

Price and Value



For this week's tip, we have a story from one of our thebestof colleagues that will really get you thinking.

He was chatting to the captain of his local football team about restarting training now the lockdown restrictions are easing, and afterwards he asked how his business was doing.

He runs a business where he transfers footage from old video camcorder tapes to HD DVD and MP4 video. He can even personalise and wrap the boxes (*as 92% of the time they're gifts for someone*). He can also send it direct to the recipient with a personal message or post it back to you to give as a gift yourself.

He said it'd been the busiest year especially at Christmas – mainly because people couldn't see their loved ones as much so wanted to send memorable gifts. The same was true for milestone birthdays and anniversaries etc - but was struggling to make any real money despite the inundation.

He was doing quite few of the right things such as, taking deposits, offering split payments (*which helps recurring income*), performing very quick turnaround and getting reviews. So what was the issue that was stopping him from producing the turnover and profits he desired?

It became very apparent when he was asked how much he charges. It turns out that the average customer asks for 2 tapes to be transferred to DVD and MP4 video. It takes a couple of days. And his price?

My colleague almost fell off his chair when he told him he charges just £160.

Bonkers!

Now, let's look at where this guy went wrong in business and why he'll never be wealthy if he carries on.

When asked how he'd come up with his price, he explained that doing this job was about two days work and that he charges himself out at £70 per day, the rest of the cost was to cover his materials (i.e. the DVD, postage, packing materials etc).

He was unable to divorce cost from value.

Think about this for a minute. When do people get old film tapes put onto DVD, typically? It's when there is a special event coming up of some kind, whether it's a big birthday, or a wedding, or an anniversary – whatever it is, it's someone doing something special for somebody else. These tapes carry defining moments in our lives and they carry huge real, as well as sentimental, value. This guy had no comprehension of this.

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He also mentioned that most of the time, people needed it that week or within 2 weeks max.

So there are people in (*quite urgent*) need to have a moment that would probably move their friend or relative to tears and create a truly memorable feeling and experience. They want it to be a special day.

They want their loved to get all emotional. They want a family heirloom that would last for decades to come.

I don't know about you but with the clock ticking, I would've paid 4 or 5 times that price to have all of that work done for me. To have everything wrapped and ready to present as the perfect gift too – all without lifting a finger to achieve that emotional, memorable result.

Just think – it will currently take him nearly 2 weeks to earn the same as what he could earn in 2 days.

He just needs to divorce his pricing strategy away from cost and towards the intrinsic, emotional value for his customers.

Is it time for you to divorce your pricing strategy?

Give us a call if you'd like some help understanding the price you could put on the real value you're offering your customers.



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