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Profitability – Pricing Strategies To Make Money

By Kerri Salls

At a meeting the other day, a marketing consultant opened her talk by asking the group, "What are you worth?" She went on to discuss all the different ways we minimize our worth or discount our value in desperate attempts to close the sale. After all the pitfalls of pricing and selling were laid out, she closed the talk by asking again, "What are you worth?" The responses around the room were very entertaining as people began to realize or give themselves permission to adjust their prices to make a profit!

As a wakeup call for your own business, I want to give you some options to consider ensuring your pricing delivers the profitability you deserve.

1. Educate your customers. When prospects approach you or calls/emails you for an estimate/quote, this is a buying signal. They are telling you they are ready to buy and willing to spend money to purchase your expertise. – Provide superior service and they won't look elsewhere and won't blink at your price. Excellence is priceless.
2. Many prospects perceive value and price as equal. A lower price can actually hurt your credibility and sales because they associate the best quality products and services with premium pricing. Listen to your customers. – Do some competitive research and be sure you are not shorting yourself.
3. Periodically calculate your profit margin to be sure what you charge, after expenses and overhead, pays you a good living. Covering expenses, overhead and payroll is not enough.
4. Periodically do the numbers to be sure that the actual cost/hour and price/hour give you the necessary profit margin. Your daily rate may sound reasonable. But if you bill for 7 or 8 hours and put in 12 –14 hours, you may actually be paying yourself less than your lowliest employee or intern.
5. There are ways to keep your prices fixed to maintain value and yet be flexible. Add the flexibility by designing different bundles of services or different packages of hours/month or hours/project to be contracted.

6. Set your fees just a bit above what you feel comfortable asking for. Then, bump them up incrementally until clients complain or you stop getting reorders.
7. When asked, be upfront about your prices, and then zip it. Do not apologize for your prices, defend your prices, or justify how you derived the price.
8. Yes, there are strategic times when negotiating a price is in your best interest. For example: a unique packaging of services for a new type of client, or the pilot or beta testing of a new product or program.
9. If you still think your initial consultation/sales presentation with a client should be for free, set some boundaries and expectations and clearly state the value and your investment in preparing for that initial consultation. Another way to approach this is to charge for the initial consultation at your full rate and if they purchase your product or service, that fee gets applied to the final invoice payment.
10. If you close the sale and get paid on that one sale but provide value-added services of following up in a number of ways, are you losing money from the opportunity costs? Maybe you can charge a small premium to provide stellar customer service. Clients will value it more if they have to pay for it.

You have to appreciate what you are worth before your clients will. Decide what you are worth in the marketplace. Be sure your fee or rate has a profitability factor built in. You are worth it.

Kerri Salls, MBA runs a virtual business school to train, consult and coach small business CEO's and entrepreneurs in 10 key strategies to make more profit in less time. Learn more at

<http://www.breakthrough-business-school.com/products.html>

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Pricing For Profit!

By Bill Vannot

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Are your prices set for success? If you study consumer

psychology, you might run across suggestions that prices ending with the number "7" can possibly sell more often than prices ending in other numbers,

One example would be to try pricing something at \$4.97 to possibly make more of an impact, than pricing it at \$4.99. Have you tried this pricing technique? Set up a test and see if it works better for you. Can a difference of only 2 cents really make a difference in the sales you stack up?

If you sell higher quality products or services, this could cheapen your product or service's image, so you should avoid this pricing strategy for expensive items. If your brand is solid, your offers can absolutely command and get higher prices.

You can also try lowering your prices. It could work for you if your customers buy more than one item from you. It appears to be more of a bargain if you say \$35.00 for one or \$97 for 3 items. It isn't a big saving but it is a bit more eye appealing. Sometimes, bundling items is a good idea, at a slightly reduced price.

Creative psychological pricing strategies also include using a technique that seems to lower the value of your product or service. Here's an example, if you charge a \$400 annual fee for your service, try offering the same service for \$7.50 a week. It's almost the same price but the weekly cost of \$7.50 seems to look cheaper than hundreds of dollars.

Test your products and services with psychological pricing. If it works for you, your sales just might increase!

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