

# PROFITABLE PRICING STRATEGIES

*Explode Your Profits  
With These Killer  
Pricing Strategies!*



# Profitable Pricing Strategies

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## Introduction

There are many different pricing strategies you can use for various types of businesses. It can be difficult to understand which one is most likely to work well for your business model, or which one is likely to be most profitable, which ultimately is the main thing you should care about with regards to pricing.

Keep in mind that there is virtually no way to appeal to 100% of your target demographic. For example, if you price higher you will appeal to those who perceive price as quality and have the income to afford this perceived quality, however you may price yourself out of the market for those with less disposable income and those who are more price conscious.

Conversely, if you price lower you will appeal to those price conscious people, but those who see price=quality may think your product is not worth buying.

As you see, there is a dilemma involved when pricing a product, and the only way to remedy that is to create multiple products specifically for different segments of your market. However, this can backfire.

For example, if you create one product with more features for more money, the people who buy your cheaper package could feel cheated because they feel they got a lesser quality product.

And on the opposite end of the spectrum, those who bought the more expensive product may feel cheated because they feel they paid too much while others got a similar product much cheaper.

This is why pricing is so tricky. You must appeal to the broadest segment of your market that you possibly can without alienating people any more than necessary.

Choosing the right pricing model for your business requires you to examine a number of different factors, including:

- Your product
- Your niche/genre
- Your market
- Your competition
- Your business model

In this report, you're going to learn how to analyze your business in order to decide on the best pricing model for your business. You'll discover the best ways to choose a pricing model, and which types of pricing models work best for which types of businesses.

*So let's get started.*

## Price Point vs. Pricing Model



There are two main factors at play with regard to pricing. Both of these factors must work perfectly in unison in order for your conversions and profits to be maximized.

### Price Point

When most people think of pricing, they think of the price point of the product. This is the actual price of the product. The price point definitely has a huge bearing on sales.

Believe it or not, it's just as easy to price yourself out of the market by going too low as it is by going too high.

The reason for this is that many people see "perceived value". If a product is priced higher, they tend to expect that product to be high quality. Conversely, a very inexpensive product is often expected to be low quality and many people will avoid it, assuming it isn't worth the money.

Factors to consider when deciding on a price:

- **The pricing currently in use by your competitors, if you have any** – You don't want to stray too much from the market standard price unless your product is significantly different.
- **The income level of your average customer** – Obviously you must price reasonably enough that people who want to purchase your product would be able to do so.
- **The quality of your product** – Be objective and compare your product to that of your competitors' products. If yours is significantly better, you may be able to charge more. If not, you may have to charge less.
- **Your reputation vs. the competition** – If you have a much better reputation or are much more widely known than the competition, you should be able to price higher. Otherwise, you'll probably have to charge a bit less unless your product is significantly different.
- **The prestige of your product** – If your product is a fairly popular brand name, you might have a pricing advantage. People will pay almost \$1000 for an iPad even though they could get a similar product from an Apple competitor for half the price because they want the prestige of the Apple brand.
- **How desperate the market is** – People will pay more if your product is something they are absolutely desperate for, such as a cure for something painful or a way to save their house from foreclosure.

## Pricing Model

The pricing model is not the same thing as your price point. Whereas the price point refers to the actual price of your product, the pricing model refers to the method in which you collect payment.

This doesn't refer to whether you take cash, credit cards, checks, etc. Instead, it refers to the way in which you present your products price to potential customers.

Some common examples of pricing models include:

- **Free Trial** – A free trial offer lets buyers try your product for a set period of time before they buy.
- **Subscription** – A subscription model charges a recurring fee on a regular basis, usually monthly. This could be for access to something like a membership website or a service, or it could be for monthly delivery of additional products.
- **Freemium** – The freemium pricing model has gained momentum in recent years. This model involves giving a product or service for free with reduced or limited features, and charging money to upgrade.
- **One Time** – This is a standard payment where the customer simply pays one set price for a product.

There are other pricing models as well, including bundling, tiered pricing, market pricing, donations or buyer set price, and many others.

But we're going to take a look at the four pricing models above as they have been proven time and time again for a wide variety of product types.

