

## CREATIVE FUNDING SHOW INTERVIEW

- Welcome back to the Creative Funding Show, I'm Thomas Umstattd Jr. and with us today is Janene Liston, a Certified Pricing professional, experienced in value creation and European Public Speaking champion. She believes we each possess the wisdom we need to thrive in life and she helps us tap into it and today we're going to be talking about pricing and specifically: pricing with crowdfunding campaigns and how to pick reward levels that are the right price.
- So Janine welcome to the Creative Funding Show
- Hi Thomas, thanks for having me here!
- So why is picking a price so difficult? A lot of people say this is the hardest part of launching a Kickstarter campaign or patreon page! Or is: what do I price my rewards at? Why is that so hard?
- Yeah, I think it's hard in a couple of ways. It's difficult one: because there's sort of this fear of rejection. Somehow we attach it to our own value or worthiness and that brings up all sorts of Core Beliefs that we have from when we were kids and things like that, that are uncomfortable. And then the other side of it is: that we feel like we don't know how. I think that people feel like that it's something, that there's a specific process or way to go about doing it and they don't know what that is and so it's kind of this uncertainty around how to do it and how can I feel confident in that number that I said.
- Right, especially if what you're giving is a service?
- Yes
- Taking photos for free all your life and now you want to charge and you're like: "oh Gosh I guess I'll do it for 10 dollars" like no, you need to actually charge, you know, what you're worth. But knowing what you worth is hard, especially if you have challenges with self-worth. And so, I think you're exactly right! Part of the reason that this is so difficult for a lot of people is that connects with like deep psychological issues going on. More so than, like other aspects of the campaign which you aren't. It's quite so psychologically charged, right? People don't really get that invested in their logo or like the copy on their page, you know. There's some emotional element to that. But like pricing is like; "Am I worth living on this planet? Do I deserve to breathe air?" Than that could be a little bit of a challenge. So, let's talk about. I think most people, the first mistake they make is: their price is too low and when folks get started. I've seen this across the board and business and art. What are like some signals that somebody's prices are too low? Well, there are some of the warning signs.
- Well, the first one and this always cracks me up when I hear it, but I hear it a lot, is: my customers are telling me I'm priced too low. So, please please please, if your customers are telling you to raise your prices, you probably want to listen to that, right? Because they are going to be good judges of the value you're delivering.
- That's right! And you're way too low if they're telling you that you're price is too low. But, another way to say that is like: this is a really good deal, like people are always talking about your product in regards to price. That's a sign that you're too low. So what are some of the other signals that prices are too low?

## CREATIVE FUNDING SHOW INTERVIEW

- Well I think that other signals that prices are too low are: if you feel that you're working really, really hard but not getting anywhere, right? So, you've got loads and loads of customers but you're not meeting your financial desires or needs. That can be an indication, especially with service based businesses, of course. With product based businesses, another indication you're too low is: if you look at yourself, on what we call a value map, if you plot the value of what you deliver versus the price and have yourself and the customers down there. If you're delivering more value than your competition and you're priced lower, it's not the healthiest or most profitable of strategies, when it goes to pricing.
- That's right! You're like: "Oh, well I'll put my competitor out of business", but more likely you're going to put yourself out of business, because when you ran out of cash you die. I remember when I launched my first patreon page we had three levels. We had a \$2.00 level, a \$5.00 level and an \$8.00 level. And the first fifteen people who backed the campaign, all backed at the \$8.00 level. Like, we priced the \$8.00 level too low. This was supposed to be the luxury, like aspirational level, the one that only a handful of people got and it was the one that everyone was going to. In fact it was sold out. It was a limited level and that was a hard lesson learned. But what we ended up doing is we hid that level, so no new people could back at it and we copied it and created a new version of it that was \$20.00. And so now the \$8.00 people still get to keep it. But if they ever cancel, they'll never get it again. I guess we've learned our lesson and we're able to fix it that way. But we left a lot of money on the table, pricing it that low. And we just didn't value what we've had put in that \$8.00 level.
- Well that brings up an important point, if you don't mind: the way we position prices next to each other or on a page, it communicates something to the people looking at it. So, there's a very famous example, I forget which news magazine print it was, but when they went online, they went from print to online, they transitioned, they priced the print version only at like \$80.00 and \$125.00 the online and print version. And there was a very specific reason they did that. They wanted people to buy the combined and not just one or the other. But if they have priced that higher, than just the online only, people would have just bought the online only
- That's right! That's one of the advantages of having multiple price points. Is that you create a market yourself and you're able to kind of influence what, you know, package somebody gets and their different kinds of people. Some people have a worldview that they always buy the cheapest thing and some have a worldview that they always buy the most expensive thing. But most people are looking for the best thing for the buck. And so, what you want to do is: you want to make the most profitable, and by profitable for patreon I don't mean like you're selling things getting my back of it profitable in the sense of time, right? Like you're putting in tie and you're getting back a good return. You want that to be a very attractive-looking level, the most attractive-looking level. And what's interesting about patreon, specifically, is that people don't just back a creator because they want the rewards, they also back a creator because they want to help the creator, it's altruistic and

