

Maximize Profits...  
Price Your Product With Complete Confidence

**MAKE YOUR PRICE SELL!**

**The Masters Course**

# 1. Introduction

The successful producer of an article sells it for more than it cost him to make, and that's his profit.

But the customer buys it only because it is worth more to him than he pays for it, and that's his profit. No one can long make a profit producing anything unless the customer makes a profit using it.

--Samuel Pettengill, U.S. Congressman 1930's

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On the Internet, time waits for no company. Your customer has access to tons of information through the Web. Your competitor is a mere mouse click away. You have to get the price right... **the first time**. In the digital market scene, there are very few second chances.

Pricing is risky. What price is too high? What price is too low? Will a certain price work three months from now? Do you know? Do you know for sure?

Pricing is one of the most important marketing decisions you will make. So much hinges upon it...

If you are selling a **commodity**, you already know that your profit margins have to be razor-thin. You are forced to compete on price. It's sometimes the only thing that sets you apart from the field. And your business has to be seamless in its operation. Gaps are too costly.

If you have a **proprietary product**, its uniqueness and benefits have to be recognized as such by the market. You have to know if your product has enough original features to warrant a higher price than the cookie-cutters around it.

Perhaps you are considering a new product concept? Not sure if it will fly? Imagine if you could know how much exactly people would pay for it. You'd know if this new idea would be worth pursuing... or not (just think of the dollars and time saved).

Launching a new product? How will you price it? How do you know the absolutely perfect price -- the price that will **maximize your income** and your "customer's profit," right from the outset?

What about existing products that you sell? Market conditions change rapidly -- is your pricing up-to-date? Smart pricing maximizes returns, at launch and all the way through the product maturation cycle.

And what do you know about your customers' Net buying habits? How many buy this kind of product on the Net? How much do they usually spend?

All of this is critical information to have before you begin to set a price. But here's the rub...

For the small business owner, pricing guidance and pricing solutions are limited on the Net -- unless you have deep pockets and can afford expensive consultants or software packages.

Until now, that is...

**Make Your Price Sell!, The Masters Course** is your pricing "beacon of light." It provides you with the pricing theory and strategies you need to know in order to determine the best price for your product – the "perfect price" that maximizes profit for you... **and for your customer.**

Sam Pettengill clearly understood the importance of this **win-win** situation...

The successful producer of an article sells it for more than it cost him to make, and that's his profit.

But the customer buys it only because it is worth more to him than he pays for it, and that's his profit. No one can long make a profit producing anything unless the customer makes a profit using it.

In other words, if you put your need to make money *before* the needs of your customers, you're doomed. **Customer satisfaction** can make or break you.

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The power of customer satisfaction, however, goes beyond the realm of pricing. So before we continue with the course, let's zoom out and get a "big picture" view of your future...

Customer satisfaction is an essential part of your overall online success equation...

***Great Product + Perfect Price + Right Process = Satisfied Customer + Success***

Achieve the first three, and the other two automatically fall into place!

It's easy to understand why **Great Product** is part of the equation. No explanation is needed! And Sam has nicely helped us to understand how **Perfect Price** fits into the picture (of course, after you complete **Make Your Price Sell!, The Masters Course**, your understanding will be even clearer!).

So this brings us to the **Right Process**...

Most online businesses (about 98% or so), die quiet deaths of desperation due to the wrong process. Many still believe in the **offline** mantra...

“Build it and they will come.”

And that works offline because of...

**“Location, location, location.”**

Put up a nice store in a mall or on the main street in your town... and the traffic comes flowing in.

Not on the Net... cyber life is much different.

People on the Net are not looking for **you** – if they knew you existed, they would already be customers. People search for **information, content, solutions** about an infinite variety of niches.

Most small businesses fail on the Net because they prepare to sell and collect money, before they have provided what their visitors are searching for... **information**. These small business owners build a Web site to sell and somehow figure that traffic will just show up and be willing to buy or hire immediately.

***Wrong process... no customer satisfaction... no success.***

If you don't attract free, targeted visitors via the Search Engines, if you don't convert them into warm, willing-to-buy customers, if you don't build that into your site from Day 1, you are going to end up ***working for your site***, rather than the other way around! You will have to pay for advertising to build traffic, more than you can afford probably.

To succeed online, you have to **own your traffic** – because if you don't own your traffic, you don't own your business. The most time-and-cost efficient way to build lots of targeted traffic (from the ground up) is by building a ***Theme-Based Content Site***.

