

4 Tried and Tested Ways To Ensure You Get Your Pricing Right

There's no doubt that applying the right pricing to your business can help you make more profit.

In fact, McKinsey, the global consulting firm, suggest that pricing has a bigger impact on a company's profit than anything else.

How can you make sure you're making the right pricing decisions that make you the most profit? Read on to gain insight into pricing anchors and then 4 tried and tested ways for you to successfully apply them to your business.

Pricing Anchors...

Anchoring is profoundly important to pricing for profit. Here's why...

A product is never really 'cheap' or 'expensive'. Instead customers actually see prices as all relative. People like to compare prices before deciding on a purchase.

For example, if you're out shopping for a television, you'll look at the different models and compare the price and specification of each. One might be 55 inches and cost €1500 while the other might be 52 inches and cost €1000.

In making the comparison you'd probably think the 52-inch TV is the better value option given the difference is only 3 inches. This is exactly what the store you're purchasing the TV from want you to think! You've inadvertently anchored yourself to the €1500 TV so that the €1000 TV looks like really good value alongside it.

When you understand the value of pricing anchors, you can then see how important they are in tiered pricing. You'll see how top-down pricing can be used very effectively to...

- show your buyer that you've provided different versions of the same product at different prices,
- while subtly driving them towards the price you want them to pay.

How then can you apply this insight to your business?

1. Collect 3-tiered pricing examples

Some of the most successful companies in the world use 3-tier pricing, including Easyjet, TripAdvisor and Starbucks. Look at how they do it and think about how this could be applied to your business.

1. Build a 'pretend' tiered pricing offer for your business

This should be in line with the pricing you have in place now. But put pricing anchors in place by offering one or two different pricing tiers to what you already have.

Obviously you need to consider what you would adjust in the product or service to justify the price differences.

The key is to have a top, middle and bottom price. It's proven that buyers feel more in control if they have options to choose from. No one likes 'Hobsons choice'.

1. Test and measure with real-life buyers.

This is very important as you'll never know what works until you try it.

Don't be afraid to get it wrong or worry about any criticism. All the feedback you get is good and will allow you to adjust, improve and move forward.

Once you start testing your pricing options you'll soon begin to see which options deliver the best results for you and your business.

1. Keep testing

Make price testing something your business does regularly.

Once you've arrived at a tiered system you're happy with don't rest on your laurels. Keep testing it,

changing it and making the necessary adjustments to keep your pricing sharp, your customers in control and happy and you one step ahead of the competition.