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Introduction

In this Special Report, I want to share with you the secrets of how to sell more products and services at higher prices, even in the current downturn.

Raising your prices is the fastest and cheapest way to increase your profits, bar none.

Yet it can feel like one of the hardest ones to do, although for no better reason than fear. Most business owners are convinced their prospects, customers, and clients are penny-pinching misers who will stop at virtually nothing to save a few pennies.

The fact is, nothing could be further from the truth, and almost no one ever buys on price all the time.

Some do, but you don't want them as customers and clients anyway. The vast majority of us buy on price only when we've not been given a good reason not to.

In a recent survey, only 14% of respondents said "price" was an important determining factor in purchasing decisions.

Looking at it another way, it means of every 100 people who come into contact with your business, 86 of them are not concerned about how much money you're asking for your products and services.

Now, you might want to worry about the 14 who are, but I encourage you to disregard them and instead focus your energies on the 86 who are going to give you the best rewards for your efforts, by far.

Now, if you doubt me on this at all, I suggest you stop reading this for a moment and go and look up and down your street.

I guarantee no one in your street is driving around in the cheapest possible car they could find.

Moreover, they're not living in the cheapest houses they could get, either (and I bet you're not wearing the cheapest clothes you could get at the charity shops, and you didn't eat the cheapest slop you could find for breakfast).

Price is only an issue when you haven't given your prospects, customers, and clients a reason to pay what you're asking. That's huge.

If you understand this, you understand one of the key principles of charging higher prices.

I'll explain more about what I mean as I go through this Special Report.

So, here are 7 strategies you can use right NOW to start increasing your prices.

1. Test a 10% Price Increase NOW!

This is the simplest thing in the world to do. Just put your prices up right now by 10% and see what happens. Common sense tells us we're going to see a sudden drop in sales, so you might be reluctant even to try it.

But, it's not like jumping out of a plane with no parachute: you can always drop them again if the results aren't favourable.

So, today — **right now in fact** — increase your prices by 10%.

The chances are you will lose no business, and even if you do, as I'll demonstrate in a moment, most businesses can afford to lose up to 22% of their sales on a modest price increase like this and still make the same profits, because most people won't even notice.

For example, if I want cheap paper for my printed "roughs" in my office, I'll buy the cheapest I can get... yet even then I won't cross the street to save a few pennies: I'll buy the cheapest I have available at the instant I want it.

Furthermore, there are times when buying on price is mandated by law (as, I believe, in the case of the tendering laws enforced upon us by the European Parliament).

But even then, businesses routinely get round it by drafting the tender invitations in such as way that only the preferred supplier actually meets the requirements and so is the lowest price by default.

Here's How Elastic Price Really Is!

A couple of years ago a copywriter friend of mine quoted for some work to an American client.

He sent his quote off by email, and it was for something like $2,500.

By return he got an email back saying "*Looks like it's $4,595.23 in USD at today's exchange rate. That's fair. Go* *ahead*".

My friend couldn't understand this until he checked his outgoing emails — **he'd accidentally typed "£2,497" instead of "$2,497". Instantly his prices had increased by 84%!**

What it means, really, of course is he had undervalued his own worth. And the important lesson here is <u>most of us do</u>.

Remember, 86% of people don't care about price.

And if you're worrying that your clients, customers and prospects are worrying... then you're almost certainly worrying for no reason 86% of the time!

Why a Price Increase Is So Valuable

Broadly speaking most businesses operate with something like a 35% markup. This is not far wide of the mark for most businesses in most industries.

If your markup is lower, then what I'm about to show you will be even more beneficial; if your markup is higher, it will be less so, <u>but still worth doing because you are almost certainly undercharging for your products and services!</u>

You can skip the maths if you like, but I encourage you to follow it through at least once, because it's really important you <u>understand</u> this and don't just take my word for it.

It'll still work for you, of course, whether you understand it or not, but experience shows if you really understand it, you'll feel more comfortable about actually doing it.

Here's the bottom line: by increasing your prices by 10% with a 35% markup — which is, remember, about right for most businesses in most industries — increases your profits by a massive 28.57% or so on the same volume of sales.

