

Pricing

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Key takeaways

- Charge what it's worth: price may stop conversions if it's wrong for the market or wrong relative to perceived value.
- Price-to-value discrepancy: customers buy when perceived value is greater than price; they stop buying or cancel when value $\leq$ price.
- Most businesses sit at or below the value line (average/mediocre), which yields one sale per customer and no repeat business.
- To improve price-to-value discrepancy there are two options: lower price (one-way ticket to failure) or increase value (preferred).
- Value can be increased infinitely; price can only go down to zero—focus on raising value and perceived value.
- Goal: sell "dollars at a discount" — deliver much more value per dollar than alternatives so customers feel their spend is the best return.
- Ways to raise perceived value (mentioned): niching down, positioning the offer, reversing risk (covered in future videos).
- Virtuous vs vicious cycle of pricing: most businesses copy market pricing (slightly below average), leading to more-for-less, eroding profit, and eventual failure.
- Pricing for market efficiency forces competition on price and shrinks profit (green = profit, red = overhead example explained).
- Lowering price decreases customers' emotional investment, perceived value, and results, and increases client demandingness.
- There is a correlation between pricing and perceived value: higher price often increases perceived value and commitment.

Checklist

1. Assess price-to-value discrepancy
 - Measure whether perceived value you deliver is above the price customers pay.
 - Why: customers continue to buy only if value > price; identifying where you sit prevents cancellations and one-off purchases.
2. Avoid lowering price as a primary fix
 - Do not reduce price to address low conversions; recognize lowering price is a one-way ticket to failure.
 - Why: decreasing price reduces emotional investment, perceived value, results, and profitability; it accelerates the vicious pricing cycle.
3. Increase actual and perceived value

- Add features, outcomes, guarantees, or transformation that increase real value; frame and communicate benefits to raise perceived value.
 - Why: raising value widens the value>price gap, enabling higher prices and repeat business; you can raise value infinitely whereas price bottoms at zero.
4. Niche down and position the offer
- Define a narrower market and position the offer to be exceptional for that audience.
 - Why: niching and positioning increases perceived relevance and value, making customers more willing to pay and refer you.
5. Reverse or reduce risk for buyers
- Implement guarantees, risk-reversal mechanisms, or trials to lower buyer friction.
 - Why: reducing perceived risk increases willingness to pay and improves conversion while maintaining price integrity.
6. Sell “dollars at a discount” in messaging
- Frame the offer so customers perceive they get significantly more value per dollar than alternatives.
 - Why: customers decide per-dollar return; positioning as superior value per dollar justifies higher pricing and improves conversions.
7. Stop modeling competitors’ prices
- Avoid setting prices by averaging competitors and undercutting them slightly.
 - Why: most competitors are poor/unsustainable; copying them locks you into the vicious cycle and erodes profit.
8. Monitor customer outcomes and repeat purchase signals
- Track cancellations, repeat purchases, referrals, and client satisfaction to see if value > price is sustained.
 - Why: when value dips to or below price, cancellations and lack of referrals follow; monitoring provides early warning to raise value.
9. Price to increase emotional investment
- Use pricing and packaging to create commitment (e.g., higher price tiers for more committed buyers).
 - Why: higher emotional investment improves results and reduces demandingness; lower prices reduce commitment and outcomes.
10. Use pricing to break the vicious cycle
- Deliberately price for differentiation and profitability, not market parity; iterate by increasing value and appropriate pricing.
 - Why: avoiding the “more-for-less” loop preserves profit (green) and avoids being forced to compete solely on price.

Examples:

- \$50,000 burger vs \$13 burger: illustrates that value can be priced extremely high for customers who perceive commensurate value.

- Acquisition.com example: training and services used to grow companies and the presenter references ~\$120 million in sales across entities (illustrates outcome of correct pricing/value strategies).
- Businesses between \$3M–\$10M: target client range the presenter works with (context for where scaling/pricing strategies apply).

Notes:

- The central principle: maintain value above price; if you must change something, increase value (and perceived value) rather than primarily lowering price.