This type of site attracts and satisfies humans and Search Engines alike and grows a stable, diversified, profitable business. The “Right Process” boils down to these essential steps...

- 1) Develop a valuable *product* (your own creation or someone else's) and determine the perfect price for it.
- 2) Develop *your own site* in the niche that you know and love.
- 3) Fill that site with *high-value content*.
- 4) Use that *content* to attract your own *niche-targeted traffic*.
- 5) *Build trust and credibility* with your visitors.

6) Use content to *PREsell* (i.e., *warm up*) your targeted visitors. And...

7) Convert that *PREsold*, warm, willing-to-buy traffic into *sales*.

8) *Diversify* your revenue plan to include other monetization options (ex., Google's AdSense, affiliate income, services, etc), all related to your site's theme-based content.

The **Right Process** is simple, straightforward and easy, once you shift your thinking away from "location, location, location" to...

**"Information, Information, Information."**

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### ***SIDEBAR***

**Site Build It! (SBI!)** starts with the same from-the-ground-up, Theme-Based Content Site point of view. Its comprehensive integrated set of tools (along with a clearly written Action Guide and guru-in-your-ear online help) helps you execute each step of the "Right Process" smoothly and effectively.

No matter what type of online business you have (or are developing), or your level of experience on the Net, **Site Build It!** starts and keeps you on the road to success not failure. **SBI!** produces **results...**

<http://results.sitesell.com/>

Learn how **SBI!** can help **you** grow a traffic-generating, income-producing online business. Find your business category and **SBI!** information here...

<http://find.sitesell.com/>

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With this "big picture" of your future firmly planted in your mind, it's time to zero in on the **Perfect Price** component of the success equation.

And it all starts with a solid understanding of pricing basics. Let's do it...

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## 2. Pricing 101...

### The Crash Course

**Price.** Your business model revolves around it. Finding the **right** price for your product is **critical** -- it can literally double or triple your profits.

The best place to start? With a look back in history, of course. It gives us a better view of the present and helps us to plan for the future.

So we'll begin with 5,000,000 years worth of pricing perspective...

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#### 2.1. 5 Million Years of Pricing

Your new product will fail if you adopt the wrong price. Set it too high and no one buys. Set it too low and you won't make a profit -- and it's not OK to lose money forever. If you choose the right price, of course, you **still** have to do a lot of other stuff right. But that's not **our** job here! 😊

Let's do a **quick** historical review of pricing. We'll end up at the Net. Don't groan -- we said "quick."

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In the bad old days of **hunting and gathering**...



... **people bartered.** They negotiated goods or services for the goods and services of others. Bartering is still seen in developing countries and in the "black market" of developed countries.

As the **Agricultural Revolution** took hold, market places evolved. Now that people were growing zucchini and potatoes, they needed someplace to sell them! People negotiated a cash price on a one-to-one basis. It's called **haggling**. People still do it -- just visit any farmers' market on a bustling Saturday morning.

Pricing varied according to **supply** (good year for growing?), **demand** (did buyers have much money?), and **competition** (merchants simply peeked into the next vendors' stall to see what they were charging), which all

factored into the one-on-one haggling. In other words, pricing was **dynamic**, fluctuating constantly.

Then came the **Industrial Revolution** and mass production. Could retail stores and the **fixed price** be far behind? A fixed price is where the seller decides upon a price -- the prospective customer either buys it or does not. No haggling. Of course, if the seller sets the price too high, no one buys. So there still remains a system of checks and balances.

Traditional pricing policies were determined from the bottom-up. Companies determined a cost of the product by factoring in direct and overhead costs. An appropriate mark-up was then charged, based upon competing pressures and "what the market could bear" (although rarely was there science to back up that hoary old phrase).

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Now we are at the beginning of the **Digital Revolution**. **Dynamic pricing** has potential.

**Auctions** are an interesting and efficient, non-fixed, pricing system. Sellers put an item up for sale and buyers bid upon it.

It used to be that you had to displace yourself and meet at a fixed time at a fixed place to participate. Not any more -- at eBay and hundreds of other Net auction sites, you can bid and sell 24 x 7 x 365. And auctions can also happen **in reverse** -- buyers say what they need and sellers submit competing quotes, an increasingly popular B2B application on the Net.

And not only can you have "reverse auctions," you can have **reverse fixed prices**. The customer submits the fixed price that she is willing to pay. The company meets that price or not, but there is no negotiating or bidding. Priceline.com is a great example where you can name your price and save.