Another way of putting it is that you can ***increase your prices by 10% and have your sales fall by 22% and still make the same amount of money.***

Let's see how.

Imagine you sell exactly £1,000,000 of products, and your profit on them is £350,000.

What this means is that for every £1 we make in gross income, we've spent 65p to buy or make the stuff and then to sell it, and we make a 35p profit on it.

Now let's say you increase your selling price by just 10%.

So, assuming for the moment you don't lose any sales, instead of selling £1,000,000 of products, you're now selling £1,100,000 in products.

And that extra £100,000 is pure extra profit.

Now your profit is £450,000, instead of £350,000, an **increase of 28.57%** for no extra work (because the profit increase of £100,000 is 28.57% of £350,000).

But what's the real upshot of all this?

Well, let's assume we lose sales because of the price increase.

How many can we lose before we start actually losing money?

Working out the maths shows you can lose 22.2% of your sales and still make the same amount of money.

However, experience clearly shows we don't actually lose any sales at all. Price really is not that important to the vast majority of people.

So, with a 35% markup, assuming a fixed cost of provision and sale, a price increase of just 10% gives you a 28.57% hike in profits.

Or another way of looking at it is to say **you can afford to lose 22% of your sales and make the same income!** That's the difference between finishing work on Thursday and working through till Friday afternoon.

I think that's a good deal, don't you?

So, just do it, as they say.

Put your prices up and see what happens.

You will lose virtually no business and your profits will soar.

2. Sell your Products and Services on Benefits, not Features

People don't want to just buy "stuff". They buy "stuff" to solve their problems, ease their pain. The trouble is, most businesses just sell "stuff".

Unfortunately, "stuff" is available anywhere so it has a commoditised price.

How much can you sell a pint of milk or a packet of aspirin for? Pennies - because you can get the same thing anywhere.

But if you can sell someone a drink to refresh their maddening thirst, or something to soothe the pain of the headache that's threatening to see them locking their kids in the cellar and throwing away the key, then you can ask more.

Price becomes a problem only when you haven't given your prospects, customers, and clients a good reason for it not being a problem.

I cannot stress too much how important this is, especially in the downturn. It's a misconception to think people are becoming more price conscious.

They're not.

What they are becoming is more value conscious.

So you're going to improve your chances of increasing sales and profits if you forget all about this "low price" business and instead concentrate on increasing value.

And one way to do this is...

Add elements/bonuses to increase perceived value

People don't buy on price, but what they do want is value. So, increase the perceived value of your products and services. And the trick to pulling this off successfully is to make sure whatever it is has a high perceived value to them, but costs you very little to produce or give.

For this reason, information, even in the form of CDs and DVDs is great because all it costs you is the time to compile it once, and then the few pennies it costs to reproduce and send the disc itself.

But be generous here — don't necessarily think cheap is best. Remember your long-term customer value is where the profits are.

It's a mistake to think your business is "different" and there's nothing you can add like this.

In Ireland a small-town butcher has begun giving away free professionally-printed recipe-cards in his shop. And in exchange for your name, address and email address, he'll give you a handsome binder to put them in.

If you want to cook one of the recipes, you can hand in the card and they'll deliver everything you need to make the meal in a box for you: meat, vegetables, sauces... everything.

He charges a premium for this, of course, and he's already the most expensive butcher in the town. But it's added service and something no-one else, not even the 4 local cut-price supermarkets do (they should).

Then there's a dentist in Australia who gives his child patients a little paper card that gets stamped after every visit. After the card is full, the kids gets a free <u>bike</u>.

The bike probably costs the dentist a couple of hundred dollars.

Big deal.

How much are all those visits worth to the dentist?

How keen will the kids' parents be to pay his higher fees — and pay them often — because they now have a dentist the kids can't <u>wait</u> to see?!

If a dentist and a butcher can do this, so can you.

3. Offer a (very generous) Guarantee

Guarantees are a fabulous way to overcome price resistance. You see, any transaction involves risk. And since you're the one asking them to trust you with their money, it's going to benefit you to take this risk onto your own shoulders.

You do this by offering a fantastic guarantee.