Now we'll start taking a look at some of the various pricing models, along with their benefits and drawbacks, as well as how to know which model is right for your product.



## Free Trial

The free trial offer can apply not only to digital products like membership sites, but to physical products as well. You may have seen free trial offers for physical products on television or in magazines.



## Benefits of a Free Trial

1. If your price is prohibitive for a product that is new or doesn't have a big reputation yet, a free trial can ease people's fears and get them to try your product.
2. If your product is so revolutionary that many people may not see a use for it or may not understand it, a free trial will allow them to become familiar with the product with no risk.
3. If your product is a type of product that leaves many people skeptical, such as diet pills, "miracle cures", "make money products", etc., such fears can be eliminated or reduced by allowing a trial.

## Potential Drawbacks of a Free Trial

There are a few drawbacks, too:

1. You must shoulder the burden of paying to provide the product to the customer with no guarantee of payment. In the case of a physical product,

this cost could be considerable and would include the cost of the product itself, shipping costs, and your time spent delivering it.

2. Unless you require a credit check (which most people would not go for) or ask for a credit card to guarantee payment (which almost defeats the free trial model unless your reputation is already stellar), you have no way to ensure you'll be paid.

When deciding whether or not to try a free trial offer for your business, consider the following:

- **Is it financially feasible for you to do?** Remember that if your product is a physical one, you will have to front the cost of production and shipping until payment is made, and you will also have to deal with the potential of customers not paying. There's little risk on digital products, because you won't lose much other than perhaps a little download bandwidth if the customer doesn't pay.
- **Will your product sell just as well without a free trial offer?** If so, then it doesn't make sense to shoulder the risk of a free trial.
- **What is the likelihood that people won't pay?** You'll have to analyze a number of factors for this question, such as the quality of your product, the financial capabilities of your market, the age range of your market, and your product's "passion factor". Remember, if people are passionate about a product, they're more likely to pay for it on time.

## Subscription-Based



As with a free trial offer, a subscription-based pricing model can work with both digital and physical products, depending on the product. If you have a product that could be delivered (and needed or wanted) on a regular basis, a subscription model might be right for you.

## Benefits of a Subscription Model

The subscription model has many benefits, including:

- The price of a subscription may appear much lower (at least initially) to the average person than a larger one-time lump sum.
- The lower initial price point may make it easier for people to take a chance on a product (or person/company) they've never heard of.
- It works very well for products that are required regularly such as web hosting, game access, and even physical products that are needed often such as vitamins or other consumables, because it ensures users won't accidentally forget to reorder in time, thus running out of the product.

## Drawbacks of a Subscription Model

Of course, there are a few drawbacks to consider as well:

- If you have a product that could sell for a considerable sum upfront, you must consider that the average person will cancel a subscription after three months.

Thus, you may need to take that into consideration when pricing the subscription. This could make the subscription price too high if your one-time-payment would be quite high.

- Some people do not like to make the commitment of a monthly fee and will avoid all subscriptions.
- If your product isn't necessary or addictive, people probably won't stay members long.

## Freemium

The freemium model is great for service based products such as online games, software, web services and other media. This model works because it allows people to get a taste of your product without any kind of financial commitment, and you can even potentially benefit from those who never pay you.

Free + Premium  
=  
Freemium

Here are some examples of companies that use the “freemium” pricing model:

- Dropbox and other cloud storage systems
- LinkedIn and some other social media sites
- Many online games

Some examples of “upgrades” these companies charge for:

- In-game weapons, armor, clothing, pets or other items
- Customer support
- Additional storage space or other capacity
- Extra software features
- Additional users on a single account

## Benefits of Freemium



1. You have the potential to get a large base of users hooked on your service because it is free.
2. If your service is extremely useful or addictive, many users will naturally want to pay.
3. You can even benefit from free users who never pay you, because they increase your company's valuation, allowing you to seek funding or potentially sell the company once your user base is significant.

## Drawbacks to Freemium

1. Free users may end up costing you a lot of money in bandwidth or other fees.
2. The model doesn't really work well for the majority of physical products.

## One Time

The one time pricing model is as simple as it gets. You simply charge a set price for



your product. This works best for traditional products in traditional markets where other pricing models just don't seem to work.

