

# **The Step-by-Step System to Building Your Small Business**

**Helping small business owners around the world build  
successful and rewarding businesses**

## **Module 3 Client Conversion Made Easy**

### **Lesson 3A Pricing for Profit**

**Solutions and  
Direction for tomorrow's possibilities**

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## Introduction

Dear Business Owner,

I am very excited to share with you my methodology for setting your pricing. As you are reading this material, consider setting fees that will assist you in capturing the most clients based on where you are as a professional and what your objectives are. In other words, pricing is very personal!

Many business owners are trying to charge too much! That's right...too much! The next time you ask a competitor what he is charging, be sure to also ask the all-important question, "How many clients do you have?"

I cannot tell you how many times I hear that Fred is charging "X" in large part because his colleague Sally is charging "X" or because "That's what most competitors charge." This line of thought is not consistent with this program's philosophy of being professional and structured in the way you carry yourself as a business owner. Setting your fees because "other people" do it a certain way is not in and of itself a good enough reason.

There are a number of factors to consider when setting prices. In this lesson, you will look at pricing in a logical, professional, rational manner. You will learn how to set fees that are perfect for you and that allow you to fill your practice the fastest. Remember: You can always raise your fees later!

### **In this lesson, you will learn:**

- The 6 critical factors in setting your fees and establishing pricing.
- Why offering a price range of solutions enables you to attract more clients.
- How to create a price range that is right for you.
- How to set fees to increase profitability.

Pricing is an exciting and important component in growing your business. Since price is the #1 objection for not hiring a business owner, I encourage you to set your fees in a way that enables you to serve more people and, ultimately, fill your business with clients!

Best regards,

Susan Brockmeier

## The 6 Factors in Setting Your Fees

### Your Objective

Does Mercedes Benz have a different objective than Hyundai? How about McDonald's vs. Charlie Trotter's in Chicago? I bet you immediately get the point! Sure, both Mercedes and Hyundai sell cars, but their objectives are different—who they are and who they want to be and why they want to be who they are.

Who do you want to be with regard to your business offering? Why? What is your objective? Do you want to serve an average of 30 people in any given month and 5,000 people in your lifetime? Do you want to appeal to the masses? Or do you want to be very selective, earn far more per hour and serve far fewer people?

A quick story... One business owner asked another, "If you could shorten your work week by serving just five clients per month at \$2,000 each for the rest of your life, would you do it?" Now, even though this was the earning equivalent of serving 20-30 of his typical clients, the second owner responded immediately, "NO WAY!" Why? He wanted to help a lot of people, not just those who could afford \$2,000 per month.

Now, there is nothing wrong with wanting to earn \$2,000 a month from a client. I simply shared this as an example. Pricing is a very personal decision, and the first thing you should think about when setting your price is, "What is your objective?"

### Your Belief

For maximum success, the fees you charge need to be congruent with your level of belief and confidence in yourself and with your offering. I do not believe you can or should "fake it until you make it" with regard to fees. If there is a discrepancy between what you think/feel/believe and what you propose, your prospective client will pick up on it (at least subconsciously) and will walk. As time progresses and you become more experienced, your belief will grow, and then you can raise your fees. You will know when it is time!

### Your *Who* and *What*

Obviously, your *Who* and *What* (target market and niche) play a big role in determining your pricing. For example, can a person who serves CEOs charge a different fee than one who specializes in working with single moms? Of course!

Now that you have worked through Module 2 and have determined your *Who* and *What*, it is time for you to establish your pricing. The goal is to have your rates match your target market and the value they receive.

## Your Geographic Location

In general, can a business owner in New York City charge higher fees than a business owner in Coffeyville, Kansas? Absolutely! Assuming the business owner is primarily marketing to people in his/her geographic area.

For example, Julie, a friend of mine lives in Coffeyville, a rural part of Kansas, pays \$2.00/hour for babysitting. In a place like New York City, she couldn't begin to get that service for \$2.00/hour!

I share this with you because your location plays a factor when you are determining the pricing structure for your service. Business owners who market to people in an area where prices are generally higher and where the business offering is widely known and accepted can charge more than business owners who live in an area where their offering is new and the cost of living is less.

Now, this does not mean a business owner in Kansas can't charge a fee comparable to those charged in New York, but your geographic location does play a role!

## Your Experience

Do all business owners have the same level of experience, skills and knowledge? Of course not! This is another reason why you can't base your fees on what others are charging. Generally, the more experience you have helping clients achieve the results they desire, the more you will be able to charge and the easier getting these fees will be. Also, your experience prior to establishing your business, if relevant, adds to your credibility, makes your offering more valuable and provides support for your price.

