

Paul Hoyt's "Office Hours" Series



paul  hoyt

Office Hours

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www.PaulHoyt.com ** 877.For.Hoyt ** 415.997.8001



Welcome to Office Hours

- A relaxed, informal mentoring program
- Held every Monday at Noon Pacific Time
- All recordings, slides, and exercises are archived in our member's area
- All recordings are available on my YouTube channel:

www.YouTube.com/user/PaulHoyt

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The Reasons

- Being a successful small business owner can be a great experience!
- But it's tough - you need Education, Training, Tools, and Team to be successful
- I want you to get to know me

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The Reasons

- First and most importantly, I want you to know that I care about you.
- I want you to succeed in every area of your life, whatever that means to you.
- I want you to find the **greatness**, the **happiness**, the **divinity** within yourself, and then remember it, embrace it, and live it every day.

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My Passion

- To increase the survival rate...
- Accelerate the growth rate...
- And reduce the struggle rate of businesses in America

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My Vision...

- To help millions of CEOs and Entrepreneurs accelerate their business growth and enjoy greater harmony and balance in their lives
- You can help by passing the word

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Office Hours Agenda

- In depth discussion of a business success principle
- Closing remarks, special offers, and invitation for next weeks session
- Open Q&A and coaching

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Join Us!

- Brilliant Business Groups on Facebook and LinkedIn
 - <https://www.facebook.com/groups/BrilliantBusiness/>
 - <http://bit.ly/BrilliantBusinessGroup>

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Join Us!

- Business Success Principle of the Day postings on both Facebook and LinkedIn
- Energy of the Day posting on Facebook

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During the Call...

- Make comments, ask questions, share insights and “takeaways”
- Goal: 20 comments and likes in Facebook group

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THE **Awakened** CEO
System

- An “Awakened Conversation” Webinar
- Thursday, April 29th, 6 PM PT
- Watch your emails for signup information

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Today's Topic:

How Much?

Product Portfolio and Pricing Strategies

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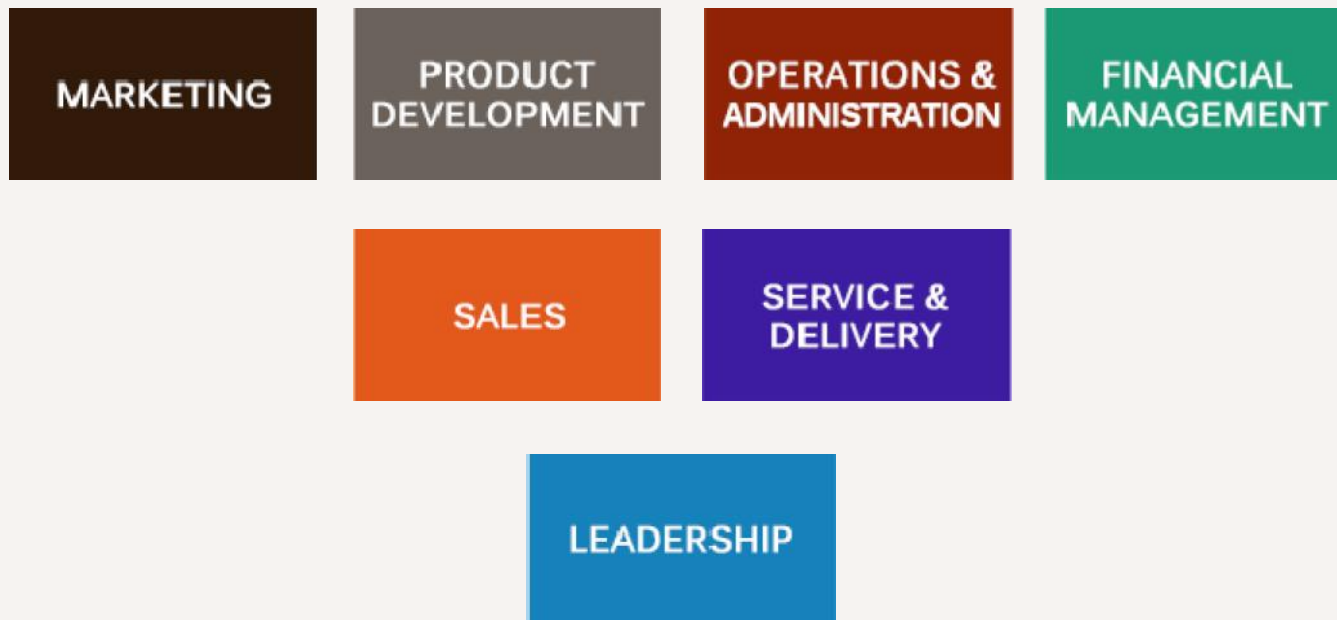
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The Key Performance Areas



