parts!)

Can you use the length of time itself as a selling point?

You could talk about the amount of time that somebody needs to invest in your training courses, both to weed out the people who won't complete them and as a way of showing that these are high quality courses. Or if you sell holidays which are great experiences, tell people that they need to come for ten days in order to get the most out of it, and show exactly why this is true.

Tell people they have to wait

Of course, you can slow the process and increase the perceived value of what you sell just by telling people that they have to wait. This might be completely genuine because you are so booked up that you cannot take on a new customer or a popular product line has sold out, but you can also artificially create this situation by telling people in January that you don't have any available space until February.



Make it look like there's a limited supply

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This can be cleverly applied to the non-luxury part of the market as well. If you can draw people in as customers and make them want what you can provide, you can also make them feel that they are paying for something which is very special and worth paying extra for, because they have to queue. If I have to wait for a place on a yoga course because the course is fully subscribed, I'm going to feel that it's more worthwhile and worth paying more for than the drop-in yoga sessions at my local church hall.

I did this when I was the president of the Brighton and Hove Chamber of Commerce. The networking breakfasts at Carluccio's on a Friday morning became the main event that everybody wanted to go to. Part of the reason why everybody wanted to go was exactly because it was they were so busy: you would meet lots of exciting people, including potential new customers. We were able to slightly increase the prices of these Friday morning breakfasts because they were so much in demand, and because people would book months in advance to make sure of their place, we could always sell more tickets than we had space for. That meant that we increased gross profit because we would sell 80 tickets and only have to pay for the 70 breakfasts that were served when 10 people didn't turn up.

What can you do to make your business look as if it's in demand by artificially limiting supply? Here are some ideas:

- Can you put a notice on your website that you're currently accepting new orders or new customers for March when it's December?
- If you're running a course or a programme, especially if this is in a niche market,



can you tell people that this is the only course that you'll be running this year in that subject area?

- If you have an event which would run best with 25 people in the group, can you make this a marketing feature and say that there are only 25 places available?
- Can you set a date by which people have to book, creating urgency, which makes people book it now?

This last point about creating urgency worked very successfully on me recently.

The house where I live was built in 1878, so it often needs a bit of love and care. There was a problem in my bathroom where bits of plaster were falling off the walls, so I called in a specialist damp-proofing company. After spending half an hour going round with his special magic meter to test my walls and telling me what he would need to do, the damp-proofing man told me that they were currently booking in jobs for mid-February. This was on 16th January. I immediately thought "Oh we should get this booked in quickly" because I didn't want to miss an opportunity.

What can you do in your business to make people feel like they should book you as soon as possible?

Probably the most important marketing step you can take to increase your sales and command the best possible price is to make your business remarkable.

By remarkable, I mean something very specific.

I mean that people will remark on it. We want your business to have something about it that will make people talk about it.

You want people to say that your business is different to all the other people who do similar things to you. I work all the time with people on developing the mechanics of their marketing program, but all the social media, SEO, networking systems and automated email series in the world will only work if your potential customers have a reason to take notice. And while you need all of that stuff (or some of it), the effects of any business promotion will be massively amplified if you have something which people are going to notice enough to talk about.

The businesses that are talked about are the ones that people remember, which means a new customer will be predisposed to want to buy from you. And that means you can charge a lot more money – because you're the one that they want.

What makes a remarkable business?

Firstly, the thing that you sell needs to be remarkable in some way.

However, most of us haven't invented something cool like Brian Willcox did with his Brizebox, which helps people who want a secure delivery box for their online purchases. You probably haven't developed a new and unique methodology for brewing beer or scheduling social media posts. You don't have to be a genius to be remarkable. You just need to be able to put across what you sell as being different in some way.



You can be remarkable even in the most saturated commodity market, as long as you pick the things that truly make you different, the things that people notice about you and make you stand out. But remember to make these things clear and to make sure that people can talk about your business to other people.

Take the test

One of the questions that I often ask my clients is what would their customers tell me if I rang them up and asked them about how they'd worked together? People handle this question in different ways. Some people will tell me that they've done exit surveys at the end of an assignment to see what people liked and to give them ideas for further improvement. Other people have lots of testimonials and feedback emails from clients which we can dig through to try and find common threads. Others go back to talking about what they take pride in, which is not necessarily what their customers would appreciate.

You might want to go back to your previous customers and ask them what they liked and what stood out for them. Be prepared for some surprises.

When I did this exercise, I thought that people would talk about how much more money they had made as a result of applying what they had learned in the business mentoring sessions. After all, that's what I do: help people to make more money (and have more fun while they're doing it). But what came out – and you can see this in some of the testimonials that people have put on my website – was that people appreciated having somebody on their side, having clarity about what they needed to do, and my direct approach.

What are the things that you take for granted?

You know tons of stuff about your business. You know about all the love and care that you put into every package that you send out. You know the glow of pride that you have when you can see the impact of your



work. But if you're anything like most other businesses or other human beings, you don't tell people about this stuff.

Try to see your business from the point of view of a customer. Imagine a customer coming into your office and seeing you thinking hard and pacing up and down about the project that you're going to do with them. What would the customer say if they saw you training your staff in exactly how to wrap the glass vases you sell so that they reach them intact? What would they say if they knew about the three hours you spent choosing the exact weight and type of paper that your book should be printed on? Would they care that you give 10% of your profits to charity?

These are all things that I've seen clients do to make sure that their customers are happy. But none of them tells the customers about it.

Then try to see the business from the point of view of a 13-year-old. Teenagers are great for asking questions, and they have far fewer assumptions about how the world works because they have a lot less information about how the world works. What would this teenager notice about your business? What would they tell their friends at school about your business? I can guarantee you that it won't be the things that you've got on your website.

In fact, try borrowing a teenager from a friend for a couple of hours and getting them to tell you what they think your business is about, based on your website and marketing material.

Make a list

From these sources, make a list of all the things that you think are remarkable about your business. Add to this the things that you know you achieve for your clients. Try to do this from a naïve point of view as much as possible because your customers are naïve: they don't know all the ins and outs of your business, they're too busy thinking about their own businesses or their own lives.



Cross out any of the following which has made it onto your list:

- “We are really nice.” Sorry, but everyone thinks that they’re nice.
- “We love our families.”
- “Duncan from the packing department has a dog called Bruce.” Unless doggy Bruce does the packing too, this isn’t enough to create a talking point.
- Any words such as “quality”, “excellent”, “customer service”, “outstanding”...

Or the worst, “world-class”. These words have been overused to the point that they are now completely meaningless.

Collect stories so people have something to talk about

Here are some of the stories I enjoy telling about businesses I like:

One of my favourite suppliers is a business called Cult Pens. I spend a lot of money with Cult Pens, and if I’m feeling a bit down, I’ll often spend five minutes looking at their website.

Every so often, Cult Pens send out their newsletter. It used to be just a few special offers, which could be interesting, so I’d look to see in case they had a sale on uni-ball vision elites (an excellent notetaking pen in a wide variety of colours). But recently Cult Pens changed their newsletters, and now I read them with much more interest – and I’m not just looking for a bargain. They once sent one out with a picture of one of their members of staff dressed up in a special cape that somebody else in the company had made them for being a champion. This guy was the superhero of the dispatch department. This was just a bit of silliness that they’d had in the office but it does say something very nice about the atmosphere in the company and, most importantly, I get a picture of my pens being picked and packed by people who are



having fun and pretending to be superheroes. Which is a bit different to my picture of the Amazon minimum-wage person, who is probably only doing this because they need a job.

What's happened here? I've told you a story about Cult Pens that they put into my head and it stuck there. Maybe it will stick in your head, along with my enthusiasm for unusual multi-coloured pens. Maybe you'll go off and buy some uni-ball elites or a Fude Ball 1.5.

Your stories don't have to be silly. In fact, they might be the opposite.

Ollie Aplin was brave enough to tell the world the story of his mum's suicide, and how the need to work through this led to him developing MindJournal, a therapeutic journal for men.

Susi Doherty from photography agency Vervate wrote a moving blog post about how she helped Paul Hutchings to organise email newsletters for the charity Refugee Support Greece, which Paul has taken a year's sabbatical to work for. What does this tell us about Susi and Paul? It certainly makes me more likely to want to engage Susi for photography and want to help Paul out when he comes back from his year of helping refugees.

What stories can you tell about your business?

If you did have a dog called Bruce who helped out in the packing department and you had a photo of Bruce with the roll of packing tape in his mouth, that story would make people remember your business and they might tell other people about it, just like I've told you about Cult Pens, my favourite brand of pens, or Ollie, Susi and Paul.

The reason we want stories is because they fit into our heads and stay there. Stories lodge in the memory for much longer than that brand name or logo you spend tons of time or money on.



And people pass them on. Telling stories about your business gives people something to talk about. Which means that your business literally becomes remarkable – people can remark on it.

All of this helps us to increase your prices, and therefore increase your profits.

Ridiculously remarkable businesses

Here are some great examples of ridiculously remarkable businesses. All of them have done something which sticks in your head and makes you want to talk about them. They're also people who are charging – and getting – good money for what they do.

Some are clients, some are friends and some of them I've never met – but you might have heard of them.

Mark Walsh: Mark is a definite Marmite character – you either love him or hate him. Lots of people love him for his outspokenness, swearing and ranting, and his good heart. Others can't stand him. He's established a brand around his personality, sharing his thoughts on YouTube and Facebook. Whatever you think of him, you won't forget him, and enough people love him to make it all worthwhile.

Professor Elemental: This guy has created a worldwide phenomenon with his chap rock, tea drinking, steampunk, hip-hop rap act. He's got comic books, his own brand of tea, and is in hot demand at gigs, festivals and parties.

Blendtec? Surely it's impossible to get people talking in the pub about the best blender? Well, Blendtec want you to believe that they sell the world's most advanced blender. Now, I have no way of knowing what an advanced blender looks like and which blender I should buy – I'm not a blender engineer. But Blendtec have used video stories in a big way to explain very simply to naïve non-blender engineers like me what a good blender should have. They claim to have the most powerful blender



with the “power to blend just about anything” – and they demonstrated this with their series of “Will It Blend?” videos on You Tube, blending mobile phones, golf balls and pretty much anything Apple have made in the last ten years. (Be careful, you can lose a good half hour of your working day checking out their YouTube channel for everything they’ve managed to blend.)

So, not only does telling stories mean that people talk about your business and pass on the good stuff, but it also means that you can charge a lot more money for your product. A Blendtec blender will set you back upwards of £500 but they’ve cleverly positioned themselves as being worth this for both professional chefs and serious amateurs.



What can you change about your business to ensure that people can't do without it? Is your software so easy to use that people would be stuck without it? Do people love a special something about your business so much that they'd be upset if you didn't exist?

I use Xero accounting software and I'd be stuck if they didn't make it anymore. Sure, I could switch to another online accounting package, but I've invested serious time in getting to know Xero and how it works, so I'd have a learning curve I wouldn't enjoy if I had to use something else.

Are you part of your customers' lives?

If you're a personal shopper, is your service so personal that your clients call you up for advice when they have to choose what to wear for a big occasion? Or were you just a fun, one-off experience for them? The clients you look after so well that they always involve you in what's going on right now are the ones who will not mind how much you charge, and they're the ones who will recommend you to their friends.

.....
**Are you a regular part of your
clients' week? Something to
look forward to? Are you a treat
because you're just so good?**
.....

I spend a small fortune at Sugardough in Hove. It's a tiny little shop on a miserable row of shops on a busy main road. You wouldn't go there by accident. I've told dozens of people that they need to go to Sugardough for the bread, the pies, the flourless chocolate cake. And I'm so addicted that I can only allow myself to go there once a week because everything is so delicious. One of my clients, Patrick, who is also addicted, commented: "There's just too much that's good in there."





Things you can do so that people can't do without your products:

- Can you make learning how to use your products easy over time? That way, people adopt them as part of their lives because they're easy to learn – but they won't want to go through that learning curve with a rival who might be a few pounds cheaper.
- Can you enhance your service so that people come to rely on you for emotional support as well as practical? Be careful with this one – work out your boundaries and ethics carefully.
- What about making sure that you consistently remind your customers how useful your product is by sending them some nice emails with tips on how to use it, or stories of how people have successfully used it? This works best if you do this regularly, in little doses.
- Can you simply make it amazingly good, so that people don't care what it costs, even if it's three times the price of a competitor?
- Can you introduce an element of gamification into how they use the product or service, so they see how far they've got with it, which makes them want to get to the next level?
- Can you get people in the habit of talking about your product, so their reputation is involved in making the recommendation?
- If you offer a free trial, can you offer something extra that people get when they get past the free trial period?

By adding in some extra love and care, and designing your service well, you can make sure that your customers keep coming back time and time again. Use some kind of subscription model, like my Xero accounting software which I pay for on a monthly basis; it's easy to use and I've been through the learning curve, so it would be foolish to change now. If you're Sugardough bakery, get your customers into the



habit of going to your shop regularly, even though they have to go out of their way to get there.

