

Pricing: The Most Important Element of Your Business

“The moment you make a mistake in pricing, you’re eating into your reputation or your profits.” - Katharine Paine

Hey, it’s Jonathan Goodman back with you for day 3 of our Wealthy Fit Pro video series. Today I’m talking about the most important element of any business: pricing or, as I like to call it, how to make more money and work fewer hours.

But first, if you missed either day 1 where I taught 3 crucial time management strategies or day 2 where I shared insight into adding a referral culture into your business, including a strategy to get boatloads of referrals and why most referral systems in the fitness industry, if I can even call them systems, are flawed, then go back and watch those first before moving forward.

Ready to go talk pricing? Awesome! Not putting enough thought into pricing can leave you bankrupt. You must charge enough and have healthy margins. What I love about pricing though is how it dictates everything about your business. Allow me to explain

For your customer it communicates more about your business than any other marketing piece or headline.

Price connotes value. Think about your ephemeral, gut reaction when you see a price on something. If it’s cheap, you think it’s of lower-quality. If it’s expensive, you think that it has value. Now obviously some things are a rip-off but, at the same time, you’re slightly intrigued when something seems outrageously expensive, aren’t you? Like, what’s the story behind that...

I'm not necessarily advising you to price yourself outrageously high. That's just for the sake of the example. But think about what happens when a customer is shopping around gyms and trainers and comes across two options with one double the price of the other. The immediate reaction is the the one double the price is a considerably better service in every manner. Some customers will always choose the cheapest and you don't want to work with them anyway. Not only that, but charging twice as much means that you need to work with half as many clients to make the same amount of money, opening you up to more professional development, more side projects to derive income, write the book, develop the business, or spend more time with your family or on a hobby or working out yourself. Whatever it is, I personally shudder at the idea of working more hours for less money. Don't you?

Higher price also results in better profit margins, which allows you to spend more on your branding and marketing, which makes it easier to acquire customers.

Again, my advice isn't a blanket, 'price high'. I'll get into some specific bits to help you figure out the right pricing for you soon because how you price your services also represents your vision and dictates your path.

On a sunny day under a palm tree a few years ago outside of a conference that I was speaking at, one of our customers approached me to discuss her pricing. She established that, based on what she wanted to offer her clients and how much time she had to offer, that she needed to charge \$800/month, and could only take on 4 clients at a time. Her response, "I could never charge that! It's too high. Nobody could afford me".

To figure this out, Sara used the pricing calculator that we provided her that comes with the Online Trainer Academy. Since you don't have the calculator, here's how to run through the process real quick:

Draw a line down the middle of a piece of paper. On one side, write down the services that you offer: program design, training time, nutrition, shopping tours, assessments, etc. Also include all administrative and marketing time. On the other side, write down how much time per month it takes you to deliver the service in minutes. Be honest. Once done, you have a realistic blueprint of how long it'll take you to deliver a package to a client. You might be surprised by the results.

So anyways, Sara did this. She's a single mom who doesn't have a lot of free time. Once she combined her desired service offerings, which included in-depth habit coaching, with how much time she had to deliver the service, the results were clear: she could only take on four clients and needed to charge \$800 a month per client.

In our conversation that this was the reality of her situation. The numbers don't lie. She now has to decide what to do with the objective truth in front of her. Sara had two options: The first was to remove aspects of her service that take a lot of time. This would allow her to offer less costly options. The second was to accept the reality of the situation and find four people who can pay her \$800/month.

She decided on the latter and it gave her a clear path. It's true that not many people can afford \$800/month. But some can.

At the beginning of this lesson I mentioned that pricing represents your vision and dictates your action. Sara's story is a great example. Once she knew what she had to charge, her required actions became clear: she would need to go after affluent clientele, which affected everything from her marketing voice to her marketing channels.

As Sara learned, there is no best pricing. There is a right and a wrong pricing set for you. Figure out price and what your market is, and go out and find that customer.

