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## Wells Fargo Small Business Roundup<sup>®</sup>

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### Revenue Generators

## Premium Pricing: Because You're Worth It

The prices you charge for your products and services are driven by several variables: the market, competition, cost of goods sold, etc. But perhaps the two biggest factors that determine your fees are the way in which you value what you produce and how much your customers and prospects need what you provide.

Often, the instinct can be to be the lowest price provider. But that, says Andy Birol, founder of Birol Growth Consulting and author of *The Five Catalysts of Seven-Figure Growth*, is always a losing game. "You'll eventually find yourself in a pricing war with a bigger competitor that you can't possibly win," he asserts. "In fact, any small business that positions itself as a low-cost provider will fail because it won't have the margins to re-invest back in the business when it's necessary. It's mortgaging the future to succeed in the present. Every business has a 'unique best and highest use.' Focusing on what makes you unique helps you raise prices and gain better margins. 'Small business, lowest price provider' is an oxymoron."

If you think in terms of market share, it makes it even easier to concentrate on what differentiates you from the competition, he adds. If, for example, you got 40 new clients in a year, it might be the best year you've ever had. Because by definition you may not need more than one-tenth of your total market to succeed, it makes more sense to focus on exchanging value for as much of your clients' money as you possible can earn, as opposed to offering the lowest price.

As far as that value is concerned, Birol observes, "pricing is not a function of your market as much as it is of a business owner's self confidence. When you price something, you're announcing to the world what you think it's worth. My mother always says, 'the first sale is to yourself.' And that's never more true than when it comes to price-setting. Do you see the value inherent in your products and services? If you don't, customers won't. Customers will value what they buy from you based on the way you present it. One of my favorite adages is 'never buy anything from a company that doesn't use what it sells.' Invest in your own marketing and presentation."

So how can you get to "premium" pricing? Birol offers the following points for consideration:

1. *If you plan to charge premium prices, don't try to bargain the last dollar out of every one of your vendors*—Quality from suppliers translates to quality in your products and/or services.
2. *Never price by time*—"Like charging the lowest price, an hourly rate commoditizes what you do," says Birol.
3. *Continuously reinvent yourself, your products and your services so that you remain "scarce"*—so that it's hard to find exactly what you offer elsewhere.
4. *Develop content that demonstrates your expertise*—"A small business does well when it can customize and apply something to the specific needs of a customer. As a consequence, the customer may be buying a product or a service, but they're really paying for your ability to explain it so that it allows the

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customer to be successful," he notes. "Any business owner should be figuring out how to express his or her expertise by putting it online, by speaking or by writing about it. My [website](#), for example, shows that I walk my own talk."

5. *You can always turn a product into a service or a service into a product to get premium pricing*—Birol uses the example of an ad agency client that began packaging its expertise to show customers how to use advertising—a sort of advertising toolkit, which it now sells as a secondary product.

"The biggest obstacle to increasing margins by getting paid for your value is in the mirror every morning," Birol concludes. "You're the one who ultimately decides what you—and by extension—your products and services are worth."

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