As well as getting people to spend more often with you, the effect of making people feel that they can't do without you also means that you can charge more money. Sugardough is not the cheapest place in town to buy a loaf of bread or a chocolate cake, and I'm sure there are cheaper alternatives to Xero. But I wouldn't even think of searching out a cheaper alternative because I have absolutely no reason to go anywhere else.

We've talked about making what you sell look amazing, getting people to talk about it and being well worth the price you need to charge to get to your target income – but there's a big area we haven't looked at yet...

If you sell to people who have some money, it's easier to charge a premium price. There is no point in selling your beautiful, well-thought-out, crafted software/quilts/training/yoga courses/copywriting/organic vegetables/book or whatever you sell to people who cannot afford what you need to charge.

One of the main objections I get from coaching clients when I suggest putting up prices is this: "I wouldn't pay that much."

Of course you wouldn't pay that much. That's because you haven't got much money, which is why you're sitting in my office getting my help to make some more.

But there are plenty of people out there who do have money to spend on good stuff.

And if you're reading this in another recession and hearing all about the economy being in trouble, don't believe everything you read in the papers. Even in an economic downturn, there are still people who have money, who will find the money to pay what you need to charge. Just spend an hour in a fancy department store like Harvey Nichols if you don't believe me - see what people are spending on shoes in the fancy shops, and you might change your mind.

We tend to hang out with people who are like us. We choose our friends because they're like us. And our friends tend to have similar levels of income to us. In fact, one of the pieces of advice I was given in the early days of starting a business was to hang out with people who have more money than me and are more successful than me, because it would rub off on my attitudes.



We end up judging what our customers will pay based on what we would pay and what our friends (who are just like us) would pay. Not on our actual customers.

If you've been used to earning about 25K a year, you're not likely to buy a beautiful handmade blanket for £350. And when you quit your 25K a year job to finally set up your blanket-making business, you end up selling your handmade blankets for £100, because that's what you would pay. It doesn't matter that it takes you two days to make one, that it's a unique design and it costs £35 to buy the wool to make it.

If your salary was 50K a year and now you sell training workshops to corporates, you run the danger of charging them a few hundred pounds for the workshop. Because that day rate is still way more than you would have earned in a day in your job, isn't it? You forget that you might only sell two or three workshops that month. Worse still, your friends who are all on 50K salaries think it's amazing that you got paid £500 for a day's training. Except that it's probably not. It's probably a third of what you should be charging. And, even worse than that, you start losing sales because your workshops automatically look poor quality to potential customers because they're only £500 a day.

You are not your target client

Your mum is not your target client

Your daughter's friend's mum is not your target client

Instead, work out exactly who your target client is. They probably won't be in your immediate circle of friends and family.



Working out who your target client is – and why they want to buy from you

Firstly, let's think of the people who have already bought from you who you figure you could have charged more money. Or if you're not sure about this, pick the ones who paid on time. Or the ones you liked working with. If you sell online and don't have much data about your clients, see what you can find out about them. Take a dozen email addresses and names and try to find them on LinkedIn, Facebook or Google. This is tremendous fun: you can be your own private detective, tracking down your customers and finding out about them. If you have their home addresses, try Googling the average house price in that postcode area.

If you're just starting out or you don't have much information about your clients, or if you know that these are not the right clients for you because they're all cheapskates who won't pay your new pricing levels, you might have to imagine what they might be like.

If you're thinking this doesn't apply to you because you sell business to business, then think about the decision-makers in your sales process. Who decides if you get the business or not? Is it the boss of the person you're dealing with? Is it a direct sale to the business owner? Write down the key characteristics of your decision-makers in as much detail as possible.

But these are just a few general facts about them, they don't tell us that much about your customer as a person. We need to get inside their heads and find out how they tick.

What's happening around them to make them need you?

If you're selling to businesses, you might think of the pressures and forces acting on your decision-maker. Who is their boss and what is



the boss's agenda likely to be? If you're selling to the HR Manager of a large company, he's probably got the senior management team leaning on him to do something about increasing salary costs or productivity per employee.

If you're selling to consumers, what are the external pressures on them? This might be an expectation from society, like the one which fuels the weight-loss industry because we're all expected to be slim and healthy, or it might be pressure from their partner or family to act in a certain way. Or is that your customers need to keep up with other people in some way, to show that they're a real fan of a particular football club or to be ahead of other people with the latest phone or gadget.

Try to drill down as much as possible into all the external factors and pressures that someone might experience which would lead to them buying from you.

What's in their heart?

The feelings and aspirations in the hearts of your potential client is the most powerful area to get a grip on. We all buy emotionally first: everything else that we think about when we buy something is just a justification for what we've decided first emotionally, no matter how much we cover this up.

What will make them buy from you? What's going to drive them to buy your thing, rather than any of the other things they can spend their money on?

Here are some human emotions you might want to think about – which ones would be fired up in the heart of your potential customers?

- **Fear:** do you offer security? Dropbox does – I feel safe because my files are automatically uploaded to Dropbox as soon as I save them on any of my computers. I can



safely delete all those photos clogging up my phone because I've set it to automatically save them in Dropbox.

- **The need to protect loved ones:** this is a very powerful emotion. Your product or service might not be the obvious protection ones like a smoke detector or burglar alarm, but it still might help people to protect their loved ones. A friend of mine was given her first mobile phone in 1998 by her husband who was worried about her driving home late at night. Many copies of Alan Carr's books on how to give up smoking have been bought as gifts by sons, daughters and partners who are worried about the effects of smoking on the person they love.
- **I want to look good.** We all want to look good, and different aspects of looking good are important to us in different ways. A woman going to a gala dinner wants to look good in a certain way – maybe glamorous, powerful, sexy or just plain rich. And she'll spend hundreds of pounds on a beautiful dress to help her feel that way. When the same woman is on a hill-walking holiday, she'll want to look good in a different way in her thermal walking trousers. It's not just the obvious areas like clothing, make-up, shoes, etc. that we buy to make us look good. All kinds of products make people feel they look good: cars, the right executive coach, the right yoga teacher, the healthy raw smoothie, the interior design of the office meeting room, even the kind of coffee shop they use when meeting clients. What can you do to make your potential customers feel they look good when they use your services?
- **I want people to believe I'm a good person.** This is an interesting variation of looking good. Feeling that others respect you and think you're a good person is a very strong motivating factor. If you're fundraising for a good cause, some people will be very keen to make a public contribution, and you'll get a lot more from them if they're



thanked in front of other people. Linking your product or service to a good cause, or showing that it helps other people, can be a great way of satisfying this desire – and its twin “I want to believe I’m a good person”, which I’m pretty sure has been responsible for me spending thousands of extra pounds on fairtrade and ethical products.

- **Anger:** Maybe your clients are angry about something. And maybe your service helps them to get rid of that anger. If you’ve ever watched the show *Silent Witness*, you’ll be familiar with Jack, who is pretty angry with lots of things and goes cage fighting to get his anger out so that he doesn’t hit people who haven’t voluntarily got in the cage with him. Or, more controversially, maybe your clients enjoy their anger. It’s a rich emotion after all. Maybe the *Daily Mail* and the *Guardian* both sell so many copies because their readers somehow enjoy their different versions of anger and outrage at what’s happening in the world.

These are a few examples to get you started on thinking about the emotions you inspire in your customers – and whether you are offering to do something to help that uncomfortable emotion go away (like fear) or to help them enjoy the emotion (like wanting to look good).

Make your own list of the emotional drivers behind buying your product. And remember what we talked about in the last section: you are not your target market. Think about your customers and what their emotional drivers are.

If you bought the Big Resource Pack version of this book, I’ve put together a much bigger list of emotional drivers in a worksheet so you can work on this in detail. I suggest you go to that worksheet now and work out a beautiful picture of your ideal client. By the end of this you’ll be able to tell me exactly how old they are, where they live, what they need to prove to their boss or partner and what emotions are stirring in their heart when they buy from you.



Rejection is okay

You need to target the customers who have the money to pay what you need to charge. If someone doesn't pay £1200 a day for your training, move on to the next person who will.

By improving your marketing, you'll automatically start to attract more customers who are happy to pay what you need to charge (and beyond). And you'll be attracting far more of them.

When you start to get that fear about setting your prices at the right level, it's easy to be put off by someone saying no. Or even saying that they'll have to think about it.

Here's a secret they don't tell you about running a business:

You want people to say no when you try to sell them something

Some of them anyway.

If every sales meeting ends in a "yes", you're doing something wrong. And that's probably your pricing.

Psychologically, emotionally, it's much easier for us if people say "yes" all the time. Most of us are not sufficiently well balanced to easily accept a "no". We hate it because it's rejection. And just about every human on the planet hates rejection.

When you're running a business, you have to welcome rejection. You're not going to invite it, but it's going to come. And it's okay when it does. Because they're not rejecting you - they're just saying that they don't (currently) want what you sell. It's a completely different thing to rejecting you as a person.



If I told you that 40% of the people I meet for coffee, cake and a chat about how business coaching could help their business don't sign up as clients, would you assume that I'm therefore a horrible person? If I told you that 99+% of people who visit my website don't buy a single thing, would you think that I smell bad?

Of course not. It's not going to change your opinion of me as a person one little bit. Because this is completely normal – in fact my conversion rates are slightly above average for my kind of business.

Do you assume that I'm a much nicer person now I've told you my conversion rate is above average? Of course not.

Because it has nothing to do with whether I am (or you are) a good person.

Welcome rejection and a lower conversion rate into your world. Embrace it; give it a big cuddle. When you get a "no" you're just clearing a space for the next person to come in.

And if you've started to improve your marketing, there will soon be a queue of people coming in. Some of them will say "yes".



The clever stuff – how to change your pricing

Here's the part of the book where we start looking at some of the ways you can be clever with your pricing. We'll look at ways you can increase your prices without it looking more expensive to your customers, how you can add in extra income streams without having to do too much more work, and how you can use pricing psychology to make customers buy at the prices you want to charge.

Not all of these methods will apply to your business and, if they do, you certainly shouldn't feel that you should apply all of them all at once. While you're reading the how-to guides and the examples, think about how which ones could be applied to your company. Some of them might be things you want to plan for the future, rather than having to completely restructure everything all at once.

How some of these techniques worked for Kelly

We'll call her Kelly because it's a nice name and it wasn't her name, so I can keep my confidentiality rule.

Kelly had a business she loved, selling craft workshops from her studio in London.⁵

She'd done pretty well so far: through a lot of hard work she'd got her turnover up to more than 100K a year and had gone from doing all the workshops herself to bringing in various specialists to run a wider range of workshops.

But that 100K turnover was pretty much all taken up by paying for marketing, rent and the teachers. Kelly was fed up with working hard

5 Also, not actually what "Kelly" did, so I can tell you about her without breaking my ethical rules.



but taking home less from the business than she was paying some of the teachers who worked for her.

Kelly was well organised and had great financial records. I spent a happy afternoon going through her accounts with my highlighter pens, looking at Kelly's competitors and other courses and activities which Kelly's target market could spend their money on. That's the kind of thing that makes me happy.

As you might guess, Kelly was undercharging in comparison with her direct competitors, other people who did craft-type workshops in London. What's more, when I started looking at what other people who run craft workshops offer, there was a big difference.

A lot of Kelly's participants came to the workshops to meet other people just as much as the crafts, so when I looked at other things her target market might do for fun, there were a lot of more expensive options like yoga retreats or hot air ballooning. I found some very expensive cookery workshops - £180 for an afternoon learning how to make bread, for example. These are called "substitution competitors" - things your customers might do instead of buying from you.

Of course, when I suggested that the first step was to increase the price of the workshops by between 50% and 75%, Kelly didn't want to risk putting people off. She was used to charging at her current rates, and that felt like a big step up. And I was aware that this wouldn't be enough to make the business give Kelly the sort of profits she deserved to make from all her efforts.

Here's what we did:

Step one

We increased all the prices across the board by between 12% and 20%.





Step two

We added in some courses that looked a bit more unusual at a much higher rate. You'll learn more about anchoring in the next section.

Step three

We re-wrote all the course descriptions to make them sound way better, and to show off all the good features you'd get, like the teachers who were famous in their field and the materials that were included. A lot of Kelly's competitors made the course participants pay separately for the craft materials, so the courses looked cheap but worked out quite expensive once you got there.

Step four

We massively increased online marketing, especially Facebook ads, so Kelly would sell a lot more places per course.

Step five

Because a lot of Kelly's students came back time and time again, we ran a special membership scheme which gave them priority access to any of the courses before they went on sale to the general public. This one was a big hit and was great for Kelly's cash flow as people were buying courses up to six months in advance. And they had to pay £85 for the privilege, so there was an extra bit of profit for Kelly too. Check out the sections coming up about **recurring income** and **membership schemes**.