## CREATIVE FUNDING SHOW INTERVIEW

they don't even, you know, give their e-mail address to receive the rewards and this opens up some really powerful anchoring opportunities. So you can have a \$100.00 a month reward that suddenly makes your \$10.00 a month level look like a really great deal. Especially when you have people who are backing you at that \$100.00 level, because they don't care. So tell us a little bit about anchoring! I realize I throw out that term, but what is anchoring and why it is so important for pricing?

- So anchoring is important because when we see a price on something, it is not just influenced by if I'm buying something, it is not just influenced by how much money I have in my wallet or my understanding of the value of the product or service, it is also influenced by what's around it. Uh, and this is evident when you start paying attention, you see it everywhere. And so you can use anchor to steer behavior like the, like the example with the newspaper. Uh, you can also use anchoring to help sort of lessen the blow if you want to put it that way, about how big that number is compared to something else. So one way to, to anchor price is in the copy before your price mentioned statistics that have numbers bigger than your price. Because if you're mentioning, if you're selling something for \$250.00, and you're mentioning statistics that talk about thousands than \$250.00 doesn't seem so big compared to that. And the benefits of anchoring generally happen at a subconscious level, but they are going on and there's lots of studies out there that show that these things, these fine tuning tactics is what I call them, they work effectively
- And once you understand what anchoring is, you see it everywhere. This is why Amazon always has the price at the line through it and a different price. You always feel like you're getting a good deal on Amazon. That's why on Tele commercials, you know, they're like, you can get all of this for \$9.99 but if you call now, it's only \$49.99 like they keep lowering the price in. You're like, oh, well, sophisticated people don't do that. Apple would never do that. Actually, if you watch the very first iPhone reveal, Steve Jobs gets on stage and he explains the value of the iPhone and he's like, it's an iPod, it's an internet communication device. It's a phone. Each one of these things, it'd be worth \$600.00 or \$500.00. So he ranks out this price and he's like, "are we going to sell it for \$1500.00? No, we're only going to sell it for \$600.00" and everyone's like, "oh my Gosh". And then, and like the next day they're like \$600.00 for a phone. Are you kidding? But then people were lined up around the block because it changed the world. And if it will work for somebody as sophisticated as Steve Jobs, it can work for you. And a lot of people are like: "oh, I can't use anchoring. It's a cheeseball technique". And it can be right. There are cheeseball ways of doing that, right? If you ever hear yourself using the phrase: "but wait, there's more", you may be falling into the trap of, of getting to cheeseball land. But anchoring that price I think is very powerful.
- Yes, I agree. And you're right, it can be, it can be used in a, in a sleazy way. It can be used in an eloquent way. And I'm a big believer whenever it comes to pricing, anything that you're, you're trying to sell, well you need to do it in a way that's aligned with your values.