**EwinWin** is an e-commerce business that uses group buying power to drive prices down. This type of buying opportunity even has a formal name... **demand aggregation**.

Of course, the ultimate in flexibility is full, two-way markets like the stock or commodity exchanges. Buyers **bid** and sellers **ask**. The exchange of product for cash happens when a bid price equals an asking price. Depending upon how large the buying and selling pressures is, prices for a stock or commodity rise or fall.

**Dynamic** pricing is the next potential stage of e-commerce development. If it ever gains in popularity and acceptance, it will change the face of transaction-based sites forever.

And there you have it... millions of years of **pricing history** in less than two pages! What does the **future** hold?

Let's consider two kinds of products...

**1) Commodity** -- a commoditized product has lots of competition. Usually, there's nothing that differentiates it from its competitors. You compete on price. Watch for the Net to force your margins to be razor-thin. "Bots" will haggle with you, one-to-one, and aggregated demand and markets will ultimately beat you down when they get around to bidding on your products.

Those who execute best will win this war. Source efficiently. Manufacture just in time. Laser-speed inventory turns. Proficient distribution.

It's a brutal way to earn a living. So differentiate yourself and sell...

**2) Proprietary product** -- it is an original product with new and valuable benefits. The innovation can be in the product itself or in the marketing of the product, preferably both. How to do this is beyond the scope of this course.

#### ***SIDEBAR***

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Product development is beyond the scope of this course. **Make Your Site Sell!**, considered the "bible" of Net marketing by top Internet experts, covers the subject extensively.

<http://myss.sitesell.com/>

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Original products with new features and benefits stifle "apples-to-apples" comparisons by "bots." As a result, **you** can set a price that will maximize profits.

Keep in mind that markets mature rapidly on the Net -- you may have to adjust pricing frequently or upgrade your product to maintain your price.

Computer hardware is a great example of **both** a commodity and of a proprietary product...

**As a commodity**, the PC clones are constantly upgrading and shaving prices to fight each other. Yet Dell has exploded in size. How? It's done it through manufacturing and marketing innovations ("make-on-demand" and selling-through-the-Web).

**As a semi-proprietary product**, **Macintosh** can no longer afford to be **far** more expensive than Windows machines. But it has enough original features and extra user-friendliness that it can still set a slightly higher price.



One thing for sure... your competitors can be reached with a single click of the mouse. **Get the price right or perish.**

### **SIDEBAR**

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Of course, even before the right price, you have to have a quality product or products or you won't succeed.

**Site Build It!**, SiteSell's flagship product, has an incredible product value-to-cost ratio. It overdelivers at every point...

<http://buildit.sitesell.com/sbi-businesses/value.html>

**Site Build It!** has a track record that no other company or product can come close to matching...

<http://results.sitesell.com/>

Compare **SBI!** results with **Interland's** "success stories" (they also show just a few sites, out of 100,000's)...

<http://www.interland.com/sb/testimonials/sitebuilder/>

As you can see, **SBI!** builds site that work!

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From a history lesson to a marketing lesson... your "pricing education" continues...

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### 3. The 4 P's of Marketing

Marketing cycles have accelerated. Distribution occurs at (literally) the speed of light. Opportunities are everywhere. And with all this speed and opportunity **comes...**



... **heavy, intense competition.**

And your customers have access to tons more information. So you better offer the best value because they're going to know it, if you don't!

That all brings an increase in price risk. Misjudging your price points costs dramatically more than it used to. You just don't have the time for a second try.

There's an amazing amount of information on the Web about all forms of both online and offline marketing. The same goes for business books. Just about every aspect of Net marketing is covered *ad nauseam*... everything **except** the single most important marketing decision that you'll ever make...

... **pricing.**

Resources are limited. Offline consultants seem to have jealously guarded this lucrative area, charging large companies thousands of dollars to get the price right.

Remember... pricing is probably the **most important marketing decision** that you'll ever make. After all, it's one of the **4 P's**, right?..

Any introduction level marketing course covers the **Four P's of Marketing**. Yes, this old mnemonic still holds true -- marketing basically boils down to a **mix of Product, Place, Promotion, and Price...**

• **Product** -- the "what" that is **actually** being offered to the market... ex., a safe and secure Volvo, a high-powered macho-feeling Porsche, or simply a low-priced, "**just get me there**"...



... **bus ticket.**

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