Step six

When we started, all of the courses were one-offs. You went along and learnt how to work with clay and make your first pots, and then maybe you went on to making better pots or larger vases. Or maybe you didn't come back to Kelly, but went hot air ballooning or something instead. So we changed about a third of the courses into programmes, rather

than one-off courses, so you'd automatically go on to the advanced version of the course in the next semester. This took a while to show any effect, but over the following three years, it made a big difference to Kelly's attendance levels, and as the advanced courses were a little more expensive, it added some better profit margins as well.

There's a whole section coming up about "**ongoing chunks of income**" which can be incredibly powerful.

Step seven

We introduced some very simple taster days, so that for a small amount of money people could come and try out a few different crafts and see what they liked. We made these quite low cost and marketed them pretty hard to new customers. Kelly didn't make any profit on the taster days and they were a real hassle. But they brought in big numbers of new students who might not have come through the door otherwise. Watch out for the section on tripwire products: how you can apply this to all kinds of businesses and why you might want to have a **tripwire product** to get people started, especially when you're thinking about lifetime customer value.

Step eight

This was about a year later, and Kelly was now making about 50K profit on an increased turnover of 180K. This was much better but she bravely decided that she would put most of this extra profit into a new website. She spent 25K on a new site which automated the sign-up process for her, reducing how much time she had to spend on admin. The new site also had great pictures of students having fun, the cool things they'd made (some of them were really beautiful) and short video testimonials from real people who had done the courses.



Step nine

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Kelly added some high-level courses, which also acted as price anchors, and helped promote the idea that all the workshops were of a very high standard. These courses were for much smaller groups, and some of them were only open to people who had done previous courses and programmes. We hoped that these would add significantly to profits but they turned out to be quite low margin in themselves because, although each place cost quite a bit of money, Kelly could only sell five places on each course.

I think you're already getting the idea of how all of these factors start to work together to give you a much more profitable business. It certainly worked for Kelly: she's now running a business which has gone from a tiny 12K profit to more than 100K a year before tax. Plus, she's working part-time now because in the middle of all of this she had a really cute baby daughter.

Let's look at this clever stuff in more detail.



Lifetime value

One of the most useful concepts I've found around pricing is the idea of lifetime value. This is the amount of money you can expect to get from a particular client over a lifetime of working with them.

By thinking about lifetime value, we start to realise the true importance of setting the right price, and it makes us love our clients a little more because we realise just how much they are worth to us.

One of the big mistakes I see people making (and I've done this myself) is to chase after new clients all the time, forgetting about the old clients and the fact that they might want to spend more money with us.

Paul and the design agency

I worked with a web design agency who had been going for about 12 years. Over the years they'd had dozens of clients, and for each one they'd done a lovely job making beautiful websites. But once the websites were finished, that was the end of the relationship, and they moved on to the next project.

I asked the owner, Paul, to give me the list of clients for the last five years and how much they'd spent. Then we worked out how much they might have spent if they'd had a little bit more encouragement.

It looked something like this:

- 12 projects a year for five years, at an average value of 6K per project = 360K.

That's what they'd billed. But if they'd kept in with their clients, maybe it would have looked more like this:

- 12 projects a year for five years, at an average value of 6K per project = 360k.

- Half of these clients come back for a new site within five years = 180K
- Half of the clients come back for two new features for their sites, at an average value of 1.5K per project = 45K
- 25% of the clients take up a maintenance and update contract at £75 per month = 13.5K recurring income every year
- 25% of the clients take up a care package which we invented at £150 per month = 27K recurring income every year

Can you see the difference there? Not only did this increase their turnover massively, it also means that Paul had 40K a year coming in without him having to get any new clients at all.

When you add into this equation the fact that I got Paul to put up his average price by 50%, you can see why I'm his favourite business advisor. The company was doing exactly the same kind of work, with the same team and overheads, but the net profit rose dramatically.

What's the lifetime value of one of your clients? How can you increase it?

You might think that your business is different to Paul's and that you have less chance of getting people to buy again – but there are very few businesses where you can't apply this thinking and tweak the lifetime value of your customers.

I've worked with all kinds of people on getting more money from the same customers over a period of time – and it has worked wonders for:

- Yoga teachers – switch from drop-in classes and substitute teaching to building up a reputation and getting the same people to come to your courses for years
- Restaurants – email people and invite them to a special event or to try your new winter menu, and as soon as



they've been a couple of times your restaurant becomes their regular place to go. And they bring their friends, who also become customers too – as long as you remember to get their emails for the special offer

- Charities – switch your donors away from one-off donations and encourage them to give by direct debit
- Mattress shops – even though people rarely buy a new mattress and never really think about the poor old thing, you can keep in touch with your customers and make sure that they are thinking about you when they do get around to it. And that they recommend you to their friends because they can remember the name of your company because you've emailed them every month for the last five years. It might take longer for this kind of purchase, but you can be selling pillows and mattress protectors in the meantime.
- Funerals – yes, I even helped a funeral service to increase lifetime value by increasing their prices and including additional items.

Lifetime value is made up of different components. Change one of them, and you increase your turnover, change all of them, and you can see a dramatic change.

$$\begin{array}{c}
 \text{.....} \\
 \text{Lifetime value} = \text{price} \times \text{how} \\
 \text{often you sell} + \text{additional} \\
 \text{things you sell} \times \text{how often you} \\
 \text{sell them} + \text{extra sales} \\
 \text{.....}
 \end{array}$$

These sorts of figures are worth sending out some emails to your old customers, aren't they?

Let's have a look at the potential lifetime value of one of my customers. We'll call her Sophia.



In June Sophia buys a copy of my book *Tales of Everyday Business Folk* on Amazon. I get £1.93.

In August she gets round to reading it. She likes it and goes to my website and reads some of the blogs. She realises that she is missing a trick with her consultancy business and could be charging a lot more money but isn't sure exactly what to do about this.

She buys a copy of this book directly from my website. I get £12.99.

Sophia reads quite a lot of *SweetSpot Pricing*, but she still isn't exactly sure how to increase her prices. In December she puts her name down for a forthcoming programme I'm running on how to increase your prices. I get a deposit of £500.

The programme starts in February and Sophia pays me £245 a month for six months, less her deposit. I get £970.

In June Sophia books a one-off session with me to go over the pricing matrix that she's developed in the programme and practise some of her negotiating techniques to use with all her new clients. I get £300.

In January Sophia gets an email from me telling her that I've launched a new book about how to increase lifetime value. She buys it, and I get £12.99.

You'll see how Sophia has gone through my **value ladder**: from her initial purchase of a little e-book, over 18 months I received £1797.91.

I've been doing this for a while and have quite a few different products and levels of service. What happens if your business is a different shape and you don't have this kind of value ladder? Is the idea of lifetime value still useful to you?

The answer is definitely yes. There are very few businesses where you can't increase the lifetime value of your customers, and their friends. If I can do this for a funeral service, where their customers only die once, you can do this for your business.



You'll be familiar with the idea bundles if you've ever bought a computer. You'll have noticed all the other bits and pieces that you got with it, such as trial versions of various pieces of software, the handy calculator and the pesky Cortana who pops up all the time.

And if you've ever bought something from Amazon, you'll know that they always suggest buying something related but slightly different when you're looking at a particular item. If you look at a printer, Amazon will suggest that you buy some paper and ink cartridges; check out some bike lights, and Amazon will suggest that you get some LEDs for the spokes of your wheels.

If you're selling products online, you can easily copy this approach by suggesting complementary products that go with whatever you're selling. But what about the rest of us? Can we sell a bundle?

Here are some ideas of how different types of businesses might be able to increase sales and lifetime value by offering a bundle of different things.

If you sell on a traditional consultancy model, where somebody buys your time to do a certain thing, such as web development or training, you can increase your total price by offering some extras in your bundle.

Web developers can offer ongoing hosting or a "care and maintenance plan" included in the original quote. A trainer can offer follow-up calls, regular coaching sessions or the opportunity to make a version of the training accessible to more people within the company by including online resources.

The beauty of this approach is that you can differentiate your offer and make yourself look much better value and more thorough than your competitors – and charge more money at the same time.



You can include all kinds of extra goodies as online add-ons to make your offer look very persuasive. Here is a long list of some of the things I've worked with clients on including as part of the bundle for online courses and programmes. Please don't offer all of these, as the overload will make you look spammy and unprofessional.

- Membership of a closed Facebook group/Slack group with other people who are doing the course
- Access to workbooks which take you through the course
- Access to videos to make learning how to use your product easier
- A selection of the physical materials you might use while you're learning (one of my clients did craft courses and posting out a starter kit of the key materials was a nice way of proving that her course was good value)
- One-to-one contact with you – but restricted in some way. One of my clients allocated an afternoon a week as "office hours" when he could be contacted by people on the course. He thought he would be inundated with people who wanted one-to-one advice but only three people got in touch
- A copy of your book
- A quiz or diagnostic to find where you are at the moment
- Discounted rates for specialist providers who could help you implement some of the things you're learning on the course
- A hotline to call if you get in trouble
- Feedback or ongoing coaching sessions

You can also use some of these extras in your marketing, to increase your conversion rate and therefore your sales. They are much more persuasive in encouraging people to buy than a boring old discount.



If you sell some kind of personal service, such as massage or other complementary therapies, you could include a “self-care package” within your service. You probably already do this without thinking about it – you might already be giving people advice on exercises they can do for the sore shoulder that they came to you to have massaged. Think about how you can enhance some of this so that your clients appreciate it more, and so that potential clients come to you because they know you include a self-care package as well.

I regularly go to a physio, and at the end of every session, he gives me a blurry black-and-white photocopy of some exercises I have to do. It's nice of him to do that, but maybe I would appreciate him even more if he gave me a video of the exercises or a branded colour handout with proper photos. If he then called it an exercise programme or a self-care package, perhaps I would be happy to pay more than the £40 regular fee.

You may well have some of these “extras” in your bundle at the moment but don't make much of them in your marketing. I've worked with lots of clients who have added in extras without really thinking about it, just because they wanted to do a good job for their clients. The trouble with this approach is that your clients are less likely to appreciate your extra work if you routinely add it in and, of course, if you don't use it in your marketing, it doesn't help you to either win the business or justify charging a higher rate.

Think through what great things you might be able to include, or are already including, in your work and work out what's in your bundle.



What I call “ongoing chunks” isn’t really a way of increasing your pricing. It’s more a way of structuring the work you do so that you increase the lifetime value of each customer. Which then increases the amount of money going into your bank account and therefore your profits, which is what we want, so you can move from your survival income to your good income or your good income to your successful income.

Here’s how to use the ongoing chunks tactic.

When a potential client asks you do a project, such as a couple of days training staff on how to use Google Tag Manager or some consultancy work to review and reduce their environmental impact, you don’t just prepare a proposal based on that couple of days’ training or consultancy. You look at what they want to achieve and break it down into chunks. Here’s an example for the training on Google Tag Manager.

Chunk 1: Diagnosis of their current Google analytics set up. You need to do this to get started on the rest of the work; in fact, you’d probably have had a look at this anyway to write the proposal.

Chunk 2: Delivery of two days of training for four key staff

Chunk 3: Follow-up coaching/accountability calls for the staff you trained

Chunk 4: Check-in group call on Skype to ensure that they’re putting the training into action

Chunk 5: (3 months later) Check-in call with the team leader

Doesn’t this make your proposal look so much more effective and caring than just two days’ training? And worth so much more money? The clever part here is that not only do you make your training look



great without it taking up too much of your time but you also maintain a relationship with the people involved, so that they will be very happy to get you back to do some consultancy on the finer elements of Google Tag Manager. Or book you to train up a new team member who joins six months later – so you get even more work, in more ongoing chunks.

What I like about this approach is that not only is it good for increasing your prices, and make it more likely that you'll get the sale...it's also genuinely much better for the customer.

"Ongoing chunks" is a great way to think about consultancy, training and any other professional services. If this is your kind of business, you should also think about retainers, membership sites and upsell products – which we'll talk about soon.



Anchoring is one of the big points that I get very passionate about and wave my hands wildly in the air to explain. Here's how it works.

As you may have noticed already in life, human beings are not the cleverest. There are many things we cannot do. One of these things is that we find it very difficult to know what something should cost. In fact, you are probably reading this book because you think there is something amiss in how you set your prices, even though you know tons about what you sell. If you don't know what your price should be, how is your poor customer supposed to know?

You're going to argue with me here and tell me that you know how much things cost. And you probably do, for the things that you buy regularly. I know that a tin of anchovies should cost around 80p to 90p. I know that because I love anchovies and buy them all the time. I have no idea, however, how much a tin of anchovies costs in France, Taiwan or Milwaukee because I tend to buy my anchovies in a UK supermarket. I don't even know how much those fancy jars of anchovies are because I looked at them once and they were too expensive for me, so I never looked again.

Try guessing what these things should cost:

- Two Dolce Verde lettuce hearts from Waitrose
- 1.45kg of Nature's Touch Junior Rabbit food bought online from Pets at Home
- A pair of sooty fawn angora rabbits (apparently you can breed them to make more rabbits!)
- 137m or 25g of Rowan Angora Haze knitting yarn (made by combing angora rabbits)



You get the picture, right? Unless you Googled and cheated with all of these, there is no way that you know how much these things cost. Before I started this bizarre exercise, I never thought that there was special rabbit food or even that there was a special version for baby rabbits.

