

The Carpet Cleaning College



Carpet Cleaning Success For Newbies

www.carpetcleaningcollege.org

Your New Business Launch in 30 Days

Module 9

No matter what else you do in business, you **MUST** be making a profit.

Sounds obvious I know but you would be amazed at the number of people who will take on jobs that are almost worthless, just to keep busy! Don't be a busy fool!

Price is NOT the issue most business owners think it is, and as long as you can prove in your sales pitch you can perfectly match the consumers' needs to what you are selling and state tons of benefits during the sales pitch, then the price issue virtually evaporates!

Whatever else you do, you **MUST be pricing for profit.**

Now we will look at the different pricing methods you could use in your business.

Cost Based Pricing

This is the simplest of all the methods we will speak about, because it is based on very easy maths:

Cost price + mark up (or profit) = selling price.

Whilst on the surface you may think that sounds an ideal way to price your services, in practice it almost never works out like that

because it doesn't account for the *value* that a product has to the prospect. It is just too cold and clinical and pricing this way means you will almost certainly be missing out on tons of cold, hard cash. Cash with your name on it. Here are several other, more profitable ways to price your goods or services.

Level Based Pricing

A great way to add money to every order is to start quoting based on different levels of service, or different packages.

The classic case study for level pricing is air travel. The thinking goes that the top pricing bracket – First Class – exists primarily not to generate a profit, although undoubtedly some will go for the most expensive package, but to make the middle pricing bracket – Business Class – look more attractive by comparison.

For example, a first class return to Hong Kong on British Airways will set you back around £5,500 – a hefty sum no matter how you look at it. By comparison, a business class return is “only” about £3,000 – almost half the price. Never mind that an economy return is just £700 – think of all the money you’d be saving by going business class!

Or think about Apple's iPhone. They have 16 Gb, 32 Gb and 64Gb memories and you pay a substantial amount more for the largest memory size than you do for the smallest despite the tiny increase in production costs.

Almost every single business could and should introduce some sort of level based selling. Level based pricing isn't about playing

mind games with your customers either – it's about offering the customer choices.

Perception Pricing

Perception pricing is all about your prices telling a story about what the customer can expect from you.

How you price your goods or services will help determine how your business is perceived, both by your customers and your competitors.

Bear in mind that you may be the best in the world at what you do, but if you are only charging a very small amount for your work, you will *always* be perceived as cheap and nasty, no matter how good you actually are.

The saying “cheap and nasty” is always perceived to be true, whether or not it is actually true.

Say you see 2 cars that look exactly the same; one car is £6,000 and right next to it is another car for £26,000. Which do you automatically consider to be the better car, even if they were exactly the same age, colour and shape?

So, based on price alone, you would assume the more expensive car to be the better car wouldn't you?

WHY?

Your pricing sets the standard of what the customer can expect from you. Don't believe me? Just compare McDonalds to The Dorchester Hotel! You can eat in both places, but one will cost

you far more than the other because of the experience created and the quality of the ingredients in the food.

Premium Pricing

With premium based pricing, your price tells a story. It tells the story that you wish to offer highly priced goods and services in return for superior quality goods and services.

It tells your staff and competitors where you want to position yourself in the market place, who your dream clients are, what your company profile is, and what value your goods or services provide.

Are you able to charge more because you are more exclusive; can you charge more because of your brand, your position in the market or your target audience? Are you able to charge more because you have great quality brochures, a slick sales presentation and incredible pictures to back up your work?

To be able to charge higher prices, you will need to provide excellent customer service and quality literature throughout the entire selling process, work with the finest materials, and you need to be able to demonstrate your creativity and expertise to achieve these higher prices.

If you find that others in your market (who do similar work for similar clients as you) are charging a lot more than you, then find out how it is possible for them to charge more and, if suitable for your business, "do like they do."

Value Based Pricing

Value based pricing focuses on the price you believe customers are willing to pay based on the value of the benefits your business offers them.

Value-based pricing depends on the strength of the benefits you can prove you can offer to your customers.

The more benefits you can prove to your customers you provide, the more you will be able to charge because you have shown the customer they will get much more value for their money if they choose you, despite the higher price.

This is why it is so incredibly important for you to have a really slick sales presentation that is loaded with benefits (not features) that will have the customer positively crying out for your services.

If you have clearly-defined benefits that can give you an advantage over your competitors, you can charge according to the value you offer customers.

Your Pricing and Making Offers

Knowing your figures and costs is probably the single most important thing you can do in your business when running your business on a day-to-day basis, but knowing your figures when

offering promotions, special deals, give-aways or special offers, is essential.

Put bluntly, if you are undercharging for your goods or services in the first place and then you offer 50% off your prices, you probably won't be seeing too many business days ahead of you.

IMPORTANT: Do not undertake any promotional offers until you know your numbers.

When offering a promotion you still need to make tons of money on your promotion while leaving the customer feeling like they has got an absolute bargain too.

Great offers could be:

- If you run a level based pricing system, a free upgrade to the next level
- Pay for two X and get a third X FREE
- Pay for all x over y size
- Free X when you get Y done
- Give everyone an X and Y when they refer you to their friends ...
- and anything else that normally adds extra to the invoice but in reality has little extra cost associated with it ... ie something with low cost but high perceptual value.

IMPORTANT:

Where possible, try not to discount on the physical money you receive from a job, for example 25% off etc.

This will only directly hit your bottom line profits.

One of the main reasons you shouldn't do this is because of the sheer amount you will have to give off to make the offer attractive. You can't simply put a 10% off sticker on the product and expect people to come flooding to your door. It doesn't work that way. As an offer 10% off is so dull and grey that no one would bother.

Whatever deal you decide to go for, your offer must be so attractive that people must be mad not to go for it but not be so unaffordable to you as a business that you go broke in the process of offering a discount.

Remember: Your job as a business owner is to make as much money as you possibly can in a fair and ethical way."