The problem is everybody automatically thinks they are going to get cheated, that a horde of greedy and sneaky customers is going to descend upon their business and suck it dry.

But the truth is, this just doesn't happen.

Just consider a few things:

First, the person who will take the trouble to come into your business, scheme to get your products and services, and then cheat you by calling you on your guarantee... is already a cheat, and would cheat you anyway.

If you run a business, you've probably come across difficult customers who just don't want to pay and are out-and-out cheats already.

People like this don't need the excuse of your guarantee to cheat you: they'll do it anyway. We've all met them, I'm sure. It's part of the cost of doing business. It comes back to bite them in the end, so let them get on with it.

Secondly, never mind what I just said about cheats... because it almost never happens anyway.

They really are that rare.

In fact, it's because they're so rare we remember them (because we tend to notice only the unusual, not the usual).

In all the years I've been working in marketing, what with my own guarantees and those of my clients, the times I can think of when someone was ripped off by way of their guarantee are <u>very</u> few and far between.

So what do I mean by "give a great guarantee" and why should you do it?

Well, to answer the first question, I mean you should ideally offer a full unconditional 100% money back guarantee if the client or customer is anything but completely and utterly delighted with your products or service.

They need only offer any reason or no reason at all to get their money back.

Yes, I really do mean that: a 100% unconditional guarantee.

Moreover, the longer you make it and the more wide-ranging, the less you'll have to honour it. It's a quirk of human psychology, but it's there nevertheless: if we offer a 30-day guarantee, by the time day 21 comes round, if they're not sure... they'll come back in for their money.

But if that guarantee is, say, 12 months... well, after a year they're either deliriously happy, or they've forgotten about you entirely.

In neither case do you get called on the guarantee.

Now, we can't always do this unconditionally because with some businesses the end result of using our products or services is beyond our control, so it doesn't make good business sense to guarantee it.

The next question, why should you give a guarantee like this, calls for some explanation.

Jay Abraham, the famous American marketer, talks about "risk reversal".

In any purchase both the buyer and the seller have some risk: the seller risks not getting paid, and the buyer risks being sold a poor-quality product or service.

You might think the risks are equal, but they're not: the buyer usually has several sellers to choose from, and the seller is the one asking for the buyer's money.

The buyer is almost always in the stronger position.

So for this reason alone it makes good sense for the seller to offer this "risk reversal" by offering a guarantee.

It means all the risk of the sale going wrong is transferred to the seller. This all by itself gives the buyer a massive confidence boost. His or her investment is secure.

But, what about that old worry... being cheated?

Well aside from the fact it almost never happens, even if you are cheated occasionally, it still makes sense to offer a guarantee.

See, it's often too big a mental leap to bridge the gap between what you might lose in being cheated occasionally, and what you're going to gain in the couple of hundred extra sales you'll get because of your guarantee.

If you get cheated once in every 50 sales, but you're making an extra 100 sales a week because of your guarantee, it makes sound financial sense to offer it, doesn't it?

But human nature being what it is, we would rather bizarrely prefer not to lose £1,000 than gain £10,000.

Of course, always remember even though the vast majority of people really are genuinely honest, the trick with guarantees is not to leave yourself too vulnerable.

It is always a case of risk management.

There is absolutely no doubt whatsoever a stunning guarantee invariably means a massive increase in your business.

It does take some courage, but it's OK to be apprehensive, and you don't have to start out big. Start with something small and non-threatening and see how it goes. Then extend it, make it more generous.

4. Overcome Price Objections

Remember earlier I said "*the vast majority of us only buy on price when we've not been given a reason* <u>*not*</u> *to*". If you get an objection about the price of something, it's because you've not given that all-important reason for them to pay you what you're asking.

It's not that they're tight-fisted: it's your responsibility to make sure you have given them all the information they need to make the right decision.

If people are not willing to pay the price you ask it's because you haven't persuaded them of the value of your products and services.

One important thing you must *not* do is be ashamed of charging high prices or even just to avoid the issue.