## CREATIVE FUNDING SHOW INTERVIEW

- That's right. And I do recommend, if you haven't watched it recently, go re-watch the iPhone reveal. That is just masterful salesmanship and presentation. And of all, of the presentations Steve Jobs did, that's the one post that changed the world the most. And it's good. Good to re-watch. So getting back to prices though, how, what are some signals that are prices too high? We talked about, uh, if they're too low, how do I know that my prices are too high?
- Well, again, going back to this concept of value and price, if the value you're delivering is not bringing, if what you're delivering isn't bringing the value you says it, you say it, well then of course you may be in a position where you out price yourself. This can happen. Another, another common mistake that results in being overpriced. And I'm an engineer by schooling originally. So I say this with a lot of love in my heart, but there's a lot of technical and engineering people who create things out there because it's exciting to create what they created, but it's not necessarily what their customer wanted or needed. And they have an expectation to earn money with it, so they price it really high and then realize it's not what the market wants or needs.
- That's right. Because value is subjective. One man's trash is another man's treasure. And I remember going back to the iPhone when it first came out. I couldn't afford one, but I knew people who are twice my age who could. And they were using their iPhone to take pictures and to make phone calls. And that was it. And how it's like you have this whole galaxy in your hand, you don't know how to use it. It was like more valuable to me. Like I knew I'd watched all the videos, I'd watch the presentation. It's like I knew exactly how to use that iPhone, but everyone else, you know, they had no clue. And yet they could afford it. And the value to me was, was higher, but the price point was just, you know, as a college student, I just couldn't afford \$600.00. Like the money just wasn't there. Uh, and that I think is another element of price, pricing is that, you know, the higher of a price you have, the more people you exclude. And sometimes this is on purpose, right? Like some people want to pay a lot of money just to exclude the people who can't afford it, right? This is the country club model, right? The country clubs couldn't sell memberships for free. Right. The whole appeal to a country club is that: you're not hanging out with poor people. Um, I mean they don't word it that way, but it's somebody who's observed country club life for a long time. This is kind of my opinion of it.
- It's exclusive
- Right? And, and people want to feel like they're on the in crowd. They want to feel like they're a part of something that's exclusive. And pricing is a way to do that. Although there are other ways of doing that, that are perhaps better for somebody with patreon. You know, limiting your rewards, you know, giving things just to your most passionate fans. Rewarding passion rather than money. Because that, you know, personally doesn't make a lot of money but they watch every video, they comment on every YouTube video and they're sharing it all the time. And, like really, that person needs to feel like they're on the in crowd. Uh, regardless of whether or not they can afford to buy all of your merge.

## CREATIVE FUNDING SHOW INTERVIEW

- So can I ask you a question? Um, when it comes to patrons? So one of the things, I was just something, I was thinking out loud or thinking in my head saying out loud. So quite often when you're selling something, you get requests for discounts. And so I always teach people, you know, don't offer discounts, offers something of value instead. Because just because somebody asks for one doesn't necessarily mean that that's what's in the way. So we talk about making a list of things that you could offer instead of granting a discount. And I guess in a sense, the converse of that, in a way, with Patreon, because you're not necessarily selling a service, your marketing need to get support for something. And so it's what you include in these packages that people get as part of a bonus for supporting you. Um, you know, instead of adjusting prices on things, you can also include new and innovative things in those packages.
- Well that's exactly right! On Patreon it's very hard to change your reward levels in terms of price points. That creates a lot of friction, right? People suddenly are paying a different amount than they were paying and that, you know, they have to reauthorize. It gives them an excuse to cancel a, and with the Kickstarter, it is impossible. Like once, someone has backed at a reward level, that reward level price is locked. But what you can do on both of them is change what you get for those. Uh, so with Kickstarter, the way this is done is with stretch goals. So you know, I need \$10,000 to produce the album. But if we can raise \$15,000 I'll add two new songs to the album, than would've been included otherwise. Because we'll have the extra money for the studio times classic stretch goal. And that's a way of enhancing. You're not paying any more money, right? You paid your \$10 for your digital album and you are getting 12 tracks and now you're getting 14 tracks. If you help bring in more backers, right? So you go get your friends and the critics and it's in it and that's really powerful. You can do a stretch. Goals actually are built into the platform of Patreon. So you have these goals, they're not called stretch goals, they're just called goals. But they function like stretch goals where once we get, you know, a hundred backers, once we get \$1,000 such and such thing as unlocked and everyone gets it or everyone at such and such levels gets it. And that is where you want to play around and really experiment with what the rewards are. So I know this is the pricing episode, but in many ways price is just a way of reflecting the value of the package and playing with what's in that package can be very powerful.
- Well, I don't know if you're familiar with the reverse auction, which is a, what they use in, in Amsterdam and the flower market. They use a one verse auction. And to me it's almost like reverse pricing in a sense.
- So, so what is a reverse auction?
- So a reverse auction, I knew you were going to ask me that. So a reverse auction, so usually you go after the highest bidder and what you do in a reverse auction is you go towards the lowest bidder, but if you don't go low enough then you might not sell your flowers basically.
- So you keep lowering the price till you can't lower it. Like how, what does that look like?
- You keep lowering it until somebody accepts the price.

