

How to Decide When Raising Your Rates Isn't the Answer

Fri, Nov 11, 2022 9:47AM 12:45

SUMMARY KEYWORDS

feel, rates, raise, person, business, investment, question, calls, pricing, price, clients, kirsty, cleaner, delivering, listening, amy, episode, people, mastermind, semi regular basis

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You're listening to business dad Asri, the audio advice column for your online business. I'm Kirsty Denton.

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And I'm Amy Posner. We're talking bite sized episodes that solve real world problems with a no holds barred tell it like it is kind of approach. We've got a really short and pithy and super interesting one this week, and that is this. How do you decide that raising your rates might not be the answer? To add this person, you know, beyond the actual question is I felt so much pressure to raise my rates this year that I feel off balance on Discovery calls now, Kirsty that is so interesting. Can I just flip that your way? Do you have some immediate thoughts?

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Yeah, of course, you can look at my way, I love this question. Because I feel like I it didn't noise me how much? The answer to the question of oh, you know, I really want to increase my revenue, how can I make that happen? always seems to be Oh, raise your rates, it's time to raise your rates? Like, I think and I suspect we might have spoken about this before. But there is absolutely a ceiling for a certain type of deliverable for a certain type of client. So there is a point at which you cannot raise your rates and still serve the same people in the same way. So I think once you reach that point, the question becomes, do I still want to be bringing more money in in my business? If the answer is yes, then the next question is? Do I still want to be serving the same people in the same way? If the answer to that is also yes, then you need to look for other solutions to the first conundrum of how do I make more money in my business? So I just want to start there. And I want to check in Amy, is that also something that you feel is true for online businesses?

02:03

Yeah, I do. And I get tired of the constant drumbeat, raise your rates, raise your rates, raise your rates, because it doesn't feel to me like it's attached to anything like it's not attached to delivering

more value. And maybe it's attached to solving the problem that people aren't necessarily very business, like when they started out, which, you know, no, not insulted. I mean, it's just true of people who, you know, a lot of entrepreneurs who just start out of nowhere, but that's the advice they hear. And I mean, I've heard people say things like, well, after every project, you raise your rate if it was successful, and I'm like, really? Why? I mean, I don't, that doesn't feel like an accord to me, like what, you know, what does one have to do with each other that you're going to do it each time? So that's my immediate response to that. So it's a funny thing, too, because there's a comfort zone, and there's sort of like an appropriate zone, right? Because you have to look at like, are you not doing it? Because you don't, because you're not really happy like expressing or accepting the value that you deliver, like you're undervaluing yourself? You know, that's one possibility. But the other possibility is that your rights are perfectly appropriate for where you are, and that, you know, like, you don't need to be so uncomfortable. Because somebody has told you that that's, that that's the way to do business. I just, I don't know, that just feels so like, I can understand the natural connection and just feels totally out of line to make. Does that make sense?

03:34

Yes. And I love that you brought up the difference between like, discomfort and like inappropriateness in terms of pricing? Because I think, you know, absolutely, you can be out of your comfort zone, when you're asking for a price that is totally appropriate for the work. And that is very different, as you say, to asking for a price that is inappropriate for the work. And that's the reason why you feel uncomfortable. And I feel like just from the tone of this question, and that this person says I felt so much pressure to raise my rates here that I feel off balance on Discovery calls now, that to me feels a little bit like this person might be in the space where the rates they're currently asking for are a little bit out of that zone of appropriateness. And then I'd be curious to know, like, what their acceptance rate has been, you know, are they still finding that clients invest at this rate? And if they are finding that, how satisfied or how happy are those clients with that investment Once the project has wrapped? Because I think that's a really important piece of the pricing puzzle as well, you know, do they feel like they've made a really solid investment, and they're, you know, super grateful to have spent that money to have had the opportunity to work with you on this thing? Or are they kind of like, oh, you know, I, you know, it felt like a big investment upfront, but, you know, I'd heard good things about your size to, you know, wanted to sign on with us, I paid it but you know, I'm just, you know, I'm not fully convinced. I've got my mind money's worth out of out of the time working together, even though you are great, etc, etc. So yeah, it's it's an interesting. I just love this question because I feel like it's not spoken about enough.

05:12

And I keep thinking about it because, you know, like you feel pressure to raise your rates and you feel this internal pressure. And I wonder to it, do you think and I cannot asking this person. So now, I guess I'm asking you, but do you think that that people perceive or this person might perceive that if they aren't raising their rates regularly that their clients, you know, don't that their clients think something like, maybe think, like, they think the client expects it or expects them to? I don't know, it feels like, there is a piece of that somewhere? Like, you know, I don't want to look like I'm not, you know, a professional business person, or I don't know how to do that, you know, I don't know if that figures in but feels like it might? Possibly,

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possibly. Although, I mean, it's funny, because I guess you think of like other professions, or other people who you might hire on a regular or semi regular basis. And like, of course, you know, over time you expect the rates to increase a little bit. But, you know, I think it would be weird if every single time you worked with them, they were like, oh, it's now 10%. More, you know, like that might that might lose you some customers, like, you know, if you think of like, I don't know, like, you know, we have a lovely cleaner, who comes through our house every fortnight. And you know, of course, like every year, she charges a bit more, and that's great. And that makes sense. But I feel like if every month she was like, yeah, it's 10% more now, I feel like we'd probably look for another cleaner. I don't know, that might be a terrible analogy.