(The answers are at the end of the section if you want to be shocked by the price of wool or you're thinking about getting into the rabbit breeding business.)

This exercise is just to demonstrate that you and your customers have no idea what things should cost, especially if there is anything at all complex about what you sell. To make it even more difficult for your customers, people sell just about every product or service under the sun at different rates. If I want a website put together, I can get a very basic one done for about £300. It might not be brilliant but it would be a website. Or I could pay 6K, which is what I paid for my current site, or I could pay 25K+. All would be different, all would take different lengths of time to make and all would achieve different things for me.

The only way that your customers, and possibly you, could have expectations about what your prices are is because you could refer it to something else. People think that websites cost something in the order of what they last paid for a website, so if you paid your nephew 500 quid to put together a site for you, you probably think that most websites cost a little bit more than that.

This is where anchoring comes in. That reference point, the only thing that we've got to hang a price on, is called the anchor.

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Give your customers the right anchor

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The first step here is to work out if your customers already have some kind of anchor for your product or service. Here's a quick guide.



Your customers will already have an anchor price if:

- You sell something which is the same as everyone else sells, such as a business book available on Amazon (the reference price here would be between £7.99 and £13.99). A business book with a different price range would mean people would have to think about whether it's going to provide value for money.
- You sell something you bought in to resell, and many other people sell exactly the same thing, such as a particular Bosch dishwasher. This rule applies to anything that I can Google to find out the "correct" price online.
- What you sell is normally free, or included in a package that people buy. My blogs about how to run a successful business are crammed full of great tips, but because they're blogs, and blogs are usually free, it would be very difficult to get people to pay to read a 1200-word article. The anchor price here is zero. If you are the BBC, you're unlikely to be able to sell a download of a programme currently on iPlayer because people expect it to be included as part of what they've already paid for with their licence fee.
- You're selling anything that people are likely to find in their local supermarket.

Your customers will have a vague anchor reference point if you:

- Sell something that they have bought an equivalent of elsewhere. Think back to the last time that you bought an ice cream on the beach on holiday or a coffee in a coffee shop. Your customers have probably bought an ice cream on a beach before or been to a coffee shop previously in their lives. But there's a big range of prices, all dependent on how fancy you can make the ice cream (home-made



organic mango sorbet will sell for a lot more than a Cornetto) or how upmarket or trendy your coffee shop is.

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One anchor point that customers never think about is the cost of doing it themselves.

I'm currently drinking a cup of delicious coffee to help me concentrate on writing this book. I don't want to boast but my coffee is much better than many coffees I've had in coffee shops, and although I'm using a pretty expensive blend in my cafetière today, my fancy coffee has cost me about 18p. Yesterday I bought eight Magnum ice creams in the supermarket for £3.49. Although I know how much these things cost when I buy them this way for home or office use, that would not stop me paying a whole lot more in a coffee shop or for a Magnum on the beach. But if Small Batch Café tried to charge me more than a fiver for a coffee or the kiosk on the beach wanted £10 for a Magnum, I would walk away. My anchor point here is not what it will cost me to brew the coffee at home or take a Magnum out of my freezer, but the price I'm used to paying for coffee in a coffee shop or ice cream in a beach cafe.

This also applies to selling to corporates. When you're selling something which big companies regularly buy – such as a training day using Myers Briggs personality types, graphic design or contractor days for coders using Python – they will have a set rate based on their experience of buying this before. This is their anchor and reference point.

Your customers will probably not have an anchor (until you give them one) if you:

-
- Sell something that they've never come across before, such as horse shiatsu, business coaching which works, specialist holidays, niche online courses, high-end fashion design, conversion-based web design, marketing automation, personal shopping for politicians, etc....



You probably noticed something about the last group. These are all pretty niche businesses. They're not for everyone. I don't have a horse, so I don't need horse shiatsu, but people who love their horses have already spent quite a lot of money on them and want them to be looked after, healthy and in their prime. Most businesses just want a website and don't think about engaging somebody who specialises in conversion-based web design because they've never thought that they could be doing a lot more to get their website to sell for them.

You'll also note that some of these are aimed at businesses. There's a lot more scope to provide your anchor point when selling to businesses because you can make it seem special, so the price is not set in the same way. There's a reason why the middle level of pricing for flights is called business class. And, of course, you have a lot more scope to make an argument about providing that business with a return on investment to make it seem very important that they buy from you.

The psychology behind anchoring

In 1974 Tversky and Kahneman asked students some quiz questions while spinning a big "Wheel of Fortune" with numbers on it. They asked:

- "Is the percentage of African nations in the United Nations higher or lower than the number that just came up on the wheel?"
- "What is the percentage of African nations in the United Nations?"

The wheel was rigged, so it would either point to 10 or 65. The students who saw the wheel go to number 65 guessed (on average) that the percentage of African nations in the UN was 45%. The students who saw the number 10 on the big wheel guessed that the percentage was 25%.

The real answer is 23%, by the way, if you're ever in one of these tests and want to look clever.



These tests and the stimulus have been done over and over again in different situations – and, of course, businesses have tried this anchoring in different ways. What comes up in all of these is that if you anchor people with a big number, they'll come up with a bigger number, and they're more likely to pay a higher price.

Have you ever wondered why:

- Theatre tickets in the front stalls all have a higher price. It's not that you'll enjoy the show twice as much if you sit at the front and pay £50, it's so that the ones at the back look like a good buy at £25. And so that even if you don't want to pay £50, you'll be happy to pay £35 for the middle tickets.
- I'll get excited in the supermarket when I see a yellow reduced ticket because I can buy that £12 organic chicken for £10.91. Of course, if I thought about it a bit more, it's not much of a bargain – but Waitrose know that they can get rid of stock coming up to its sell-by date by putting yellow tickets on it, and suckers like me will grab it because we think we're getting a bargain.
- Donna Karan sell their original range under the designer's name but make most of their money from the much cheaper (but still pricey) DKNY brand. It's pretty much the same overpriced stuff.
- Furniture retailers always have a massive sale on sofas, where they offer you a huge discount on a 5K sofa which you can buy this bank holiday for half price. Of course, it's not half price, they always intended to sell it for £2500.
- My website shows my mentoring pricing as between £650 and £1200 a month. I'm not as naughty or unsophisticated as the furniture shops because this is genuinely my price range. The clients whose businesses I help sell for 6m or help build to be multi-million-pound



businesses do pay those higher fees; only about 25% of my clients pay the minimum £650. The £1200 a month is there to act as an anchor to make the £650 look very reasonable, and to put off the people who ask me if they can have a discount. It totally works, by the way.

You need to give your clients the anchor price

When your customers don't know what the price should be, it's up to you to give them the anchor. You need to teach them that whatever you sell is at the right price. You're going into virgin territory here, and it's your job to guide the customer to expect a certain price anchor.

Your anchor is where you suggest what the right price might be. Let's think about how to give your clients an anchor point first.

If you want to charge more money, which is what is going to help you get to your next level of income, you need to set everything in your business to support the price you want to charge. If you want to charge top dollar, you'll have to look top dollar in every aspect of your business and your marketing. And that takes investment, resources, and learning.

Here are some ways to give your clients an anchor price:

Remember those traditional market traders? They will tell you: "This set of bed linen would cost you £100 at the White Company but I'm not going to charge you £100. It's not £100, it's not £50, it's not even £30. You can have this beautiful set of bed linen for just £25 today."

They haven't bothered with making a discount or a price reduction, they've just said an anchor point of £100. You know full well that the bedlinen isn't worth £100 and that it's not from the White Company – but if you're in the mood for some new sheets, you may well be queueing up to give them £25.

You can apply this to your business in lots of ways.



You can give special prices for special people. For that workshop you're running which you desperately need to get bums on seats for, you can email ten people that know you already and offer them a special early bird rate, not available to everyone else. This way you can start to fill your workshop and get some immediate cash into your bank account. Just like the market trader, you tell them that the workshop is £100 normally and, in fact, that this is the price on Eventbrite but because they're so special they can have it for £25. Note that this only works if you can fit quite a few people into your workshop or if the workshop is going to be undersubscribed anyway. That way all of the extra £25s will be extra money for you.

You could offer a reduced price of £25 for the first hundred people who pre-order your workbook and promise to be your beta testers. The workbook will be available later for £100 for the regular people.

As I do, put the full range of your prices clearly on your website. Most people just put in a "starting from" price but it can be much more useful to say something like "prices range from £350–450" or "a piece of work like this would normally cost £3225". This then gives people something to go on, so you firmly establish the anchor price in their head. It's particularly useful where people don't have a reference, and at the very least it stops the people who want you to do it for £50 phoning you up and wasting your time.

Answers to the price quiz:

- *Lettuce = £2 for two*
- *£6 for a bag of rabbit food*
- *£100 for two rabbits*
- *£5.40 for a ball of wool on special offer. Normal price £7*



Tiered Pricing

You'll be familiar with tiered pricing from many things you've bought or seen already. The classic example is the Silver, Gold and Platinum range of products or services, each one a little bit better than the last. In fact, you might have bought this book at one of the different price tiers.

The silver level is the basic e-book, which you might have bought from Amazon or directly from my website. You might have even got this as a freebie at one of my talks.

Gold is the Big Resource Pack version of the book, which includes the book itself plus worksheets and spreadsheets to help you put it into action. Although this is quite a bit more expensive than just the book, it's the one I want most people to buy because it means that they're more likely to put these ideas into action, and therefore increase their profit levels and help them to create a more profitable business.

Platinum is the Big Resource Pack plus one hour with me to go over your pricing strategy. It's much more expensive and not many people buy it. Which is good, from my point of view, as I can sell hundreds of the Silver and Gold versions without it taking me any extra time at all, but the Platinum version takes me a good couple of hours to talk to people, research and think through. I just don't have enough hours in the day to sell many Platiniuns.

Did you notice that I didn't put the prices of any of these levels here? That's so I don't have to update the whole thing if I want to change my prices around later, and maybe test out a different set of prices.

How tiered pricing works

You make three different versions of your product or service. There might be three different options, three different bundles or just three different amounts of time that you'll spend on it. You'll have seen this



if you've been to the hairdresser. You can choose from a junior at £35, a stylist at £49 or the salon owner at £65.

The three versions must have some differences between them from the customer's point of view. It sounds obvious but it can be difficult to make the standard service that you've been selling for years into three different versions.

Here's the clever bit.

The middle one, the gold, is the one you want to sell the most of. Not the silver. The silver is only there to make sure that you still make the sale if the client has budget restrictions or is trying you out for the first time. And not the platinum. The platinum is only there to make the gold look reasonably priced. It's the anchor which the customer uses to judge all the other prices.

It doesn't matter if you never sell one platinum product

Your platinum product is not the one that you want to sell. Sometimes, when you're selling something that you have to pay for (remember Cost of Goods Sold) your margin on the platinum product might be lower than on the gold because you've had to use more expensive ingredients to make it. Or it takes longer to make.

Next time you're treating yourself because you've hit your success income after reading this book and you're hanging out in Harvey Nichols, step into the handbag department. You'll notice one or two handbags which are ridiculously expensive. Maybe you'll see the Chanel "Diamond Forever" bag which retails at \$261,000! It has a clasp made of 334 diamonds, a white-gold shoulder strap and is made of crocodile skin.

The whole point of this bag is to make the regular Chanel bags at 3-5K look inexpensive. Why not get a bargain and buy one at only £3000? Chanel even boast that they've only made 13 Diamond Forever bags,



which makes them super exclusive. I bet they never intended to sell more than a couple – it's all just to make the other bags seem reasonable. And maybe to make me feel that I should upgrade from my handbag, which was "only" £300. I'll stick with it though.

You might feel that this sort of thing isn't relevant unless you're in the superelite handbag business. But tiered pricing, or three-point pricing, is one of the most powerful tools you have in your pricing strategy and can be used by most businesses.

Pitches and proposals

You can use the tiered pricing method next time you have to write a client proposal. Instead of saying that you'll do a piece of work they've asked for X amount of money, give the client three options.

The first option (your silver) would probably be a basic one, designed to make sure that you get the work, no matter what.

The second option (your gold) is the one that you will want to sell. It includes everything your client needs to achieve their desired outcome. If they've asked you to make them a website, the second option would include everything that they've asked for in their new website, plus a couple of things that they haven't thought of yet to make your proposal look shiny and appealing.

You'll also include a third option, which is your platinum offering. Remember that you don't necessarily need to sell this one. The whole point is to make the gold one, the one that you want to sell, look good value. What often happens, in fact, is that the client you're pitching to will pick the gold one plus a couple of things from the platinum, which is great because you get to make more money on those little upsells. The platinum option, therefore, should include quite a few bells and whistles. It might be that this is the chance to put in some innovative extras, a whole lot of the ongoing chunks we talked about a little while ago, or just a super VIP service.



