

E57_How Do I Know WHEN to Raise My Prices

Hello everyone and welcome to Live with the Pricing Lady. I'm Janene Liston your hostess. This show is all about helping small businesses build better pricing strategies so they can have sustainably profitable businesses for the long term. We work on setting your prices, communicating prices so that you can sorry...

Well that's live for you ladies and gentlemen. My phone was not switched off and now it is. There we go let's start again so welcome once again this show is about helping you to charge your customers for the value that you provide. That was the last part of that statement.

Welcome everyone in this episode today we're going to take a look at "How do I know when to change my prices." This is a question I get from clients all the time. One of the really interesting things I find about when people ask me this question is they actually already have a sneaking suspicion they need to change their prices but they are so afraid. So afraid of losing even one customer that they simply don't even want to try so they're turning to me to tell them yep you have to do it.

What I like to do with my clients is make sure that they understand why to do it and how to go about it in a way that isn't going to rock the boat too much. Because sometimes let's face it we do want to rock the boat but not all the time. However in this video we're going to really focus on about 10 signs, if you will I'm looking at my notes here, about 10 signs that will help cue you in that it's actually time to take to... uh to take in those steps towards changing your prices.

Okay let's start with the really obvious thing at first. Now what I set up or help my clients set up is a process for price reviews. This is usually yearly price reviews not always but most the time it is. The first sign is that you've done your price review and as a result of that you see that there are changes to be made. Now this might seem kind of obvious but I wanted to point it out and make sure it was the number one point here. Because actually everything else I'm going to talk about, if you're doing your yearly price review or a regular price review for some of you that may be more or less often, then this price review will tell you when to do it and how to go about doing it. That's why I want to make sure here so, when you're doing those price reviews that will give you a very clear sign what to do.

Number two, you're positioned wrongly. So you've done a value map, you've had a look at where you're positioned price versus value compared to the competition in the market, and you realize that you're not in the right place. Either your positioning is not aligned with your brand, it's not aligned with your target customers, it can also be misaligned with your

business in general. But you've done that work and you've seen that you are not positioned correctly and therefore that you need to make an adjustment to that.

Next you haven't changed prices in a really long time. Now how can I know that you need to change them just because you haven't done it? Well here's a little trick or trick is maybe not the right word but one thing that I think is really important for you to understand is that if you're not changing prices increasing prices generally on a yearly basis then you're actually granting your customers a discount every year. Why do I say that I say that because usually inflation is increasing every year by definition right and therefore that means your cost to run your business and your costs to live of living have also increased effectively and so has that for your customers by the way. Effectively that means that your prices have dropped by the amount of inflation. So if you haven't raised prices or changed prices in a long time then chances are it's time to take a look at doing that and to do it actually.

Next, no one is buying. Now this is a tricky one just because people aren't buying something doesn't necessarily mean the price is wrong. If you think that, if you see that people aren't buying something, you first need to investigate "Do I have the right product or offer for the target customer group I'm trying to reach?" "Do I understand the value of that?" "Do those customers understand the value of that?" Because if they don't understand the value then of course they're not going to see the price as suitable. Once you've checked all those things and all those things have gotten a nice green check mark, as yes they're okay, then you would think about okay maybe the price needs to be adjusted.

Next customers are saying you are not charging enough. I know this one always makes me smile because if a customer tells you you're not charging enough wouldn't you think then that you would go ahead and do it. Well time and again clients come to me and they say well you know I should probably change my prices. And I ask, "Well why do you think that they say, oh my customers are telling me i'm not charging enough?" And yet they're still so afraid of losing just one customer that they can't take that step forward and this is really interesting. I want to share with you there's a tool that I have if you go to janeneliston.com/pricing-tools. I may even have the link here for you, yes I do. If you go here, there is a tool there called the price change calculator and when you access the price change challenge calculator you can actually calculate if I drop the price of my product by this much how much more volume do I need. For most businesses actually increasing prices slightly, because you can also do the opposite with the tool, you can see how much volume you can lose with certain price increases. For most people

charging a bit more and losing a couple of clients may actually make you more profitable.

Okay so this is important if your customers are telling you that you're not charging enough then chances are you are not and it's time to change those prices. Have a look at that tool the next time you think about changing prices it'll help you understand the price volume trade-off.

Next you are feeling resentful. So, you're working your tail end off and you feel like "gosh, I'm doing so much work and these people aren't paying me much." Now first of all it's not their fault it's yours. Yeah I'm gonna be brutally honest with you here, it's absolutely your responsibility to make sure that you're getting paid what you think is a fair exchange for value. You can't really blame your customers for that, that is fully within your remit or your responsibility. But if you're feeling that way, if you really start to feel that resentment then you need to take a step back and look at either how you're working and or how you're setting your prices because one of those two things is off.