Serendipitously, as I was putting together my notes for this video, a question got forwarded to me:

“You have mentioned the price point before and it has stuck with me but I would like to ask you about your point of not going down but yet up instead showing value and charging more. I agree, but how do you explain this to someone who makes a simple statement of “I just can’t afford you”.

I want to say, “I am actually less than others or my experience is better and education more thorough, and yada yada yada but nothing seems to be the right way.”

The subscriber’s question is a great one. And it’s not an uncommon one. No matter how you price your services, there will be clients cannot afford you. I’ve often repeated the mantra that ‘the cheapest trainer in the world is too costly if he or she hasn’t communicated value. This is true. But what if you do communicate value and you make a killer sales presentation and the client still says that you’re too expensive? Well, odds are that you have the wrong butt in the right seat that you’re trying to sell to.

If you aren’t making sales then something is wrong and it’s up to you to fix it. This is great. Problems are quite useful to have as long as you define them and, in this case, the problem might be that you’re marketing to the wrong person, attracting the wrong type of warm body on the other side of your sales desk or phone. No matter what you say will fall flat because that person simply can’t afford you.

You’ll be tempted to drop your price. Fitness businesses can grow fast by driving price as low as possible and stealing members away from other clubs or fit pros. When a low price is their only advantage, it’s just a matter of time before a competitor undercuts them with even lower prices. The market quickly becomes a race to the bottom, squeezing profit margins to impossibly low levels and driving everybody out of business.

This pattern has run its course multiple times in the past few decades, and surely will again. This is not a fight that you want to be in.

The reality is that the majority of consumers don't want cheap, they want easy and they want assurance that whatever they're buying isn't crap. Want proof, walk into any Starbucks. You'd be hard-pressed find a better example of commoditized product, marketed well, and sold at a premium.

This seems to fly in the face of logic. Ask a prospect what they want and you'll be told to price low. Logically, the best product at the best price should always get the sale. This couldn't be further from the truth – and it leads to a lot of frustration from people in the fitness industry who believe that they know more and are better professionals than the ones who have taken the time to learn marketing and, as a result, build bigger businesses that ultimately help more people while simultaneously making more money and having more freedom. This is why learning marketing is the biggest amplifier used by the wealthiest fit pros.

It's time for you to start paying more attention to your price, figure out the pricing model that works best for you, understand what you're unconsciously communicating to your clients based off of price, and follow the correct marketing path as a result of it.

I've already told you the basic process where you map out your services and list how long it takes to deliver them. This seems basic, but it's a valuable step that countless fit pros miss. Next, I want to highlight the two biggest mistakes that Wealthy fit pros know to avoid with their pricing.

The first should be no surprise to you. This biggest mistake that you must avoid is thinking that setting your prices lower than the competition is a good idea. In doing this, poor fit pros put themselves at multiple immediate disadvantages ranging from slim margins to communicating to the marketplace that they offer a lower-quality service. It's true that you may be able to drive more customers with low prices but at what cost? The model

forces you to work harder for less money and when your only advantage is low price, somebody else can come along and undercut you.

The only exception to this rule is if you sell digital programs where the cost of delivery is zero or close to zero and can be scaled with no additional resources required. If this is the case, as long as you have a strong backend of high margin sales to offer, then pricing low in order to attract the largest number of customers can be a strong strategy.

The second big mistake is to copy others. Why would you copy others when you have no idea how well they're actually doing? It makes no sense.

Your pricing must be thoughtful. It starts with mapping out your services and time. Once done, you can decide whether you're happy with the number or you want to drive it higher and combine it with thoughtful branding and marketing to attract the right kind of customer because you can always find prospects to pay at whatever pricepoint you ask as long as you identify who you want, speak their language, and go to where they are. Whatever you do, don't think that pricing lower is better, don't haphazardly throw it together, and definitely don't copy others.