Try this out next time you have to write a pitch or proposal. I've used it myself, and I've used it with hundreds of my mentoring clients. I guarantee you that it works.

The story of the business advisor and the three cocktail shakers

I needed to buy a cocktail shaker. As you do. I went to John Lewis and found the shelf where they keep the cocktail shakers.

I looked at the first one and thought "That one's a bit rubbish, it looks like a Tupperware beaker." I looked at another one, which was all fancy and silver and was probably the kind that James Bond uses, and thought "Wow, £45, that's a bit pricey. I could buy two bottles of booze to make cocktails with for that price."

John Lewis have obviously read this book because they had a perfectly good cocktail shaker, priced midway between the Tupperware one and the James Bond one. Which I bought.

You might not have enough capital or a big enough shop to have three different versions of everything that you sell. You can, make sure that you have some reasonably priced items to ensure that your customers buy something and some more expensive items to make the midrange stock look reasonable. And some little things to get the people who want to try you out or don't have much money just then to still buy.

Reality check

Before you run off and add in some cheap bits, and some expensive bits, let's just have a quick reality check.

The tiered pricing model is great, and I absolutely recommend it. But also remember that you might want to have a wholesale increase in pricing across everything that you sell. Do this **before** you do the clever bit with the tiered pricing.



Have you ever had the experience where one month you sold lots, and you've been really happy with how the business is going, but then the next month is completely rubbish, and you hate everything and everyone? Yup, me too.

Whether you're building a big business based on scaling up and selling lots or you are selling your services as a freelancer, or somewhere in between, you need an antidote to the feast or famine crisis which can make running a small business miserable.

One of the answers to this is developing recurring income streams. Let's have a look in a bit more detail about what we mean by recurring income streams.

If you sell your time to clients, can you get them to agree to use you on a recurring basis? You might have a regular set of workshops you run for them every month or every year, or it might be a block of time which they can use however they want to.

Instead of running a drop-in yoga class, which is where most yoga teachers start from, improve your marketing so you look like one of the best yoga teachers and offer a block of sessions in a term. When you do this with automatic re-booking for the next term, you start to get some real money in.

Instead of selling one sandwich from your sandwich shop, can you get people to book all their lunches for the week or the month and they get free delivery? That means that you have a steady stream of income (and sandwich making) rather than being incredibly busy one day and then quiet the next because it's pouring with rain.

If you're a doctor or nutritionist, can you offer a discount to clients for booking a regular health check every year? When you see them this



year can you book them in for the next year as well, and tell them that they'll be able to pay at this year's fee rate? They'll know that your fees will probably go up next year, so they'll be happy to get this little discount.

When I set up the Joy of Business, I knew that I had to avoid the feast or famine scenario I'd experienced with my previous consulting work. When I was working as an associate consultant, I could be very well paid one month but have almost nothing the next, and that meant that I'd never feel financially secure. I set up my entire business based on recurring income streams, so 90% of my clients pay me a regular fee each month. Of course, clients come and go, and often I'm the one pushing them out of the door, telling them firmly that they don't need me anymore – but I can be confident about doing that because I am safe in the knowledge that my other clients will be paying me next month.

You'll notice that I've included some discounts (and free sandwich delivery) here for recurring income. But isn't this book all about increasing prices? Yes, it is – though it's worth dropping your price a little if it means you gain the peace of mind needed to concentrate on growing your business. Worrying about cash flow can be detrimental to your mental health and will straight away put a dent in your plans to grow your business, so in this case, it's worth charging a little less to have the recurring income streams which allow you to sleep at night.

But... this is the clever part of the book, isn't it? You might not be dropping your price. What looks like a discount to your customer for booking in advance or buying a block of sessions isn't a discount at all. The clever part is that you planned to do this all along: you increased your prices so you could afford to give this discount and still have more money in the bank than you did before. Which gives you a good night's sleep on that new bed you bought yourself with all the extra profits.



If you're going to bring in recurring payments to ease your cash flow, think about whether you can get people to pay by direct debit or by continuous card payment, which is easier to set up.

Even if you're selling high ticket items, such as marketing consultancy or executive consulting, a big bonus of moving to recurring monthly payments is that you can encourage your clients to pay directly, using Stripe or another card processing service which takes the regular amount from their bank accounts every month. They don't have to think about paying your invoice: it's all done automatically for them, so you're doing them a favour.

Doing this does mean that you end up paying quite a lot in card fees but that 2.5% is well worth it (especially if you raise your prices to cover it) to give you additional peace of mind and faster payments.

A quick word about retainers

When you read the previous section on recurring income streams, you might have recognised that some of my recommendations were to set up what used to be called retainers. Retainers are traditionally used by professional services, such as lawyers, PR agencies or tax planning accountants. They're for the kind of people who can afford to have a lawyer on retainer, just in case they need help with something complex.

Here are the rules of recurring income/retainers:

- On no account must you call this a "retainer". You might as well call it a "rip off service for fat cats". Unless you have a very niche fatcat target market, this wouldn't be the way to position your services.
- You can offer a retainer as long as you call it "a block booking" or a repeat booking.





- You can be more inventive with this and make sure that what you offer is packed full of value for the client, so they feel that they're getting something great for their money.
- Don't automatically discount or give extra freebies, unless these are what's needed to clinch the deal. Remember that clients don't notice discounts unless you point them out in the marketing – and that you don't have to discount at all. Ever.

Upsells

Upsells are a great way of effectively increasing your prices without having to go out and dramatically double or triple your standard price – although they can be used alongside that as well.

What is an upsell?

An upsell is a smaller item which you add on at the same time as, or just after, you've sold the main thing. It's a great opportunity because the customer is ready and open to buying.

The story of Meanie Fred and his new suit

I have a friend who very rarely spends money. In fact, he's a bit of a meanie: he's the guy who's last to the bar, has just one pair of shoes and comes round to visit at tea time because he knows he'll get a free meal. He's great fun, so I can forgive him all of this, despite knowing about his inheritance from his auntie which paid off his mortgage and how his parents are paying his daughter's university fees.

Fred, as I'll call him, has a lovely wife, who I'll call Tania. Tania and Fred decided that they would get married after ten years of being together. Tania sent Fred out to buy a suit, and because she knows what a meanie he is, she took him to a tailor to make sure he didn't buy something for £100 from Topman.

The tailor did a great job, and Fred agreed to a new handsome suit. The tailor also showed Fred the matching shirt and tie. These two items were £125, which I reckon is more than Fred has spent on clothes in the last year. Fred bought them too, with no prompting from Tania, who later told me how surprised she was.

The shirt and tie were the upsell.



You'll recognise this from when you've bought a car or a washing machine, and you're offered the special wheels or the three-year extended warranty. Upsells are the extras, which you are very likely to buy when you've bought a big-ticket item because you've been warmed up in the sales process. Most of us aren't meanies like Fred, but we're just as susceptible to upsells.

You might think upsells are unethical or dodgy because of the way I've told this story but like all the other "tricks" in this book, it's how you use them that counts. One of the things I often do with my coaching clients is to disentangle the package of things they include and make them clear to the customer. The additional elements become useful for marketing, as it's often the little things someone includes which gives them their unique selling point. But it can also be useful to sell these extras separately, as optional upsells.

How to use upsells well

You can use upsells in all kinds of ways. Some of these we've already talked about, so a great upsell might be where you add in some **"ongoing chunks of work"** to increase the lifetime value of your customers. Or when you've sold your gold package and done the work, you might want to then offer some of the elements from your platinum package as an added extra.

And the **tripwire products** coming up in the next bit of the book can also be a great little upsell as well as an introductory product.

The main thing to remember is that once you've got a customer in, you've built up a relationship, so you can sell them other stuff. Your relationship might be quite deep if you're a consultant or a coach because you're talking to your customer a lot, or you might never actually meet them because you've sold them something online. But there's still a relationship there because they've bought from you, and you have a privileged position with them as their supplier. At the very least, you have permission to email them as a valued customer.



That relationship means that you can show them other things that they might want to buy from you. Ideally, the upsell will be related to what you've already sold them. If they've bought some change management consultancy, they may be interested in ongoing performance monitoring to see if the change brings about the outcomes you planned for them. Or if they've bought a jacket for their dog, they may well be interested in doggy booties too.

Upsells often happen as they did for Fred - when you're selling someone a big-ticket item and suggest at the same time that they might also want to buy something else.

ASOS, the giant fashion brand, have worked out the statistics for their customers. Once you buy something from ASOS, you're statistically much more likely to buy something else from them in the next six weeks. So they email you almost immediately, probably before you've even got your new jeans, suggesting other things you might want to buy. Over the next six weeks they'll be in your inbox with suggestions all the time. After six weeks, they'll keep in touch but it will be a lot less frequent.

This is worth bearing in mind as something to copy - sell your customer something else almost immediately and you'll double their lifetime value straight away. Plus, you'll have a good chance of turning that person into a regular customer who wouldn't dream of going anywhere else.

What I mean by online products is something valuable which you either sell or give away but which is entirely digital, so once you've made it and put it online it doesn't cost you anything to get it to the customer. It might be as simple as a little online checklist you gave to someone about how to choose the best food for their cat based on the cat's age and health, or a £12.99 book on pricing for small businesses. Or it might be a 10K online course with video examples which a company can use to teach hundreds of their managers how to give appropriate feedback to their teams. Or something in between.

I can't cover everything here about adding online courses, e-books, programmes or video courses, etc. to your business, so I'll stick to how online products can help you to increase your prices and therefore help your business to be more profitable.

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Make them love you before they buy

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These kinds of products deepen the relationship between you and your prospective clients and ensure that your customers love you before they buy your services. Which of course means they'll be very happy to pay good money at your increased price level.

Here are some ways I've been able to help people to do this:

- You're reading one of my online information products – this book. Now, this is a real product, and I make money from selling this book in all of its different versions. But even if I didn't, it would have still been worthwhile spending hundreds of hours typing away because this book brings me lots of clients for my one-to-one mentoring and my



online courses and programmes. People read the book, begin to increase their prices and experiment with some of the clever stuff. And then they want to do more, so they come to me for some advice. They don't go to the Action Coach business adviser they met at the networking breakfast – they don't even think about him because he's not an expert in pricing strategy. I am – I've literally written the book on it. Because they've read the book, they have a relationship with me; my voice has been inside their head, so I'll be the first person they call if they want someone to advise them about pricing. Or about marketing, financial strategy or the million and one other areas they have to get to grips with to build a successful business.

- Developing a free online course. One of my clients ran language courses for business people who needed to get up to speed very quickly with a language when they were travelling for work. She specialised in intensive courses where you could learn a language quickly, so you could hold your own in a business meeting in Brazil or Japan. She knew that lots of people looked at her website, but they weren't serious customers who would spend a few thousand pounds on quickly getting proficient in the language they needed. She also knew that there are millions of other resources for people who want to learn Portuguese or Japanese quickly. So she did a free online course, which you accessed by subscribing on her website. The course was focused on business language, so it wouldn't be much use for somebody who just wanted to order a beer in Rio de Janeiro. By offering the free course, she had lots of people sign up, and then she was able to send them targeted emails. She focused only on the people who clicked through from the emails to further resources about rapid language learning for business use. This meant that when she launched her range of online programmes, she already had an engaged audience



interested in rapidly learning a language for business. These people trusted her and were already used to her teaching methodology because they'd done the free course.

All of this took a lot of work but was well worth it for the increased profits.

Be able to sell to more people

Not so much a pricing issue, but one of the big advantages of selling online products is that you can sell a hell of a lot more of them than when you're selling one-to-one. Which raises your profitability and gets you nearer to your success income target.

Many of my clients have decades of experience and oodles of knowledge about their particular area, but they struggle with getting enough high-value clients who will pay for one-to-one engagements. When you're a consultant delivering workshops, research or specialised in-depth advice, that takes a lot of time. You might want to spend more of it doing the other things in life which are meaningful for you, rather than constantly looking after clients.

Selling online information products means that you can encapsulate all of your experience and expertise into a particular product and pass that onto your client without having to spend hours and hours doing it each time.

Here's how I worked with one client to take all of her amazing experience and package it up to sell to a number of corporate clients.

How Sarah didn't have to retire after all

Sarah had 30 years of experience in high-level HR jobs. We identified that what she loved about her job was creating the onboarding and initial training for people who joined the big companies she worked for. Since going freelance, Sarah had worked on a few engagements with big companies to train less experienced HR directors. But she



was finding the marketing process very frustrating. Sarah was 62 and didn't want to work full-time or spend tons of time travelling to different corporate HQs – she'd done her share of jetting around the world and living out of a carry-on bag.

We developed a training pack and programme aimed at mid-to senior-level HR directors to help them improve their onboarding process for new staff. Instead of selling face-to-face engagements, we concentrated on marketing this training pack.