In fact, it's usually counterproductive to do this, and it can increase both the response rate *and* the quality of your customers and clients if you wear your prices like a "badge of honour": "*yes, I realise our fees are twice as high as our nearest competitor, and I'm glad you brought that up. Here are the 17 good reasons you are better off doing business with us and paying our prices*".

One thing you will find is it can take a steady nerve. People will often tell you they can get the "same thing" cheaper down the road.

This suggests a couple of things: they can't; or they don't want to (because if they could and they wanted to and low price was important to them, they'd be down the road right now buying it — what they usually mean is they want <u>your</u> service and quality, and the <u>other guy's</u> prices).

5. Add an Elite or High Price Option

This is one of the easiest to do, and yet one most business owners miss. As always, the 80/20 rule applies. If you sell a £100 widget, then there is going to be in your list of customers maybe 20% of people who would be willing to spend, say, £400 or £500... if you gave them the option.

And if you take that list of high-spenders, you'll find maybe 20% of them will be prepared to pay you, say, £1000 or more for something... if you give them the option.

The trouble is, if you don't ask, the chances of them offering is as close to zero as makes no difference. The easy way to do this is to think about creating a "de-luxe" offering which costs you nothing to offer but for which you can command an insanely high price.

Let me give you an example.

Imagine a carpet retailer who decides to do this.

So instead of just saying he'll come and fit your carpets, he offers a high-end service where he'll come and fit the carpets, get your furniture cleaned, your house spring-cleaned professionally, your dog groomed and shampooed... and at the same time send you and your family to a luxury hotel in Spain for a long weekend while he does it.

You could charge a lot of money for that — and I guarantee, every carpet retailer has clients who'd pay his price for it. It's probably only 3 or 4% of the customer list but there are big profits in that 3 or 4%.

And you don't have to start big: cast your mind back to the butcher I mentioned before. His premium-priced "meal package" costs him nothing to offer other than a bit of paper and ink, and requires time and effort to implement only when someone actually buys one.

All this is easy to do, and takes no more than your applying a little imagination to the problem.

6. Sell Yourself

In British society we're very firmly taught that understatement is to be desired. That's maybe nice when you're dating.

But it's deadly when you're running a business.

As the great salesman Zig Ziglar said, "*timid salesmen have skinny kids*", and the rather more poetic Shakespearian "*faint hearts n'er won fair ladies.*" If we don't sing our praises then no one else is likely to.

Now, this is not to say you should elevate yourself by treading all over everyone else. I don't know if you've ever had the experience of having a salesman try to sell you something by doing nothing more than criticising his competitors, but it's very ugly.

And not only is it ugly but it's also counterproductive and unnecessary.

First, we instinctively mistrust anyone who's negative and bitter.

And this is exactly how you seem if you try to climb by treading on others; secondly, you take the focus away from your own positive attributes; and thirdly, it implies you're insecure and have some ulterior motive.

Instead, then, be relaxed and confident about your business and your competitors. Openly acknowledge you charge more than they do and don't be afraid to tell your prospects they can get the products and services cheaper from them, and they'll get good service, to boot.

But *then* tell them about the things you do that they don't do. People want to be looked after and look for strong, confident leadership, especially in today's economy.

So tell them all the great things you do to take care of them. It doesn't even matter if your competitors do do it, too - if they're not making a song and dance about it but you are, then the perception is you're the only ones.

It's a little understood truth in business, but the easiest way to increase your value is to increase your service. Customer service is a trite phrase often bandied about, but few business owners really embrace the idea.

And that's a real shame, because service is <u>really</u> important and it's dead easy to beat your competitors hands-down on service.

Why?

Because most business owners see their business as being all-important, and their customers and clients as being something of an inconvenience.

Customer service is king, always. Probably the best modern example of this is Domino's Pizza. They didn't sell themselves on having the best pizza in town, nor the cheapest.

No, they sold themselves on *service*: *"Domino's delivers in 30 minutes or less*".

Nothing, I repeat, <u>nothing</u>, sells like service.

There are three really important words you need to burn into your soul in letters of fire when it comes to service: "*and then some*".

Remember this and put it into practice, and you won't go far wrong.

Value yourself and your business properly

We can predicate all of this on the necessity of your having a strong sense of self-esteem. You see, you can't expect to gain the respect and trust of your prospects, customers and clients unless you first respect yourself.

