



Episode 107: The Most Common Pricing Mistakes Made By Creative Entrepreneurs

Monique Malcolm: Thanks for tuning in to this episode of pimp your brilliance. I'm so glad that you're here. This is episode number 107, and you can find show notes at pimpyourbrilliance.com/107.

[00:00:20] So if you listened to last week's episode, I talked about money mindset shifts that you need to make. In order to make more and really start growing your business. And that episode got a lot of feedback. I got a lot of tweets. I got a lot of messages on Instagram. That seemed to really resonate with you.

[00:00:41] I'm very excited about that because mindset work is ongoing. It's not something that is just a one and done type thing. We have to keep practicing. We have to keep pushing the limits of what we believe is possible when it comes to our potential to earn and our potential to earn money based off of our skills, our knowledge, and the things that we feel very passionate about. So I was very, very pleased with the feedback I got from that episode.

[00:01:09] I really want to break down some of the common pricing mistakes that I've seen. When I have discovery calls with new clients, before I even get on the call with them, I have them fill out a form with some basic information, website, information, things like what do you sell?

[00:01:29] And then I go cyber stalk them. I go look at their social media. I go look at their websites. If they have one. I tried to get a good sense of what is happening, why they're looking for me prior to us even talking. And the thing that I see over and over and over again, are issues with pricing. The other thing is marketing, but that's not this conversation, but there's a lot of issues with pricing.

[00:01:57] And when I get people on the phone, we start talking about this pricing. What are you trying to make versus the way you're pricing and how you're selling these things? And there's a whole thing, and we will talk about this even more in our next episode, but today I want to focus on the top pricing mistakes that I'm seeing over and over again.

[00:02:17] I have five. I'm pretty sure if I tried hard enough, I could come up with a longer list, but five feels very good. I think that's enough for you to chew on and start thinking about. The mistakes you're making and how you can plug those gaps or even come up with solutions for them. Now, if you are having pricing issues, I don't want you to feel bad about that because pricing is a huge pain point for creative entrepreneurs and your pricing can literally make or break your business.

[00:02:47] It's the difference between being a creative who is overworked and underpaid instead of thriving and feeling confident and making the money that you want to make in your business.

[00:03:00] So let's back up a few paces because you may be thinking, why does pricing even matter? Why does nailing my pricing matter? I just want to make money. I'm happy when I make money. My goal is to make money.

[00:03:14] I get it. That is my goal as well. But the way that you price affects more than just the number in your bank account, your pricing communicates different things about your business. Your pricing determines the type of clients and customers that are going to work with you and the types of people that you're going to have access to your pricing affects your ability to invest into the growth of your business.

[00:03:38] So pricing is not something that should be taken lightly because it has a trickle down effect. The way that you price tells people instantly different things about your business. People make assumptions about your business based on your pricing. So you really want to make sure that you are not only nailing your pricing, but you're also pricing in a way that feels good and in alignment with your own business goals.

[00:04:05] I'm going to drop a truth bomb on you . Most of your pricing, mistakes are tied to the belief that your pricing is what drives your sales.

[00:04:15] Let me say that again.

[00:04:16] You believe that your pricing is what drives your sales and that's not true. Sales are not driven by price. The primary reasons why people choose not to spend money with you is because you haven't effectively communicated the value of what you do or the value that your product provides or your leads aren't qualified.

[00:04:44] And that is more of a marketing issue. That's not actually pricing. It doesn't mean that you chose the wrong price. If you are sharing that price with the wrong person, the wrong lead. It doesn't matter. They're not going to buy.

[00:04:59] And then you are left feeling that they didn't like the price and now my pricing is wrong. And that belief is what keeps so many creative entrepreneurs from pricing properly and for really undervaluing their work. So I want you to remember that pricing does not drive sales.

[00:05:18] Okay. But I want to talk about these five mistakes because some of these are mistakes that you may just be overlooking and I want to draw attention to it so that, you know, and then you can course correct and not do them in the future.

[00:05:32] My first pricing mistake is also the one that is most common and that is pricing too low.

[00:05:39] Trust me when I tell you that everyone has priced their products too low at some point. There's this belief that lower pricing equals more sales. So if I charge less, more people are going to buy, but that's just not correct.

[00:05:55] And lowering your price can actually be more detrimental to your business than it is helpful to your business because those lower prices position your product poorly.

[00:06:07] You have to think about something like the difference between going to McDonald's for dinner and going to a steak house for dinner.

[00:06:16] There's nothing wrong with it, right? Maybe you prefer McDonald's, but people who are going to be going to McDonald's, they're making different considerations about the pricing. The value is probably not high on their list. So they're just trying to grab something fast to eat. If you think about someone who is going to a steak house. They are looking for more experience, they're looking for higher quality ingredients, better service. And they're going to expect to pay more for that.

[00:06:45] There's nothing wrong with either. I mean, the food is food, but the way that you price really affects the type of clientele that you attract. That's not to say that someone with more money can't eat at McDonald's or vice versa, but if we're thinking about having a nice dinner at the end of the week, McDonald's is probably not going to be the option they choose.

[00:07:06] So lower pricing can actually have the opposite effect. It can lead customers to believe that your product is a low quality because it's priced so cheaply and that can attract the wrong type of client. So the solution for this is very simple. Raise your prices and add tax.

[00:07:27] Pricing mistake number two: not pricing with profit in mind.

[00:07:32] While we are often aware of the direct costs that are related to running our business, everyday operating expenses don't get as much attention and are left out of the pricing equation. And then even further down on the list is profit. A lot of creative entrepreneurs don't think ahead to having money to invest in the future.