The interesting thing was that Sarah was able to sell this to quite a few different companies at a very nice price. It turned out that these HR directors didn't want to spend their time sitting in workshops either. Instead, they were very happy to use the resources in the training pack to develop their programmes in line with Sarah's experience. Another interesting thing was, I have to admit, a little bit of an accident: we included two coaching sessions with Sarah delivered over Skype in the training pack – and then people asked for more coaching, which we were able to sell at Sarah's day rate. A great example of "ongoing chunks".

With this approach, Sarah could demonstrate her expertise, sell the training packs and sell ongoing coaching. None of it took too much time and it didn't involve travelling, so it fitted with her desire to reduce her hours. And she made a hell of a lot more money.

A word of warning

There are lots of people developing all kinds of online courses, training packs and programmes. You've probably bought some yourself. Unfortunately, some of these are a bit rubbish, and this is making people suspicious of anything which is delivered in that now familiar format.

I'm sure you wouldn't want just to rush out and record a couple of videos and stick them on Teachable. If you want to sell your online information products for a good price, you'll have to put some thought into how you can make this interactive and truly beneficial to your customers.



Sarah, the client with the onboarding training pack, spent two days a week for six months putting her pack together, and then two days a week for the next six months getting the marketing right.

Developing and selling profitable, high-quality online products takes time, investment and great marketing.

Make your online product into your anchor price

We've already talked about price anchoring when you put in a higher price to make your midrange product or service appear very reasonably priced. You can also do this effectively with online information products.

Here are two different ways of using price anchoring to increase your prices across the range and therefore increase your profitability.

When you want to sell the online version

In this approach, you set your price for the online version (your course, programme, training pack or whatever it is) and make your top price (the platinum version) the version which gets you in person. This allows people who have a good budget or who want you, or who have an aversion to any kind of online service, to book you in person, which has now become the platinum version. Most people will shy away from the top price and buy your online version instead, seeing it as good value and less hassle compared to getting you in.

When you mostly want to sell the version where you deliver in person

With this one, the version where you deliver in person becomes the gold package. You make this look reasonably priced by adding in a platinum version, which includes all the stuff that they would get with the gold package but also has some online additions.



These might be:

- Follow-up coaching sessions (note the potential for ongoing chunks of revenue here)
- Video recordings of your training session for people to save and use for those who couldn't attend on the day or who joined the company at a later stage
- A full write up of your session
- Additional training notes

I could talk a lot more about online products and specific pricing strategies for them – but these are the basics in how you can use these products to raise your price and massively increase your profitability.



Tripwire products

Tripwire products are small-scale products which you can sell to get people to open their wallets for you for the first time.

They are usually small things or a trial service which your potential customer can take up at a low cost, so there's not much risk for them. The aim with tripwire products is not so much to make tons of money directly from them, but to give you the opportunity to get your products in front of a potential customer so that they will get used to buying from you.

I'm not going to tell you to raise your prices for tripwire products. A good tripwire product should be financially risk-free for your customers. But you do have to charge something for them – it's not the same as a freebie or sample.

Here are some tripwire products you might think about:

- An e-book at £12.99
- A £5 trial subscription
- Your potential client has to buy you a coffee and cake for a preliminary consultation, which is really a sales meeting

I stumbled into doing this last one years ago to put off the people who just wanted to pick my brains and didn't even have the money to buy me a coffee, let alone pay for business coaching. It turned out that it was really good for the people who were a bit shy about asking me for advice because they felt okay about buying the first session for the price of a coffee and cake. It didn't turn out so well for my waistline as I got a lot of extra cake.

The above are all things I've used successfully in my own business. Here are some others I've used with clients:

- A sample chapter of your book with the juicy bits priced £3
- Shipping only cost to get the first release of the physical copies of your book. This is usually linked with scarcity and “you’re special” offers; it might be just for the first 250 people who apply
- A paid-for webinar to get people to engage but they’ll learn something in the process – £35
- Access to a closed Facebook group with a specific community of people they will learn from and a way of getting access to you – £25 per month for the first three months, when the normal price is £100 per month

Important things to remember about tripwire products

If your tripwire product gets very popular, you may end up making a small profit from it – but that’s not the main point. Although it would be delightful to get small amounts of cash in your bank account while you sleep, it is unlikely to earn you enough to pay your mortgage. What we’re trying to do here is to encourage people to do two things:

- To spend a little bit of money. The psychology around this is that once people have got their credit card out and paid you and you have successfully delivered something of value, they are much more likely to trust you and feel happy to spend larger amounts. Note that this is why your tripwire product has to be of real value and worth the £12.99 or £5 they paid you.
- To develop more of a relationship with you. We want people to get to know you, engage with the way you think and respect you. You’re clearing the way for them being able to engage you for a much bigger project or to buy a bigger product from you.





- To also act as readymade upsells, or things you can include in your bundle.

Tripwire products are the first stage of the value ladder; that's what we're going to look at next.

Every business needs a value ladder

The value ladder takes people from being a prospect just looking at your website or someone who was recommended to use you, to somebody who is a regular customer spending lots of money. Our aim is to get lots of these regular customers buying from you over and over again at a price which generates enough money for your business to be profitable and give you your success income.

Let's look at some examples:

One of my clients, Evelyn, sells specialist outdoor gear. Not the kind of thing that you can buy from a high-street shop, more the kind of high-end stuff you would buy for a full-on expedition in the mountains. Her customers aren't buying for a trip to Everest base camp, but they do want to buy the best that is out there and are willing to pay for it. Evelyn's challenge is to make sure that people understand that this is the best gear they can buy and feel confident that they're not getting ripped off.

Let's look at Evelyn's value ladder.

Step one on the value ladder

A downloadable guide to how to buy the best folding chairs. If you've ever shopped at John Lewis or been a member of Which? you'll be familiar with this kind of buying guides which take you through all the things that you should look at when you're about to make a purchase.

Evelyn has put together buying guides for a number of the products she sells to help people make the right choice. When you download one from her website you have to provide your email address, and then you'll get other information regularly from Evelyn with useful things about the outdoors, expeditions and the best gear.





Step two on the value ladder

Once people have downloaded a guide, Evelyn doesn't try and sell them the more expensive items in her product range. She might feature some of these, and talk about famous people who have been using her tents or rucksacks to explore remote areas of the world, but she's more interested in getting people to buy a smaller item first. She encourages people to get enthusiastic about some of the lower-priced gadgets or an upgrade on something that they probably have already, such as one of those foam mats that you put underneath your bottom when you finally get to the top of the mountain and want to sit and look at the view.

Step three on the value ladder

Once people have been getting Evelyn's lovely emails for a while, she'll start to introduce some of the mid-range items, such as the £65 folding chairs that I got from her.

Step four on the value ladder

This is for people who have purchased something or at least clicked through to the website. These people will get an email telling them about the more expensive and especially new and exciting things that have recently come in stock.

How it works for a digital agency

Everybody's value ladder is slightly different. Here's what it might look like for a digital agency making websites and doing online marketing.

Step one

Downloadable guide to capture people's emails and start establishing trust.



Step two

An invitation for the people who are on the email list from the downloadable guide to attend a limited spaces, paid-for webinar on a specialist area. The webinar is delivered live with two key members of the digital agency team. You can pay £35 to either attend live and be able to ask questions or for the recording afterwards.

Step three

An invitation to get a road mapping or discovery session. Several agencies I've worked with have brought this in to replace the traditional sales meeting, which they used to do for free. The great thing about this is that you get rid of all the time wasters who don't have a decent budget or are just shopping around with five different agencies. The discovery session is sold as a stand-alone product which will give you a roadmap to take you forward in your online marketing. Make it clear that people can do this and then go and implement some of the solutions themselves, or with a different digital agency if they want to. Of course, they don't because by then they have developed a lovely relationship with you and want you to do it for them. At this point, they are a lot less sensitive to how much your full service might cost because you've developed a great relationship and already given them tons of value in the discovery session.

You'll see that this value ladder escalates quite quickly from a free guide to £35 to between £500 and £750. The psychology here is that once people have spent £500 with you, they'll see that as an investment in the start of the process. Once customers start spending, they'll continue.

For people who sell their time to, say, design a logo, build a website, set up an ad campaign on Facebook, do a training needs analysis or write a piece of copy, one of the big opportunities is that your clients don't have the faintest idea how long these things take.

Instead of going through all the hassle of quoting for each job and working out how many hours it will take. And then multiplying this by your price per hour, putting together a quote, waiting for a few weeks for the client to come back and agree, eventually being able to get on with the work and then finally sending out a nice invoice...you might want to think about switching to the productised consulting model. Here's how productised consulting can help you if you're selling your time and spending too long on quotes and proposals.

Pick something that you regularly do for clients. If you're a designer, your regular pieces of work might include:

- Logo design
- Brand origination
- Website layout

When a new customer comes along and talks about refreshing their brand, instead of having to think about it and giving them a quote for 50 hours x £100 per hour = £5000, you can just say "that will be £5000 please".

It doesn't matter whether they've got a great brand at the moment which just needs tweaking and updating, or if they have a terrible brand with an out-of-date logo that can't be allowed to be seen by any human beings ever again. It's probably going to take you roughly the same amount of time.



And if they are one of those annoying clients who want to be hands-on and talk about their favourite colours, yes, that might take you a bit more time, but you'll have a mix of these different clients, and they'll all take somewhere around 50 hours to do. Or whatever the number is; I have no idea how long it takes to refresh somebody's brand any more than your customers do if you're a designer.

With productised consulting, we can cut to the chase, ditch all that quoting by the hour and just divide the turnover you need to get to your success income by the number of projects you want to take on in a year. There's a neat spreadsheet in the Big Resource Pack to do this, but you can do it on the back of an envelope too.

Work out three to five different areas of your work which you regularly do, plus an idea of how long it takes you to do each thing.

Here are some examples of things which can become productised consulting projects which I've worked on before:

- A coaching client for me will take on average 5.5 hours per month. I can be quite accurate about this figure because I spent two months tracking how much time it took me to look after all of my clients, and then averaged it
- Writing three blog updates per month for a copywriter
- Set up and maintain an online marketing campaign for a small business over six months
- Maintain a client's Facebook account on their behalf
- Be the external expert for the launch of a sub-brand for a large digital consultancy
- Develop a content strategy for a magazine launch
- Ghostwrite a book for an academic who wants to get his work out to a business audience
- Develop a culture change programme for a large charity



You'll see that some of these are pretty complex, and when I discuss productised consulting with somebody who does something unusual or complex (or both) they often have big – and valid – objections. The aim of this is not to look like those people on Fiverr who will do a logo for you for \$35.

Unless you're just starting out as a freelance consultant, you'll have done some of these before, and you'll have an idea of how much time it took you to do them for different clients, plus how much variation there is between jobs and clients. If you are just starting out, you're going to have to use a bit of imagination and take a guess at the amount of time, probably based on your in-house experience. But that's okay because you can always change the pricing later.

Setting the price for productised consulting

Let's say you have a target success income of 65K a year before you pay tax – and you've filled out the spreadsheet in the Big Resource Pack which has told you that you need to have a turnover of 100K to achieve this.

You have three regular pieces of work that you want to prioritise:

- Regular work project A – takes five hours to do
- Regular work project B – takes 10 hours to do
- Regular work project C – takes 20 hours to do

You can do client work for 18.75 hours per week, and you want to have six weeks' holiday per year. Which means that you can do client work for 862.5 hours over the year.

The old way of thinking about pricing would mean that you divide your 100K turnover target by 862.5 to give you an hourly rate of £116 per hour. And then you'd either think "Okay that's great, I'm charging £150 per



hour at the moment” or you’d feel terrible and be racked with guilt at the idea of charging such a wicked amount.

Let’s just avoid all of that guilt and all of those erroneous calculations.

.....

Do not divide your turnover target by the number of hours that you can work for clients

.....

Instead, let’s look at the number of engagements that you can do.

In a given year you could do something like this:

- Regular work project A – 60 projects (or 5 per month)
- Regular work project B – 25 projects (or 2.5 per month)
- Regular work project C – 15 projects (or 2 per month with none in August, December, January and half of February)

If you’re a copywriter, then you could manage to write three blog posts for 5 clients every month, a fortnightly email newsletter for 2–3 clients per month and rework the copy for a website twice a month.

- Regular work project A (e.g. writing three blog posts for a regular client) £500 per month
- Regular work project B (e.g. writing a fortnightly email newsletter) £1000
- Regular work project C (e.g. reworking all the copy for a website) £2000

If you charge something like this, you’d end up with total sales of 96K, just short of your 100k target.

The beauty of productised consulting is that you get away entirely from the idea of day rates or hourly rates; you don’t have to think about all





the detail of that. You just have a set price for something that you're going to do for the client, and then you can get on with delivering amazing value and doing great work. Which I'm guessing is what you were interested in doing in the first place.

Not to be confused with **productised consulting**, productised services can have a similar effect on your bank balance and how near you get to your success income target, but work in a completely different way.

The productised services business model works for any business where you provide a service, and your clients buy the same kind of thing from you over and over again. You might not immediately think this could apply to you, but often, with a bit of imagination, you can work towards this.