## CREATIVE FUNDING SHOW INTERVIEW

- Okay. So they do that irregular auctions too. If they put out a product and no one's bidding on it, sometimes they'll lower the product till they get a bid. Um, it's, it's an interesting technique. It's kind of like a reverse coupon, which we found has worked really well, which is where you, uh, threaten or you say, we're raising the price of our course. We do this with novel marketing where you have a course that we price way too low lesson learned, but instead of just raising the price, what we've done is we've from time to time warned people, hey, we're going to raise the price in two. If you want to get it at the current price, this is your chance. And it functions like a coupon. It has that urgency and that anchoring in a lot of the elements of a coupon, but we're not actually lowering the price. We're anchoring it to this new higher price that it's going to happen in the future.
- It's a good strategy for when you have to make price increases.
- And it also eliminates people being like, what happened? I was about to buy it. And suddenly the price has gone up. Like they have lots of notice. And so it people feel less like you just changed the price willy nilly. Um, so let's talk real briefly as, as we close about specifically pricing strategies for Patreon and for Kickstarter. Um, I, uh, what, what are some tips you would give for somebody who's starting a patreon page on setting prices for their rewards?
- I think one of the things, and I alluded to that earlier, is when you do set up your packages, think about the different price levels because it's the, let's say you have three different packages that you are, levels that people can, can support you at. If you price the bottom one in the middle one very close together, you'll steer people more towards the bottom well towards those two. If you have a bigger gap between the middle and the higher one, uh, if you want to steer people so you can steer people with your prices and think about when you set those numbers, don't necessarily have them in equal distance apart because you can actually steer people in a direction. Uh, probably one of the reasons you sold that higher \$8.00 package so much is because there wasn't enough difference between the different levels. And if you had had a bigger gap, you might not have sold as many of those. So think about what those price levels are, are saying to people and how it might be steering them. So that's, that's one thing to do. When it comes to selecting them, I guess part of it depends on what your, your goal is and how many people you need in order to achieve that goal at the different levels. So you can set yourself up with a very simple a sheet to, to be able to do the math on that. And maybe even Patreon has that in the background somewhere and does that math for you, uh, but can consider that and use that. Then as part of your strategy when you go out and you try to, when you go out to get people to sponsor you, um, you can use that information. You know, you need to have 20 of these and 50 of those and 10 of, of another. You can use that as part of your, your strategy when you go out and target people. And I guess the last point is that when it comes to selling, and I use that in quotes, although you can't see my air quotes on the podcast, is that it's, it's still about value and you have to be in order to sell anything, in order for people to understand that a price that you set for something is worth it. They have to understand the value that's behind it. Now with patreon, I think, as you said before,

## CREATIVE FUNDING SHOW INTERVIEW

it's there appealing to a different, in some cases they're appealing to people for a more altruistic, um, from a more altruistic side. And yet at the same time, I think that there's also a value component in there in terms of what's in the packages. And people get excited and, and are interested in those things. Uh, but you have to be able to communicate that value