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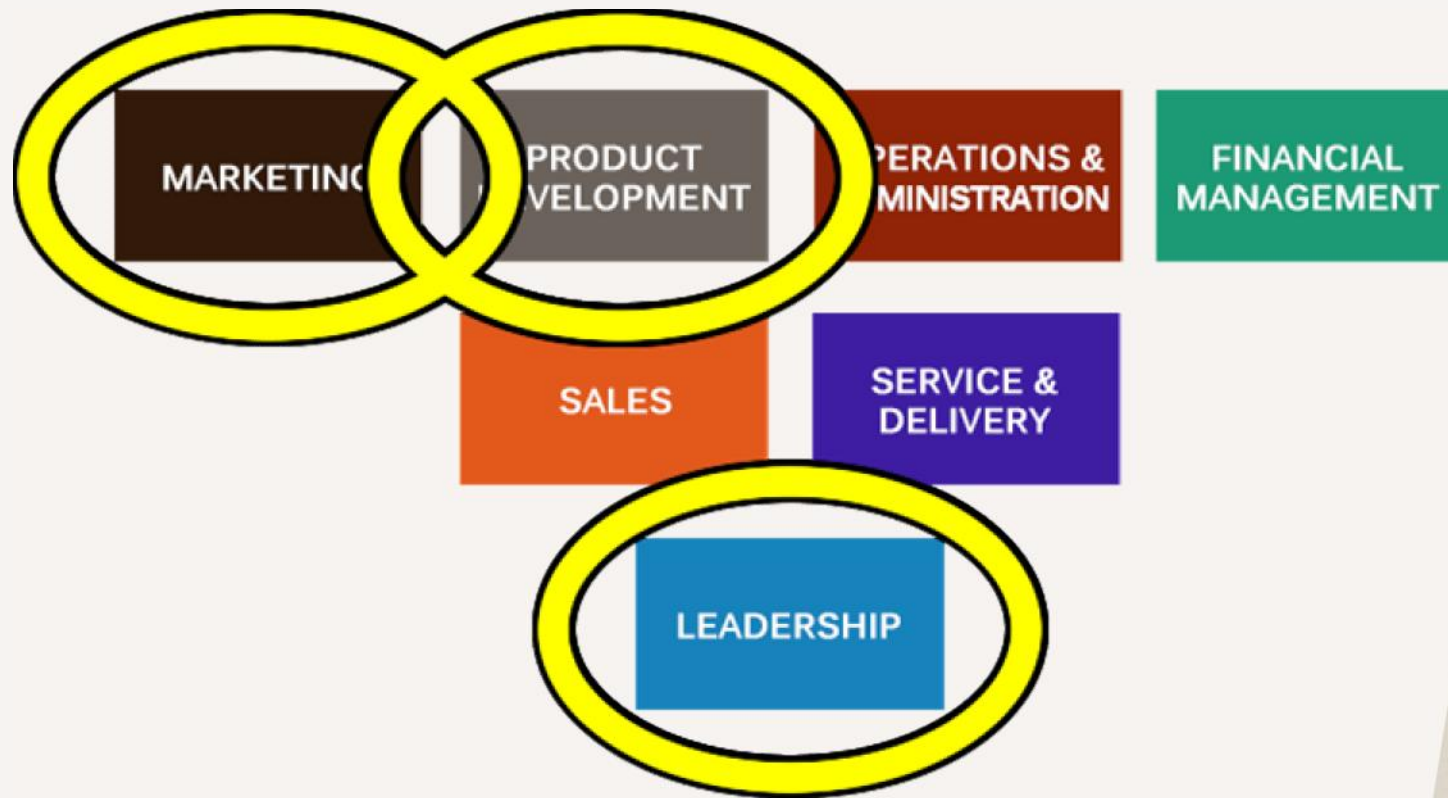
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The Key Performance Areas



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Agenda

- Pricing Strategies
- Product Portfolio Strategies
- The Bottom Line

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Primary Pricing Strategies

- Cost-plus Pricing
- Competitive Pricing
- Value-Based Pricing

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Cost vs. Price

- Cost is what you pay
- May be direct cost or “fully-loaded” cost
- Price is what your customer pays
- Confusion point: your price is your customer’s cost

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Markup vs Margin

- Markup is how much you multiply your cost by in order to determine the price
- Margin is your gross profit (price – direct cost) divided by the price
- 100% markup = 50% margin
- $\text{Markup} = \text{Margin} / (1 - \text{Margin})$
- $\text{Margin} = \text{Markup} / (1 + \text{Markup})$