How to start transforming your business into the productised services model

1. Identify which of your services are small jobs which people need on a regular basis. Estimate how long it takes you to do these things, and put them together to offer as an “all you can eat” package which people pay to receive every month. Make sure that there are clear boundaries so people don’t use the service too much.
2. Do some great marketing with this package as your key unique selling point
3. Look after your customers and do a great job so they stay with you
4. Sit back and enjoy your journey towards your success income and stress-free cash flow

The clever bit

Productised services gives you predictable recurring income because you know that clients are going to keep paying month after month. We like predictable recurring income.



And although people will use the “all you can eat” package a lot in the first couple of months, after a while the amount they use you will calm down or dwindle to almost nothing.

Here are some examples of service businesses which can be transformed into productised services:

- Management reports from accountants
- Bookkeeping for small businesses
- A helpline for small businesses who need legal advice
- Access to help online for using complex software
- Access to private medical consultancy – book in to speak to a doctor when you need to
- Counselling
- Web development changes
- Graphic design

If you have clients who use you a lot, or you’d like them to use you a lot, this can be a great way to remodel your business.

How WP Curve did productised services

WP Curve is a productised service WordPress troubleshooting agency. You sign up with them and pay a regular ongoing \$79 per month. You can then send them any number of short WordPress jobs.

If your website is based on WordPress, you’ll know the kind of thing I mean: the thing that you never get round to doing yourself or you have to spend ages Googling to find somebody who has written a helpful article telling you how to do it. The guys at WP Curve do these things all day every day, so they don’t have to look up how to update a particular plug-in, or how to make the photo you’ve uploaded display properly.



When I first used WP Curve, I had lots of errors on my WordPress website, and I sent them a new job every day. It was lovely seeing them tick off the big list of jobs. The second month, I didn't have as many errors, I just had a few updates and bits and pieces to sort out. In the third month, I had a major problem with the site which they sorted out overnight. But in the fourth and fifth months, I had hardly anything to give them. It will be the same pattern for most of their users: lots of work at first when the client either has a backlog of things that need sorting out or they're determined to get their money's worth from the new service, then not so much work. In fact, WP Curve cleverly sent me emails after the first few months suggesting proactive jobs they might do for me, just to make me feel loved and cared-for as a customer, and to make sure that I remembered to use them.

They put careful boundaries around what they can and can't do. Anything that involves uploading content is not included in the contract, so I can't get them to format my blogs for me. They only allow you to send one job in at a time, so you can't just send them a huge list and expect them to sort it all out by the following day. That limits how many jobs they can do in the month. And they're very clear when you sign up that the jobs have to be something which can be done within half an hour: they specialise in small fixes, not major projects or site builds.

Update on WP Curve: WP Curve were bought by GoDaddy in 2017 but it looks like they are operating the same business model within the bigger company.

How could you replicate what WP Curve do and apply it to your business?

Maybe you are the copywriter we talked about in the last section. You know that a lot of the work that you do for clients is the same kind of thing over and over again. You might be asked for regular blog posts, email newsletters, an automated series of emails, etc.



So it's possible to have a productised service business, similar to WP Curve, where your clients can ask you to write one piece of copy at a time with clear instructions as to what this copy should be, where it should go and who it's aimed at. Copywriting is more varied perhaps than WordPress fixes, so you probably have to do more onboarding with your clients, and your first month might be very busy indeed. Plus you might have to charge more than \$79 per month. But that's fine, this model doesn't have to be just for simple things, it can be used for all kinds of services.

Let's look at the best ways to make this work:

- You'll need a very clear set of boundaries around what you can and can't do for clients, and you'll need to be upfront about this. There's no point selling something to customers who think that they're getting one thing and then you end up saying "Oh no, I'm sorry, that isn't included in your package" all the time.
- You also need to be upfront with people about what your response rate will be. WP Curve tell you that they will get back to you within six hours and aim to fix whatever's going on with your WordPress site within eight hours of that response. They've been very clever with this because every time that I've used them, they responded and sorted things out for me much faster than that, so they under-promised and over-delivered, which kept me as a happy customer.
- Your service can't be too complicated. If you're an organisational change consultant and you usually work with a business for six months, helping them to restructure and transform their culture, this is probably not going to be for you. There may, however, be some element of organisational change which could be done in this way, either as a stand-alone service or as part of your offering.



How to raise your prices with productised services

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By now you're probably thinking "Well, that all sounds great, Julia, and I can see how it would work in making things very clear for me, and for my customers, plus getting repeat business. But this is supposed to be a book about pricing and one of the central messages I have heard throughout is that you probably need to increase your prices, especially if your current prices don't help you to get nearer towards your success level of income."

Well, that's where the other cool part of productised services comes in.

The cool bit is that with the productised services approach, you can offer a particular product or service and look like a specialist. By honing in on one particular area with a productised service, you become the go-to person for that particular thing. You're the expert in it, and they'd be foolish to go to anybody else. Plus, it's super easy for them to buy from you; they don't even have to talk to you, they can probably just sign up.

All of this means that you look much more valuable compared to any of your competitors, and therefore you can charge a better price.

Success fees

I'm not sure if success fees should be in the clever section or the dumb section. Here's how to use them cleverly.

What is a success fee?

A success fee is an extra fee that you charge if you or your client are successful in some way. Sometimes this might be a large amount, particularly when you know that because of your work they will raise a lot of money, sell a lot of stuff, win a bid they are involved in, become rich and famous or be successful in some way. There have been numerous times when I've wished I'd charged clients a success fee. The clients who sold their business for 6M, when they had been happy to settle for 3M, could have brought me a big success fee rather than that box of chocolates. I did enjoy the chocolates though.

Of course, it's easy to see this with hindsight. And that's the problem with success fees: you don't know what's going to be successful most of the time. If you design a website for somebody, maybe it will bring in tons of money. Or maybe the website could have brought in tons of money, but they didn't use it properly and put rubbish copy on it, or didn't convert the sales. There are many factors involved in success, and not all of them are under your control, unfortunately.

Where success fees work well

If you can clearly define what "success" is in a particular case, then it can be worth charging a success fee. You might be able to charge one if you are a bid writer, for example, and you know that your client is going for a tender which is much more likely to be successful because of your brilliant writing of the bid. Maybe you can charge a success fee if you finish a project on a superhuman timescale, which makes life easier or more profitable for your customer.



But you have to be able to define clearly what success is and make sure that you are responsible for achieving that success. It also needs to be within a particular timescale: there's no point charging a success fee for a brilliant piece of sales copy if it's up to your client to get enough people looking at that sales copy and therefore buying because of it. You don't control the situation, your client does, so you can't be responsible for achieving the success.

What's the point of success fees?

Success fees help you charge more for a project. They give you the chance to lure your client in at a reasonable price and then charge something extra on top if you achieve success. Not only does it give you the chance to charge a little more, but that little more might come in six months later when you've completely forgotten about the project, and it's a lovely boost in your bank account.

When you definitely don't want to work with a success fee

Often, a client might be feeling the "ouch" when they hear your price. This can be a good thing; we often want clients to think about the price and then decide to go ahead anyway because they're impressed with your marketing or how you've demonstrated the quality of your work. The thing to look out for is when they feel this "ouch" and then offer you half the money to do the project and the other half as a success fee.

What has sometimes happened, and I've fallen for this one myself, is that you've become emotionally involved with the project while you've been quoting for it, and you want to do it. Maybe you like the client, maybe you want the experience because it's an interesting project, or maybe you just want to close the deal. Or maybe you're a little bit desperate for another customer.

Some clients will take advantage of this and try and get a bargain. Don't be fooled. Usually what happens if you agree to this approach



is that you do the work for half the price and everybody's happy – but then the client doesn't get the success that she wants.

Of course, there can be many reasons for this along the way. Before I knew better, I ended up writing a business plan for somebody to attract investment for what I thought was a really good idea for a new business. It was indeed a good idea, and I wrote a very good business plan. I was supposed to get a £3000 success fee when my guy got the money.

Unfortunately, along the way, my client lost interest in his new business idea. He was one of those guys who had lots of ideas and fingers in lots of pies. A few problems came up with the other pies, and he ended up not even bothering to talk to the banks or the investors. There was no chance it was going to be successful, no matter how much time and effort I'd put into that lovely business plan.

Looking back on it, I can see that I was a complete idiot. All the other people that I've written business plans for have just paid me a flat fee for my time. Where I went wrong was getting emotionally involved. I wanted this project to work, not only was it a neat idea but it had other social and environmental benefits to it as well, so I was fully on board. I suspect that I cared about it more than the client did, and my desire to make it work made me a little dumber than I usually am. And £3000 poorer.

The equity version of a success fee

Instead of a proper fee, you may be offered equity or shares in a company as an incentive to do some work for them. The equity version looks the same as a success fee, but even if you're successful, and you can prove that you're successful, you won't get any cash. You may end up with some shares in a company which goes on to become successful, although I've never actually seen this happen in practice. What is much more likely is that you end up with shares in a company which lasts for a few years and then dies away. The problem, even if



they're successful for a while, is that you end up owning shares which can never be converted into real money.

You're working towards your target income which is made up of real money. Real money you can spend on paying off your mortgage, buying beautiful guitars or going on that holiday you've always wanted.

This kind of offer is regularly made to web developers, designers, product designers and other expensive creatives because ambitious start-ups need them. But when those ambitious start-ups don't have the cash to pay you (especially when they don't have the cash to pay you anything) they probably don't have the cash or the experience to make their new business work.

Just remember that no matter how great that project sounds, you're running a business. And a business charges money for what it does. Otherwise it's a charitable foundation or a hobby.

Unless you're offered shares in an already super-profitable, fast-growing company or in a company which has its shares on the stock exchange (where you can sell your shares for real money which can be used to buy food and pay your mortgage), my advice is to avoid these kinds of offers.



Unlike success fees, deferred fees are a great idea.

How do deferred fees work?

You'll have noticed that I want you to increase your prices to as much as you can charge; to make your clients think about what they're paying for and to think twice about whether they want to pay for it, before going ahead anyway.

Sometimes your clients will think twice because, although you're charging a good amount of money and they want to go ahead, they just won't have the cash there and then. And they might end up thinking that they have to say no.

They'll say things like:

- "I just don't have the budget at the moment"
- "I'll have to come back to you in the new year" (they won't)
- "We have a few cash flow issues at the moment, and I don't think we can afford it"

This is where deferred fees come in to save the day.

When you think that you've won the client and they seem happy until you say the price, and then their face falls, and they have a faraway look, as if they're thinking about something else, it doesn't mean that they don't want to buy. What it means is that they want to buy from you, but they're thinking about how to afford it.

When you can offer deferred fees as an option, this makes it possible for someone to buy from you now but not have to have all of the cash ready to pay you there and then. You can offer to go ahead with whatever you're selling, and they'll pay part of the money now and



part of it later. They have absolutely have to pay something now (or whenever you'd normally invoice for the work) because if they don't pay anything at all, they won't value what you've done, and it's more likely that they won't pay at all. We value what we pay for and don't value what appears to be free.

They pay part of it now, and part of it at an agreed time later.

That means that you're happy – you've got a new customer at your sweetspot price. They're happy because they've got the thing from you that they want. Everyone's happy, which is what we want.

How to make it work in practice

Deferred fees work well for:

- Consultancy based work
- Ongoing services and retainers
- Productised consultancy based on regular fees
- Any work where they'll have regular contact with one person and therefore develop a bond with that person
- Lawyers, accountants and other professional services

They don't work so well for:

- One-off pieces of work after which they'll never see you again
- Clients buying your services for someone else, e.g. a PR agency buying photography for a client
- When your target market is always going to be short of money, e.g. insolvency practitioners
- Productised services

And you definitely wouldn't want to use this model for:



- Anything where you have to buy in something substantial to do the job, like buying office equipment
- A café or shop, where the customer will take your thing, leave, and you'll never hear from them again
- An online shop

Some guidelines for protecting yourself when using deferred fees

I've used the deferred fees model with dozens of mentoring clients over the last 16 years, and I'm a big fan. It's enabled me to work with some lovely people who probably wouldn't have become clients otherwise, and I've only lost money a couple of times. In fact, I like doing it because I get the deferred portion of my fees in my bank account a few months later, often when I'm not expecting it, and it feels like I've got money for nothing because I've done the work ages ago.

You do have to be very clear when you're setting this up. You're not offering a discount or the choice about paying – you're giving the client the opportunity to pay part of the fee now and part later. You might want to stipulate or suggest how much they pay now (e.g. 50% now) and when they should pay the balance (e.g. 50% in six months' time).

You can invoice for the full amount, so they don't get a big bill they can claim not to expect later. Make sure that you have a contract and that the full fee is in the contract, just in case you ever have to chase them for any money owing. And you might want to have a separate written agreement about the deferred fees.

If they don't pay the first part of the money, remind them gently of this. If they still don't pay a button, then it's a sign that they're in trouble and you'll have to think about whether you want to continue to work with them. I've had this situation just once, and it was caused by my client having some horrible problems in her personal life, rather than a desire to rip me off.