- And communicating that value is, is really the key. And that's really good with Kickstarter. Uh, I'm going to use an example from uh, restaurants. So when I was in business school, we got a bunch of tours of restaurants. We talked about the business plans of restaurants. It was very fascinating. And, uh, one of the things they talked about is how different dishes on the menu are different levels of profitability based off of the ingredients and how much time it is to make. So the steak, while it's maybe very expensive, they may not be making very much money on that because the meat that goes into the steak is so expensive that captures most of the value. And one of the strategies that restaurants will do is that: their most profitable dishes are the ones that they will put in, uh, like pictures. Of course, a dish with a picture is much more likely to be ordered than a dish without a picture that's really expensive. You know, thing that, you know, it's not very profitable, but the foodies really get into, they may not have a photo of that on the menu. You can order it and they'll sell it to you and they'll make their 50 cents off of you. But the, you know, thing that's got lots of potatoes and eggs and cheap ingredients, there's a big flashy photo of it. And uh, with Kickstarter, the, um, the price points that people are drawn to are, uh, the most popular ones in general. Now different categories are different, but \$25 and \$40 are the two most popular price points here. If you do a campaign, those are going to be where you get most of your backing. That's where most people want to spend and you want to make sure that those levels are those flashy picture type dishes where it's, it's very good margins. So like for \$25 a year, an artist or let's say you're an author, as you, you know, give the e-book and one copy of the paper book is the \$25.00 level, which is, you know, \$25.00 for the value, right? The e-books were 10.00 bucks, the paper book is worth 15 or \$20.00. So it feels like a good deal. But your cost of giving the E-book is negligible. And so it ends up being a very high value product for you. The temptation is, Oh, for \$25.00 I'm going to give you a signed copy. And you know, if a thousand people back at the \$25.00 level, you are signing one books and that you're, you know, you're going to wish that your arm was, would fall off at the end of that line. You, you need to price it in such a way where you're not doing harm to your potty. Um, so anyway, those are just some thoughts on, on Kickstarter. I know we have folks listening here doing Kickstarter and Indiegogo and some people who are doing patreon. Um, but the main thing, and I really appreciate that you keep going back to this is about value. And the key to knowing value is to know who your audiences are and what they find valuable. Because just because you think something is valuable doesn't mean they will think something is valuable. Uh, I remember one final story. I was at WordCamp. So WordPress can conference and one of the developers from the WordPress team was giving a presentation. He was talking about all the new features in WordPress update works so hard about one and he was going after feature after feature

## CREATIVE FUNDING SHOW INTERVIEW

and he's getting polite applause and then he's like, and we're improving the copy and paste from Microsoft word so it won't mess up the text so much when you copy and paste and he gets like a standing ovation and he just stands there dumbfounded cause they're like all these other features were so hard to develop in like whole teams of people and it was the pasting from Microsoft word, which was the one that like got him the standing ovation. He was like, really? That's the feature. And the same thing happened at apple at their most recent presentation they released the new version of Microsoft or OS 10 the new Mac operating system and what got them the biggest applause was this new dark mode where you can make all of the colors, darks. You're not getting so much light on your face, which is not a big feature. Like that was not hard to do. And they get this thunderous applause and the guy on stage kind of stunned. It's like, wow, I guess we really hit the hit, got the right feature with that one. And I will say that's the first feature I turned on when I got the newest OSTP 10

- Well, you know, it's, it's amazing because yeah, of course some of the things that we develop as products and services we get really complicated, but oftentimes the things that people appreciate the most are those simplest things. Yeah? It's not the big gestures that make a huge difference. It's the day to day, the little things. And so that's a good thing to keep in mind as you're developing what you're offering for people.
- Preach. That'll preach. All right. Where can people find out more about you?
- Yeah, so they can go to [www.thepricinglady.com](http://www.thepricinglady.com) and they can find out more about me there.
- All right. Well, uh, Jeanine, listen, thank you so much for coming on the Creative Funding Show and I do encourage you to go to the [www.thepricinglady.com](http://www.thepricinglady.com) and find out more about what she has to offer. She really knows her stuff when it comes to pricing and we were really thankful to have you on the show today
- Oh thank you Tom, it was my pleasure
- And if any of you want to sign up for Patreon on with the Creative Funding Show affiliate link. I've had several people email me about this, in the last week, that we have not been making the link easy enough to find. So I will put it in the show notes of this episode. So go ahead and scroll down in your app and you will find that link. I'm Thomas Umstatt Jr., thank you for listening to the Creative Funding Show.