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Cost-Plus Pricing

- Price is the cost of the product or service times a small markup
- Common in procurement contracts
- Sometimes seen in social cause efforts
- A factor for any product that is sold through multiple channels

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The Basic Business Model

- Make a product for \$25
- Sell at wholesale for \$50 (100% markup)
- Sell at retail for \$100 (another 100% markup)
- General rule: the lower your cost is relative to the retail price, the more options you have
- Lots of variations

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With a Middle Man

- Make a product for \$20
- Sell to a distributor for \$40 (100% markup)
- Sell at wholesale for \$50 (25% markup)
- Sell at retail for \$100 (100% markup)

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Competitive Pricing

- “What the market will bear”
- Requires market research
- A form of market response
- Your price impacts your perceived value

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Value-Based Pricing

- Price set on the value of your product or service beings to your customer
- Cost could be 10 cents and retail price could be \$10.00
- Cost could be \$9.00 and retail price could be \$10.00

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Other Considerations

- Commissions
- Overrides
- SPIFs and Contests
- Referral fees
- Discounts, promotions, and specials

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Other Considerations

- Your other products
- Volume purchase discounts
- Add-ons
- Loss leaders

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Example

Cost	\$20	\$20	\$20
Wholesale Price	\$50		
Wholesale Commission	\$5		
Distributor Price		\$45	
Distributor Commission		\$2.50	
Retail Price			\$100
Retail Commission			\$15
Cost of Retail Marketing			\$25
Net to Company	\$45	\$42.50	\$60

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Other Pricing Factors

- You can sell the same product or service at different prices
- Your price determines your market
- Change your price – change your market
- Make your price consistent with your overall brand
- Raising your price may increase your sales

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Product Portfolio Strategies

- You can have a single product company
- With a product portfolio:
 - Serve a larger market
 - Increase conversion ratio
 - Increase lifetime value of the customer
 - Be more profitable – because you generally make profit on higher priced products and services

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Product Portfolios and Funnels

- Free entry point
- Low price product
- Medium price product
- High price product

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Portfolio or Funnel?

- A portfolio becomes a funnel when higher priced products are extensions of or enhancements to the lower priced products
- Example: introductory and advanced training programs

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The Standard Funnel Approach

- Bring customer in at a low level
- Upsell before the deal is closed – or –
- Upsell during delivery or after the product or service is consumed – or -
- Let the customer decide where they want to stop
- The Freemium model is very popular in digital product sales

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The Reverse Funnel Approach

- Offer the highest priced product first
- High priced levels typically contain all the components of the lower levels
- Down-sell if you have to
- Don't let the customer leave without buying something
- Requires a direct sales approach
- Risk: overselling the customer

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Transactions vs Relationships

- Focus on the lifetime value of the customer
- Consumable products
- Memberships
- Renewal fees

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The Bottom Line

- Consider all methods of pricing when setting the price for your products:
 - Cost-Plus Pricing
 - Competitive Pricing
 - Value-Based Pricing

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The Bottom Line

- Price your products so you can make a substantial margin after:
 - Paying commissions and referral fees
 - Offering promotional discounts
 - Offering volume purchase discounts
- Price for all your channels at the same time

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The Bottom Line

- Choose your market with your price
- Create a product funnel or a product portfolio to serve a larger market
- Focus on profitability analysis – verify that you are making the margins you plan to make

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Agenda

- Pricing Strategies
- Product Portfolio Strategies
- The Bottom Line

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Homework

- Re-examine your prices
- Think about how to augment your product line to attract a larger market and increase the lifetime value of your customer
- Get coaching and support to examine your portfolio and pricing strategies

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Open Q & A and Coaching – in a minute

- Comments and questions on the topic of the day, then any other issues
- Tell me what your biggest “take-aways” are and what insights you gained from this presentation
- Tell me what you are going to focus on

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Our Support Services

Service	Teach You	Do It With You	Do it For You
Education	X		
Training	X		
Coaching	X		
Advising / Mentoring	X	X	
Consulting		X	X
Growth Management		X	X

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THE **Awakened** CEO
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- Mindset
- Method
- Momentum

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Next Office Hours: April 27th

- Topic is: Live Group Coaching
- Let me know what topics you would like for me to address: www.PaulsSurvey.com
- Do your homework!

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Open Q & A and Coaching

- Comments & questions on the topic of the day, then any other issues
- Contact Me at paul@paulhoyt.com
call or text: 415.997.8001
- www.SchedulePaul.com

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