Try using deferred fees when putting your prices up

Sometimes you have to be bold when increasing your rates and asking for your new sweetspot price. Having the option of deferred fees up your sleeve gives you something to fall back on when you're negotiating your new price.

Much of what we've been talking about here is how to increase the perceived value of what you sell so that your customers are happy to pay your increased prices.

Whatever you sell, it's going to look like it's worth more money if you:

- Improve your marketing (and you'll sell more of it too)
- Sell with increased confidence (also results in more sales)
- Use some of the "clever stuff" we've talked about to bundle up what you sell so that you develop a good relationship with your customers and they trust you

Here are some other ways you can make what you sell look like it's worth more - in fact, this might be called "how to show the true worth of what you sell".

Offer a guarantee

Simple. If you messed up, your product wasn't right for someone or didn't work; you'd refund them, right? Of course, you would, you want your customers to be happy.

But most of us don't overtly offer a guarantee. We don't say that we'll refund our customers if it doesn't work. Giving someone a guarantee can be a great way of getting them past any anxiety about spending a chunk of cash with you because if it isn't right for them, they can get their money back.

It's very rare for someone to actually ask for their money back, even if they don't like what they've bought. You're unlikely to suddenly have a whole bunch of people asking for refunds - but the added reassurance



of a guarantee makes the customer feel much more comfortable buying, even at your new improved sweetspot price.

Give value in advance

When you give your potential customers tons of useful stuff before they buy, they're much more likely to want to buy from you, and they'll see what you're selling as more valuable as well. They're much more likely to pay a good price for it too because you've developed a relationship with them and you've already been helpful.

What can you do to be helpful to your customers in advance?

Can you do a free consultation in advance? Invite them to a workshop or the launch party for a new product? Can you put lots of free and useful information on your website to attract visitors, demonstrate that you're the expert in this area and make people feel that they should buy from you because they've already got so much useful stuff from you?

If you're building your business through networking, what can you do to help people in advance of them buying? Can you connect them to other helpful people or send them an email with that article you were talking about?

You'll notice that all these suggestions for giving value in advance are also great marketing tips because you're reminding people of who you are, staying in touch and showing that you know what you're talking about.

The reverse is true as well. If you keep everything locked up or you're unhelpful before you buy, people are much less likely to want to buy from you, and they won't see you as selling something useful.

The story of my wonky glasses

I remember going into an optician's and asking them to adjust my glasses for me. The woman behind the counter told me she'd have to



charge me a pound. I was shocked, as every other optician in the world had just done this for free. It takes about three minutes. I gave her a pound, which she put into the charity tin on the counter. This didn't make me feel any better.

I've never been back to that optician because they didn't give me any value in advance. As a result, they missed out on the opportunity to sell me expensive new glasses every year for the past ten years – if they'd been nicer, I might have become a regular customer and spend hundreds of pounds with them.

Provide super value at onboarding stage

Many of us do great marketing and a great job once we get started. But what about that moment when someone has just signed up? When they've agreed to your proposal, sent you an email saying that they want to go ahead, or put their credit card details into your website?

Often this is the stage when we ignore our lovely new customers. Maybe we're too busy doing a little dance of joy, opening the champagne or sighing with relief. Or we immediately get on with ordering in the supplies to make their thing but don't tell the customer about it. Or we send them a boring contract and ask for a deposit. Maybe your website sends out an automatic payment receipt. What kind of a welcome is that?

The problem is that this is exactly the stage that buyer's remorse can set in for your new client. Buyer's remorse is that feeling you get when you buy something and you start to regret it. You may have experienced a severe version of it when you've bought something extravagant, such as a new dress or expensive shoes. The initial purchase gives you a thrill of adrenalin, but then you have a come down from the drug when you realise that you've spent real money.

Business customers will often experience buyer's remorse, even though it might not be their money. They're committed to an action, buying from you, and the fear, uncertainty and doubt will creep in. Did they



make the right decision? Was it a good investment? What is their boss going to say?

Increasing your prices may also increase the likelihood of your customers getting buyer's remorse. When you were selling at a ridiculously cheap price, they didn't have so much to risk.

It's very important to make sure that you get in and start your reassuring onboarding process as soon as possible. Before sending out the boring contract, send details of what's going to happen now, when their work has been booked in for and what the key deliverables will be. When they send the email agreeing to go ahead, you can respond with enthusiasm, telling them that you're looking forward to this because it's going to be a very interesting job to work on, or you're looking forward to learning more about their company.

If your sales process is automated, make sure that there's a clear email telling them what's going to happen next. With my New Business Ideas Collection, I send new sign-ups to a little video of me telling them about how the site works and which business ideas are my favourites. It's not such a great video, but most subscribers watch it, and it's the nearest I can get with an online programme to shaking their hand or giving them a hug.

And, of course, when you've made them very welcome in this way, this is the perfect moment to introduce your upsell and offer them some extras.

The final hurdle

By this stage, you're probably thinking "Well, I'd like to raise my prices, I can see Julia's point but..."

Which is fine. I've heard all the "buts" in all the world. We touched on a few of these earlier – here are some more things people just like you say when I suggest that they raise their prices. Take your pick and see what I might say back if we were sitting down over a cup of tea to talk.

*"I have to keep the price the same
for my current customers"*

Why? While you might want to start testing out some new price levels with new customers, it makes sense to start with the current ones. After all, they're the ones who are enjoying what you do for them and with whom you have the strongest relationship.

True, people do get used to a certain price level, as we saw in the anchoring section, but maybe you could tell everyone that you're raising prices because it's January (or February or March or whatever month you're in) and see what happens. Even putting up your prices a little bit with your current customers will give you the courage to put them up a lot more for the new ones.

And if you're working on your marketing at the same time, any current customers who decide to leave because you've raised your prices will be making space for all those new people who want to buy at your sweetspot price.

"That would be much more than my competitors"

Are you sure? Sometimes, as I mentioned right at the beginning of this book, I organise a secret shopper for my coaching clients to find out what their competitors are really charging. You can do this for yourself:



just set up a Gmail account in a mystery name and email your competitors for a quote. Or get an assertive friend to phone round for you.

Whenever I've done this, we've been surprised by the range of results. Clients who have been adamant that there's a "market rate" for whatever they do suddenly realise that there's no such thing when they see all the quotes from their competitors.

And even if your new sweetspot price is higher than your competitors, so what? Aren't you doing a great job, being the best that you can be? And aren't you working on your marketing (and the clever stuff) to make sure that people realise how great your stuff is? So why not charge more if you're the best?

"No one will pay that!"

Sometimes clients are sure that I've suggested something outrageous, just because I want them to be able to pay their bills and eat. The trouble is that if the sweetspot price you need to reach your good income is too high for anyone to pay, your business is in big trouble and you're going to have to do something else instead.

If you genuinely believe that no one will pay the price you need to charge, you probably need to book in for one of my one-off strategy sessions (see my website at thejoyofbusiness.co.uk for details and prices) to get an objective opinion on whether this is the case.

Usually, though, as we discussed in detail earlier, this isn't about whether people will pay what you're asking. This response is all about confidence in what you're offering, plus confidence about how to do the marketing to support a good price. I suggest that you test out whether or not people will pay your new prices before running away from what you need to charge. I explain how to do that at the end of this section.



"I have to look after my existing clients because I like them"

or

"I couldn't do that to Steve, he's been a loyal customer for three years"

I sometimes make a funny snorting noise here, probably because I don't know Steve or the lovely clients. Of course, if these guys are so lovely, they'll be very happy to pay your new price because they're such loyal customers. Just go for it – you owe your customers the respect of doing a good job and working hard for them, but you don't have to give them prices which leave you short of the money you need to live.

When we don't have much money in our bank account, it's easy to chase the quick money, the immediate sale. And then it's easy to get into the habit of doing this, forever chasing the quick sale.

Chasing the quick sale is one reason why people get into offering discounts or don't want to risk asking for a higher price when they put a product on their website or make a new pitch to clients. We are desperate for the immediate money, our bank account is crying out for it.

If you need the cash immediately, then it means your business is not anywhere near generating enough money to give you either your survival or good incomes. Or you're massively overspending somewhere. Or both.

When you have this danger signal, you need to take immediate action to get enough money into the business so you can relax enough to start testing out your new prices. Otherwise, you'll always be short of your target income and feeling insecure.

If this is where you are, here are some suggested short-term actions:



- Go on a personal money diet. What can you cut out so that you don't have to take so much money out of the company right now and you have some breathing space to work on the business? (See also The Big Cull section earlier)
- Get an overdraft, so you have some breathing space
- Get back in touch with the last five people who said they were interested and see if you can accelerate the sale. Most of us leave money on the table because we don't want to be seen as pushy
- Work out what the most effective short-term marketing action is for your business, and do it by this time next week to generate some sales and get some cash in

Once you've done these, you should have some new sales which get you over your emergency. Then you can sell to the next customers at your sweetspot price and start getting the profits you want to see.

"I can't afford a new website/rebrand/new website/new business model/business coaching"

Can you afford not to? If you don't invest in your business, you're never going to get to your target income. Everyone I work with says over and over again that they wish they'd come to see me or taken action on their business earlier than they did. It's all too easy to get stuck in the old patterns and for the years to go by with nothing much changing. Because it's hard to change.

There's only one thing harder than changing, and that's going broke or living broke because you didn't change.

Work out what you need to change about your business and start taking baby steps towards it. If your website isn't working for you, can you use other channels instead? Or add something to your website to start improving it. By making the teeny tiny starting steps of change,





you get out of your old habits and start to generate some more cash to make the bigger changes.

You don't have to be able to afford to do everything all at once - you just need to get into action with one thing right now. Change that up and see what happens.

If you sell on the phone or face to face, test it out with the next three people you prepare quotes for. Just ask for your sweetspot price and hold your nerve to see what response you get. Remember that you have to do this at least three times because you're probably still attracting customers based on your old marketing and you might not get a true response from the first person you ask. Plus, you need a bit of practice in asking with confidence. You can't possibly convert 100% of your clients – if you do, your prices need to be pushed up a little bit more.

If you sell online, test out your sweetspot prices for one section of your range, or in one channel, to see what happens. Do it for a week and see what the results are. If your sales conversion doesn't fall dramatically, you can probably test it out on the rest of your site, or test a further increase.

I did this recently with an online retail client. He mostly sold from his own website and had developed a bad habit of discounting every time there was a cash flow problem, just to get some cash in. He had an Etsy shop which had been a bit neglected and hadn't had all the offers and discounts on the main site. He spent a day uploading some new stock to the Etsy shop but at an average price of £34 instead of £25. Most of the range sold pretty well, so we tested again at £39. There was a little bit of drop off here, so we brought it down a bit on some of the pieces to find his sweetspot price.

He was then able to apply this with confidence across the entire site, which raised his gross margin to 70% – and we've been working on tweaking it a bit higher ever since.



How to get some more help setting your pricing sweetspot

We're reaching the end now, and you should have a whole toolkit of ways to increase your prices and set your pricing sweetspot to get your business on track, generating your good income and working towards your success income.

But I know what you're like. You're like me and every other business person. You'll read this book and have every intention of raising your prices. You might even start changing your business model to make it possible to charge more money and get more customers. But you'll slide back in the same way as I do whenever I decide to do more exercise or get up earlier.

We humans are pretty rubbish at making changes. We're not built for change, unless the change is forced upon us from outside and we have to, or we'll be held accountable if we don't.

So here are some ways to make sure that you do increase your prices and make sure you reach your success income:

Get some coaching

You can come to me for some one-to-one coaching to ensure that your prices are at their sweetspot and that you've got a clear plan for your marketing to make sure there's a ready supply of people wanting to buy at your new price.

Or you can come on my Remarkable Business programme, where you'll have a headstart on everyone else because you've read this book. Remarkable Business is a six-month programme to revolutionise everything in your business. If you wanted to improve your fitness, you might get a personal trainer to show you exactly what you should be doing and make you do the exercise. This is the business and financial



equivalent. Remarkable Business covers pricing, marketing, productivity and business models, plus how to get good at running a business. You get active support from me and an ally group of other business owners who also want to make big changes in their business. It runs twice a year, so check the Joy of Business website to see when the next programme starts and get yourself on the waiting list.

Get a buddy

If you're not up for business coaching just yet, you can get together with another person who wants to improve their pricing. Find a friend or someone you've met at a networking event who you clicked with, and invite them to go through the exercises in this book with you. If you wanted to get physically fitter, you might get a running partner or someone to go to the gym with – this is the business equivalent which will make you show up and do the work. It's important to share your income targets, so you've said them out loud to make them real. And, between you, test out the response when you start to ask for more money.

Having a buddy will give you someone else on your side and someone to be accountable to, so you get into action.

Work out your steps

If you want to go it alone, you can work out exactly what you want to apply to your business and in what order. Look back at the different suggestions and work out what you need to do to make a difference.

Good luck.

Julia Chanteray