## Your Services

The services you provide also impact your fees. For example, how many calls, visits, meeting, etc., do you provide each month. How long are each? Do you include an intake session? Do you work face-to-face or over the phone? Do you travel to their office, or do they come to you? Do they get supportive written material, CDs, etc., that enable them to receive greater value from your business compared to what the competition is offering?

## Benefits of Three-Tier Pricing

I believe that business owners, especially new business owners, benefit most when they make three pricing options available to prospective clients. To keep things simple, let's call them low, medium and high. They are outlined in the next section. First, let's cover the benefits for three-tiered pricing.

### Gives the Client a Choice

Throughout this business-building system, especially in “Lesson 3B: Mastering the Complimentary Consultation” and “Lesson 3C: Handling Objections Effectively,” I recommend that you give the client choices. The more opportunities clients have to make choices during the sales process, the more likely they are to trust you and invest in your service/product.

### Appeals to a Wider Range of Potential Clients

A percentage of people within your target market are “premium buyers.” Money is of little or no object to them; they want the best of everything. You want to have options and packages that appeal to these types of people. Other people are more sensitive to price. Especially as a new business owner, you do not want to lose anybody to price. Having three tiers diminishes this risk.

### Allows Perspective

Is \$300 per month a high or low fee? Does it sound like a lot or a little to prospective clients? The fact is, you do not know! However, if you compare \$300/month to \$500/month, suddenly \$300/month sounds like a bargain! Having a second price immediately changes the meaning of the first price!

### More Complimentary Sessions

Whenever you are quoting fees (written or verbal), I recommend that you present a range. This way you can appeal to both the premium-level and price-sensitive buyers. Again, especially as a new business owner, you do not want to lose out on opportunities to have Comp Consults. If all someone hears is your high rate, they might decide you are out of their price range. By quoting a range, it is easier to appeal to people who are price-sensitive. AND, you are letting premium buyers know that you have the expertise to serve them as well!

## How to Set Your Fees

The most effective way to set your fees is with a three-step process. And the easiest way to begin is to start at middle tier and use what you offer now as the basis for Step One.

- Step 1** Write out your price(s) and the service(s) and/or product(s) you offer for the fee(s). This is your Middle-Tier Pricing.
- Step 2** Set your High-Tier Pricing at 30% to 66% higher than your Middle Tier (in Step 1, the one you are currently charging). Outline the service(s) you would provide at your High-Tier Pricing.
- Step 3** Set your Low Fee. I recommend this fee be no less than 50% of your Middle-Tier Pricing, and 25% is often more appropriate. List the service(s) that would come with this Low-Tier Pricing.

### **Examples of Fees/Services:**

- Step 1** \$445/month (Medium Tier)
- Three 40-minute telephone consultations
  - Unlimited email access
- Step 2** \$595/month (High Tier)
- Three 55-minute telephone consultations
  - Unlimited email access
  - “Just-in-Time” consulting as needed
  - Enrollment in your teleclass program
- Step 3** \$325/month (Low Tier)
- Two 40-minute telephone consultations
  - Limited email access

Note: The highest hourly rate is the Low Tier at \$244 per hour. The lowest hourly rate is the High Tier at \$216 per hour.

**Low Tier** Two (2) 40-minute calls = \$325.

Therefore, the rate of \$325 divided by 2 calls = \$162.50.

The rate per minute = \$162.50 divided by 40 minutes = \$4.06.

The rate per hour = \$4.06 x 60 minutes = \$244.

**High Tier** Three (3) 55-minute calls = \$595.

Therefore, the rate of \$595 divided by 3 calls = \$198.33.

The rate per minute = \$198.33 divided by 55 minutes = \$3.61.

The rate per hour = \$3.61 x 60 minutes = \$216.

### **Factors That Determine Pricing**

- Number of consultations
- Length of consultations
- Face-to-face or phone meetings
- Include intake session or not
- Email access
- Just-in-Time services
- Length of contract
- Pay up front or over time
- Travel
- Supporting products or materials
- Add-on programs or memberships

## Quoting Your Fees

When quoting your fees, I strongly recommend that you quote your **high** fee first, then your **middle** fee. Do not quote your **low** fee up front; you only make this rate available to truly price-sensitive buyers who really want your service/product (and you want them), but who absolutely cannot afford your fees. It is important to read and work with “Lesson 3C: Handling Objections Effectively” to ensure you have tried to coach to their objections before you offer your low fee.

The primary reason to quote the high fee first is that your middle fee then *seems* low by comparison. If you just quoted one fee (your middle), your prospect would have nothing to compare it to and might perceive it as high. However, when compared to your high fee, it automatically seems more reasonable!

A secondary important point is to discuss what they get before you quote a fee. The prospective client needs to feel comfortable with knowing what they are getting before they hear the price. For a better idea of how this might play out, see the example below.