[00:07:55] And not pricing for profit means that there's no money to invest in your business or allow for growth activities. And at some point you're going to want to hire additional help. You're going to want to develop new products. You're going to want to invest in educational resources or even have the money to pay for advertising or Facebook ads. Profit is what allows you to make those types of investment.

[00:08:19] So when you are pricing, you need to make sure you have profit built into that price. Otherwise, when it's time to make those investments, there's not going to be any available money for that. So the solution is knowing your numbers. How much does it cost you to keep your business running? Are all of your costs covered with your current pricing?

[00:08:45] So the way your pricing now, based on the number of sales or number of people who book you normally. Is that enough to cover your business's operating costs. And if it isn't raise your prices, if it is now, you need to add in a line for profit because profit is what you're reinvesting back into the business.

[00:09:07] Profit is what is going to pay for that new course that you want to enroll in. So make sure when you are determining your prices, you have a line item in there for profit.

[00:09:20] Pricing mistake number three: pricing based on time and effort.

[00:09:27] Now this is a big one, especially for people who are makers, they tend to base their pricing on how much time it took them to make the thing, how difficult it was.

[00:09:38] This also becomes really apparent when we think about digital products and things of that nature, because you can make a template set in a weekend, but just because it

took you a few hours to do, it does not mean that you need to price low. Sometimes the cost to produce something does not match the value that it provides.

[00:09:58] So you have to look for a way to communicate that value directly to your customer, thinking about how does the product or service that you provide solve his or her problem. And if it completely alleviates the problem. Then yay. You can charge a lot of money for that. If it helps to simply ease the problem, then you can charge proportionally to that.

[00:10:21] But just because it didn't take you a lot of effort or a lot of time to create it does not mean that it doesn't hold value. This is why value-based pricing is so important. You need to be pricing your things based on the value that it delivers and not the actual time and effort it took to create it.

[00:10:42] Now there are cases when the product is hard to quantify, the end result is hard to quantify. And in cases like that, you need to think about the energy, the time and the money that you're saving your client or your customer. So by investing in this thing, how much money are they saving? How much time are they saving?

[00:11:04] How much energy are they saving? That stuff has value and especially to the right type of clients, some people would rather pay for the convenience of having somebody else do the thing instead of them having to do it. This is why people hire house cleaners. It's not that they're incapable of cleaning their own houses.

[00:11:24] They don't want to. And so there is value placed on that. So you really need to think about how can you quantify value in other ways, if it's not apparent in just the actual results that people get. So the solution is to price based on the value your product or service creates for your clients.

[00:11:46] Pricing mistake number four: using discounts to drive sales.

[00:11:51] Okay, I get it. Everyone loves a discount, but that doesn't mean that you need to offer one. And I want to say this upfront, there is nothing wrong with discounting. Discounting can be a great promotional strategy used occasionally. You should not be using discounts every time you want to drive sales, or every time you have some type of campaign or promotion running for your products or even your services.

[00:12:23] Don't discount. I would rather you figure out ways to add additional bonuses, additional features to incentivize people, to take action. Versus discounting your actual product, because one that eats into your bottom line and two eats into your profit and you need profit. So I want you to get in the habit of not discounting, find something else that you can offer that ups the value of your product.

[00:12:56] So the solution for this is to use bonuses or additional features to incentivize people, to buy. Try to steer away from using discounts.

[00:13:08] Pricing mistake number five: pricing based on what your creative neighbor is charging. And this one is pretty much a combination of all of the other pricing mistakes.

[00:13:21] I think it's perfectly fine for you to be aware of what your neighbors are charging for similar products and services. But don't look at their pricing and apply it to your own

products and services, because you don't know if they have properly priced themselves and you don't know what it costs to run their businesses.

[00:13:43] So what kind of tools and resources they had invested in that they're paying for? So their pricing maybe perfectly aligned for them and their business is not aligned for your business. And so by you just tacking on whatever they're charging, you are not making sure you have price for profit. You have not made sure you have price to cover your own costs.

[00:14:07] You're not pricing based on value. You don't know if they're discounting pretty much. All of the other pricing mistakes could apply here. They may be pricing too low. You don't know. So don't use their pricing as your own pricing. You need to price based on your own business and your own needs. So the solution here is to always set your pricing based on your own revenue needs.

[00:14:34] My takeaway for this episode is I want you to start feeling more confident and comfortable with your pricing. I want you to feel good about the price that you're setting for your products or your services. And I want you to feel good and making money. And this all comes from a place of clarity.

[00:14:53] The clearer you are about who your actual audience is, the people who you serve, what their challenges are and how you help them the more confident you're going to feel in pricing your products. You're going to have clarity around what is the value that you're bringing to your audience and what you're helping them with. You're going to feel more clarity in your marketing and messaging, because you're going to know that you're speaking to the right people.

[00:15:21] So this all has a trickle down effect, knowing who your audience is, how you help them, where their challenges are, that all leaks into your pricing. And as I said early, in this episode, your sales are not driven by pricing. It's driven by your actual marketing. It's driven by the value that you are providing and making sure that the people who are getting into your marketing ecosystem are qualified leads. They are the right people.

[00:15:53] So I hope this episode was really helpful in that it allowed you to see and identify some mistakes that you may be making and then offering up some really simple solutions for how you can price better in the future.

[00:16:07] I want you to make all the monies and go out there and be your most brilliant self.

[00:16:15] If you enjoy this episode, I would love to have you share it, share it with a friend shared on social media. And of course you can always send me a DM or even email me and let me know what you thought. Hello at pimp your brilliance, if you want to email me, but that is all I have for this week's episode.

[00:16:33] So until next time, go out there and pimp your brilliance.