When using this pricing model, it's important to get your **price point** right. If you're not using any special pricing model to increase conversions, then you price point must be right on target.

In this case, testing really comes in handy. Since you must zero in on the perfect price for your product, it's going to be more critical than ever to test and track results.

## Benefits of One Time

1. Traditional markets may respond better to this pricing model than to unusual ones they may not understand or they may be wary of.
2. It doesn't require any special software to set up. Just use any standard billing system.

## Drawbacks of One Time

1. Doesn't offer any potential conversion increases on its own.



## Testing & Tracking

Testing and tracking is incredibly important when trying to determine the right price for your market. Never assume that because your product seems to be selling relatively well that you have hit the right price point, because a price change could easily increase your conversions considerably.

This is why it's so important to test multiple price points, and even pricing models.

The easiest way to test and track is through the use of an A/B split testing program. If you install this type of script on your server, you can send all of your customers through it in order to find out which price point or pricing model works best for your product.

A/B split testing software is beneficial for many other areas, too. You can use the same software to test things such as your website's design, conversions, sales copy and more.

You can find some useful split testing systems in the resources section at the end of the report.

## Gap Analysis

Gap analysis is a method of comparing the way your company or product is currently performing versus its potential performance. It may sound like a bunch of



hokey management mumbo-jumbo, but the fact is, gap analysis can have a massive impact on profits.

Gap analysis works by taking a look at the things you are currently doing with your business in order to show you ways you could improve. This could be applied to all sorts of areas, including how well you're allocating resources, how your marketing is performing, how well employees are functioning and more. And yes, pricing is one of those metrics.

The basic principle of gap analysis that applies to pricing is known as the product gap, which is sometimes referred to as the segment or the positioning gap. This particular gap helps identify whether your product might be excluded from part of your potential market because of some of the characteristics of your product. Price is one of those characteristics.

There is a simple step-by-step process you can use to perform gap analysis on your business. I'm going to give you the process, as well as how to apply each step of the process to your product's pricing.

1. **Identify the current process** – In this case, you simply identify your current pricing model and price point.

2. **Identify your current status** – With regards to pricing, this would be your current conversion rate as well as how much you're currently marketing in income/profit.
3. **Identify your target status or objective** – Obviously, with pricing this would be to increase income/profit.
4. **Identify the method to find the gap** – Before you can identify a specific gap, you need to decide how to figure out what is causing your market gap. Perhaps the best way to do this is to ask people who bought your product what made them decide to buy, and to ask those who didn't why they chose not to.

Failing that, doing some general market research will be marginally to moderately helpful, depending on your situation.

5. **Identify the gap** – In this step, you must figure out where the gap is in the market. Are you failing to reach a segment of the market due to using the wrong pricing model or the wrong price point? You must figure out the most likely culprit before you proceed.

Again, this can be done through market research, testing & tracking, interviewing potential customers or other methods.

6. **Develop your plan to fill the gap** – After you've identified the most likely culprit of your gap, it's time to fill it. This part is relatively simple, but may require further testing and tracking in order to figure out which method of filling the gap will be most effective.

7. **Develop the process to fill the gap** – Finally, it's time to develop your plan of action to support your initial plan. You know what needs to be done; now you just need to develop the plan in more detail, outlining each step and setting requirements for timing, testing, etc.

Remember that you must be very objective in your analysis of your product in order for gap analysis to work.

Objectivity means putting your own ego aside and really figuring out where you may be failing.

If you find this difficult, and many people do, then you might need to seek the aid of an outside company to help you conduct this type of research.



Gap Analysis

## Conclusion

Pricing isn't as simple as just setting a price and waiting for people to buy. There is a lot of psychology involved, and generally a lot of testing, tracking and tweaking is involved.

Don't forget that you must test both **price point** and **pricing model** in order to reach the most effective balance and increase your conversions. You could try multiple price points with each pricing model before arriving at the best conversion rate.

Start by researching the competition's features and pricing and move on from there. Before long, you'll find the perfect pricing structure for your product, and you'll watch your sales skyrocket as a result.

There's nothing like thinking you've done everything you can to make your product sell and then discovering the one thing that will send your sales through the roof! Using the tips found in this report, you'll be on your way to experiencing that in no time!

Good luck!

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