Next you're working really hard but you're not earning enough money. These two might go hand in hand but I know people who work so much harder than others and they still can't seem to even make enough money to um to support themselves and their families. And this is a big problem. This is really interesting so last week I had Joy Foster from Tech Pixies here on the show and we were talking about undervaluing ourselves. And how important that is when you start a new business to be really careful because if you're not earning enough at the beginning then you're not going to have the money to reinvest in the business later, right? And that's a super important thing. Again if you're not earning enough profit off of this and you're working too hard then something is not aligned with your pricing and the value you're delivering.

Next we have new customers. If you have new customers in your business chances are you might actually need to have different prices. Now by new customers I don't mean people in the same target group but let's say you decided to target small businesses first and then expand that to businesses 50 people or less. Let's say and then now you're starting to get some momentum there and you've decided to expand that. And you've started to get customers whose businesses have say a thousand or more people. Well that might actually be a different target group for you not only might your prices need to change but your offers might need to change as well.

Next your offer changes. So if your offer is changing then of course your prices are going to be adjusted and this can be different things. So let's say you're in retail maybe you have new inventory coming in, so you have new offers. Maybe they're just updates of

what you were offering before or maybe they're, you know, better versions of that. Or something completely different but that may mean that you need to adjust prices on the old ones in order to bring in the new inventory and get rid of the old inventory. So again new products or new offers can also indicate that it's time to change your prices.

Those are, I'm just checking my notes to make sure, so those are really the main reasons. Now there are other things that can come into play here that aren't say... that are atypical. That can be like regulatory requirements. I have some clients who are working in the the health care and pharma space they have regulatory requirements and those can influence uh what they do in their business. That can change who they target what they're offering and the prices that they offer. Sometimes there can be legal changes that can have an influence on your pricing as well as your cost structure.

Oh I missed that one, if your cost structure changes then maybe your prices need to change as well.

So all of these things are a part of the thought process and one thing that I want you to think about as I bring this all together is that all of these things that I've mentioned here are actually the things that you use in order to set your prices, right? These are the things that you're looking at when you're setting your prices and as those things change then the things you base your prices on will change. So I see Heather here has written, "Hi Heather if you're still with us thanks for joining. "I put my prices up for the client that was demanding and the most hassle." Yes, that's a strategy that you can use of course for clients that you think are going to be um, you know, require more effort and handling from your side. Let's put it that way, then of course the value that you give them is different than you might give someone else and therefore you might adjust the prices for that. That's true so you were resentful and then they accepted the new price and sent more work.

Yes, I'm not going to read the whole thing here I think that the people who are watching can see it in the comments but what's interesting is that, yes we have to be very clear when we give prices. Especially when it comes to project type work like you might be doing. And to define very clear boundaries with customers up front so that we don't have that creep in terms of scope or who's doing what work and how. I totally agree with you sometimes that can be a minefield to manage but one thing to keep in mind and we all know this that we hate to admit it to ourselves not every customer is a good customer. Sometimes the best way to serve the customer and yourself is to steer them to work with

someone else. Hopefully that's also good for the third party that you steer them to. Thanks for your question, your comment there Heather.

One other thing I want to talk about before we get going is the following. People ask me well "How often should I do a review of my pricing?" When it comes to pricing reviews most companies should / or if you're not you should be reviewing them at least once a year. But there are a few industries where there's an exception to that. Some can, usually most won't do it less often although I'm sure there's some out there that are but there are several industries where they might do it more frequently.

If you think of the travel industry that's one area where they do pricing, what we call dynamic pricing where it's changing on a daily basis maybe even multiple times a day. They are doing a price review every single day well you could, you could question that because what they actually do is they set prices usually once or twice a year and then they have a system of algorithms that actually looks for what needs to be changed and makes adjustments for them. But that's happening on a daily, with hotels sometimes a weekly basis. It is really being managed sort of real time on demand.

Then if you look at the retail business so online and offline you'll see when there's inventory sometimes inventory fluctuates on a monthly basis sometimes it's seasonal so it can be you know based on summer, winter, spring and fall. I know I said this out of order but I got all four in there so it can be seasonal like that. It can also be based on you know the holidays that you celebrate in your in your country or your region. So for example in the US, I mean we you know some of the retail outlets they have a sale going on every single week and so in order to keep inventory moving they're constantly adjusting prices on weekly and monthly basis.

Again these are exceptions, for most of you out there who are watching this you will be adjusting your prices more or less on a yearly basis or at least at the very least you're going to be reviewing them even though you might not be changing them. That's what I wanted to talk to you about today's ladies and gentlemen I hope I've shed some light here on how you know when to change your prices. These are the same principles I've applied in the companies that I've worked for and in my own business. I encourage you to set up your own strategy for how you're going to review your prices each and every year and when it's time to do it. Don't worry about it there are ways to implement those price changes that won't rock the boat. Ladies and gentlemen thank you so much for joining me today of course if you're in that time period where you're thinking about what am I going to do with my prices next year I would love to be able to help you with that. Go ahead and book that discovery call with me www.jananeliston.com/discoverycall and we can talk about how I can help you with your own pricing for next year or any

other questions of course that you have about your pricing So go ahead and book that call and we can talk about how we can work together. That's all for today folks I wish you all the best have a great day and as always enjoy pricing everyone.