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No, it's a really good one. Because it just doesn't make sense. I mean, it's not logical, right? There's no, I mean, nothing else works like that. And there's no reason that you would expect it or feel comfortable with it. You just I feel like do you feel like you were taking I would feel like I was being taken advantage of, I think, or Yes, yes. Or no and easy. Like, what is this? And like, where are they doing it? Or no, they do this to everyone? And like, we didn't know, they didn't tell me? They were? You know what? I mean, I would make me feel very creepy about the person I think.

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Yes, yes, I totally agree. So maybe that's a good piece of knowledge to sit with to have you, you know, if anyone listening or the person with this question is worried that if they don't raise their rates, they don't look like they're, you know, improving or professional actually think there's a point at which, you know, if you do keep raising your rates every time it looks like you're scheming.

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Yeah, I think so. And so this thing about feeling off balance on Discovery calls to you know, what's interesting about that, because I suspect that they don't just feel off balance about the price, they feel off balance period, which is probably making come across as like, something's odd, right? Something's off. It's funny, like you people would intuit that, like, something doesn't feel right. But they wouldn't know what and I think when that happens, you just, you sort of like blanket go, oh, maybe I should just stay away? Because something's weird. Do you know?

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Absolutely, yes. Because I feel like if you aren't competent, that what you're offering is absolutely worth the price and worth the investment. And it's going to be really valuable for the person buying it. You know, that comes across, and that I think definitely impacts sales. And you know, that's a vibe that people I think can pick up on even across the room or across emails or whatever sort of online communication platform. It might be. Yeah, so I love that you brought that up, because you're, you know, you're the queen of sales calls. So I feel like for discovery calls as well. So yeah, yeah. Very valid point.

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Yeah, it's interesting. I'm just thinking about how so many people are so awkward on these on these calls anyway. But you need to I mean, you need to go in with some confidence about about your pricing. But what I mean, I'm just thinking about about this, but back to this thing about, you know, this, this drumbeat of raise your rates, raise your rates, raise your rates, and like what, I guess it's not really appropriate here to get off on another tangent, which would be like, like, when is it appropriate to raise your rates? I don't think that that matters so much as this person feeling this tension here, right? Like they're supposed to do something that just doesn't feel comfortable to them. I mean, they're getting a gut says it ain't right to do. And I feel like when that happens, it ain't right to do. Plus, I just wanted to add one thing. You know, you can also explain that to people. I mean, you can be really transparent about it. I, you know, I was thinking about, you know, my mastermind, I have not raised the rate, I've run it four times. And a number of people have told me Oh, really, that's uh, you should charge more you should charge this or that. I don't want to charge this or that. I feel like for the people that I want to serve, I feel like that's a good like, it's, it's reasonable, but I feel like more would start to be unreasonable and would start to maybe not not be a good investment for them at the point of business that they're in and so I mean, yeah, could I make more money? Yeah, I guess I mean, sure, I could, but you know, am I am I happy here and do I feel like I'm delivering value? I really Really do at this point? I mean, at this particular price point? Could I raise it? I'm sure I could. But it doesn't, it's not something I want to do, which is I don't know, it's kind of feels like a weird thing to say. But that's how I feel.

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No, I thought a weird thing was, I think it's a perfect thing to say, particularly in relation to this question. Because, you know, that's such a great example of the fact that there is a price ceiling for a certain type of client for a certain type of thing. So as you mentioned, if you did raise the rate, like people may still will probably still join, but they'd probably be quite a different level of business owner, or they'd be under a lot of financial pressure to be in that room. And I think that changes the vibe, and that changes the exchange, right? Because I think we need to think about the fact that, you know, investing in anything, whether it's a one to one service, or a mastermind or a product, whatever it might be, you know, it's an exchange, that price is an exchange of money in return for what they get for paying that price. And that that needs to feel good for both parties. And I think, at the point where it doesn't feel good for either or both parties, then you know, that's the price is wrong. So that's when you shouldn't be raising your rates. You should be reevaluating, why the rates are, where they're at and who you're attracting, and how much value they're getting out of that thing. And I think we may have come full circle here, now that we're talking talking about this again, I think it might have been the thing that we opened this episode with.

11:25

Yeah, I think we have it. I think we've I think we've we've covered this and I hope that the person who asked this question feels a little bit let off the hook here. Because I think that's basically, you know, what we've said is what? Why yes.

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Yes, I hope this is permission for anyone who's like, Oh, my God, thank God, I don't have to keep like, pitching up to discovery calls and pay black and it's now \$25,000 To work with me.

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But wait, if you wait until after midnight, it could be 20 cents.

12:04

On that note, let us wrap this up. If you are one of those people who listen to this and just felt a huge wave of relief, we would love it. If you could leave a review for this podcast, it will just mean that it will get in front of more business owners like yourself, and it would just also make our days so please feel free to do that at any time. And as always, if you have a question you would like us to tackle on a future episode, head to businessbadass.co/podcast And you'll find the submission form waiting for you there.

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Thank you for listening. Catch you next time. Bye for now.