**Example:**

Imagine that you have conducted an effective Complimentary Consultation, and you ask the client...

Consultant: Would you like to hire me to be your consultant, so I can get to work and help you (insert your *What*) immediately?

Client: What are your fees?

Consultant: Thank you for asking. I have two opportunities for you to invest in consulting. The first is for high achievers like you (if true, or some other compliment) who really want to (insert your *What*) blow their business out of the water. This is the most intense form of consulting and allows you to reach your goals in the shortest time possible.

You get 3 one-hour phone consultations per month, unlimited access to me via email as well as “Just-in Time” consulting as needed. (Insert why this is good for them.) My consulting in this arrangement is more specialized in nature because you are getting my expertise in (insert your *What*).

The investment for this is \$595 per month. Does this sound like what you are interested in?

Client: (They will typically ask what the other fee is.)

Consultant: I also have a \$445 per month rate. It is less consulting but still very effective. You enjoy 3 40-minute phone consults per month and still get unlimited access to me via email. Is this more appropriate?

## Pricing For Profit

I encourage you to think “outside the box” and come up with creative ways to increase your profitability through pricing.

The keys are to:

- Challenge the conventional approach of your industry.
- Understand the psychology behind purchasing decisions.
- Identify exactly what your customers want while keeping in mind what will work for your business as well.
- Create win-win pricing structures.

Pricing is an important issue. It alone can drastically improve or reduce your bottom line, especially in the service business, since there are virtually no correlating costs. Here are some ideas to spur your thinking.

### Raise Your Fees

Let's say, for example, that a business owner's gross annual income is \$45,000 (consulting with 15 people at \$250/month). If she decides to raise her fees by a mere 10%, or \$25 per client per month, and assuming she has no additional cost involved, her NET income would rise by \$4,500.

### Charge for Intake Consultations

In addition to increasing her fees 10%, this same business owner charges a separate \$125 fee for a two-hour intake session. This meeting/call lays the groundwork that supports a quick start, greater success and maximizes client satisfaction. This change generates an additional \$1,875 from those same 15 clients.

Combine the income from implementing the preceding idea with this one, and she would earn an additional \$6,375 with virtually no extra work.

Small changes can have big impact on profit!

## Yield Management

This pricing tool was invented by the airlines and has been used heavily in the hotel industry for years. In its purest form, yield management is the manipulation of price based on time/demand. This is especially potent for “perishable” items such as airline seats and hotel rooms.

For example, let’s say a plane is going to fly at a certain time whether 100 seats are filled or 50 seats are filled. Is it better for the airline to let these seats (regularly priced at \$200) go unfilled or to sell them at a 50% discount and make an additional \$5,000? True, they did not make the \$10,000 that they could have made, but \$5,000 is better than zero!

Although yield management can be a rather complicated topic, I use these basic examples to help spur your creativity and challenge you to think in yield management terms when developing your pricing.

### ***Example:***

Do you find that many of your clients want to work with you in the morning or evening just before or after their work day? Well, how about selling the “perishable workday hours” at a reduced rate to attract people who might otherwise not hire you? You can then leave the space open during high-demand hours for people willing to pay a premium rate.

### ***Sample Fees:***

7 A.M.-10 A.M.	\$500/month
1 P.M.-4 P.M.	\$400/month
4 P.M.-5 P.M.	\$500/month



**Step 3 Set your Low-Tier Pricing.** I recommend this fee be no less than 50% of your Middle-Tier Pricing, and 25% is often more appropriate. List the service(s) and note the price(s) associated with this Low-Tier Pricing.

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## Summary

By now, perhaps you can see how incredibly individualistic pricing is! And, how much fun it can be to be creative with your pricing! If created in a proactive, reflective, thoughtful manner, pricing can have a tremendous impact on your business.

Competitors' pricing at best serves as a point of reference. When determining what the market will bear, it is not, in and of itself, sufficient. While it may be of *some* use in establishing your pricing, other factors worthy of your consideration include:

- Competitors' *Who*, *What* and *How* compared to yours.
- Competitors' training and/or years of experience compared to yours.
- The geographical location served.
- Number of clients the competitor serves vs. number of clients you want to serve.

Your belief about the value of what you provide your clients at a particular point and time should match your pricing. Otherwise, the prospective client may sense the discrepancy and not buy.

Consider your objectives for the growth of your business, the number of clients you want to serve, etc. It is easier to raise your prices than to reduce them. When setting your pricing, remember you can always raise your prices in the future.

Pricing can help you attract more prospective clients, cater to both the premium and price-sensitive prospects and allow you to maximize your profits for the same amount of output.

All of these are tremendous reasons to carefully consider your pricing as well as monitor your prices throughout the life of your business.

And remember to price your offering in a way that is appropriate and right for you!