Yes, it sounds terribly New Age, but it's true: all respect starts with self respect, both your respect for others and their respect for you.

And if you want to be charging Premium Prices, then believe me, you need to have the self-confidence and self-respect to stand there and ask for them.

You've really got to feel your services and products are worth the prices you're asking for them.

And for your prospects, clients and customers to agree to pay them... they need to respect you and trust you.

It comes down to this: value yourself and your business.

Be proud of who you are and what you do. There's no business, no job you can't be proud of being the best at.

Not one.

7. Face Down Your Competitors

Don't allow yourself to be drawn into a price war with your competitors. As Earl Nightingale said, "*don't compete... create*".

As marketers and business owners we can take this to mean don't fight your competitors... but make yourself different from and better than they are. Create services and products they cannot hope to match.

In this economy in particular, it's no time to be a "shrinking violet". When you feel at your weakest and most vulnerable, then that's when you need to be your strongest and your most resolute.

Because what you're going to see around you is all your competitors, through lack of direction and imagination, slashing prices to the bone.

It's going to be very tempting for you to do the same. I know you're going to feel the pressure to conform.

And that's OK. It's human nature. We're a gregarious creature and we follow the crowd. Robert Cialdini called it "*social proof*", and it just describes the natural human tendency to do what everyone else is doing.

But if you do the same things as everyone else, you'll get broadly the same results they do. And in a downturn, that means if "everyone" is suffering and you ape their behaviour... then you'll suffer too.

But take heart because if you hear "rumours" your competitors are cutting their prices, not only do you know that's folly, but you also DON'T know if it's true or not.

And that's when you're going to feel most the pressure to cut your own prices: friends, family, "friendly" competitors, clients, prospects, and well-meaning do-gooders will all be saying you "must" cut your prices.

And they are all dead wrong!

Truth is, your clients and customers lie to you. Regularly and frequently. Shamelessly. And it's called <u>negotiating</u>.

The most common lie goes like this "*I can get exactly the same thing down the road for less!*".

OK... so that leads you to ask the question "*So why don't you go there and get it?"*.

And you'll find there is one of three answers to this: they can't, they really can't, or they don't want to:

1. The place down the road hasn't got any. Or they've got a similar item that's not actually the same at all.
2. The place down the road does have the item and it is both exactly the same and is cheaper, but for whatever reason your prospect can't get it from there. Maybe he's a bad payer or his boss has told him not to.
3. The place down the road is unreliable, a cheat, has bad-breath or any one of a number of real or perceived faults that means your prospect actually doesn't *want* to buy from him.

Believe me, if your prospect could get the same thing at a lower price somewhere else and price was all he cared about, why the hell is he still talking to you?

What he's really saying is this: "*I want your service, your quality, all the things about you and your business that make dealing with you easy but I want your competitors' prices*".

The bottom line is this: even if your competitors *have* cut their prices and you suddenly find for some reason your sales-volume has been hit, cutting your price is a really bad idea.

Without going into the maths, because we did enough of that earlier, you will be better off holding your prices and investing more money in advertising, promotion, sales, and service than you will be in cutting sale price.

Your fixed- and variable-cost of sales will increase, but this has a disproportionately <u>small</u> effect on profits.

Using the broadly correct 35% markup as before, if you triple, say, your budget for customer service, you need to increase sales volume by only 5% or so to make it all back.

This is in contrast to the huge damage a 10% price cut causes (and let's face it, that's a modest cut! In the high-street, 75% discounts are now common).

Conclusions

So, what happens if you increase your prices? You may lose some customers.

However, first, you'll lose a lot fewer than you think; and secondly, you don't want to be dealing with those customers anyway.

Invariably my worst clients have always been quick to complain about price and slow to pay.

Another thing is that the quality of you, your products, and your services as perceived by your customers and prospects goes up.

So, the secret of how to sell your products and services at higher prices than your competitors?

Just ask.

Really, it's that simple. The hardest thing about it is getting the confidence to ask higher prices than your competitors and then stick to them.

To your success!

Chris Cardell