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$100M Playbook: Pricing

Instant Ways to Make More Profit in Any Business

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Guiding Principles

Profit is unnatural. You must force it into existence.

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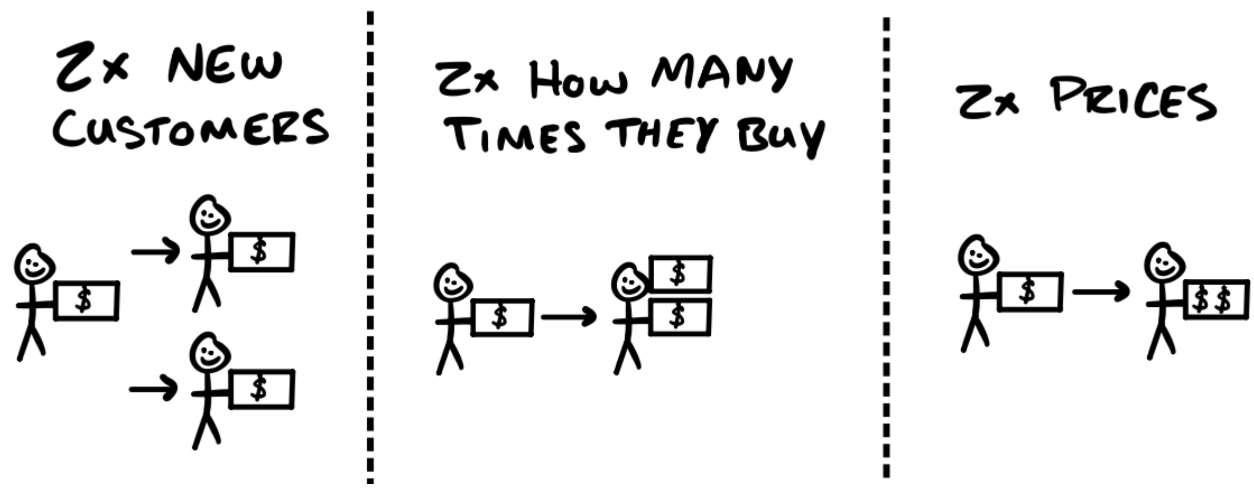
Pricing To Make The Most Money

One day, you're walking and you find a magic lamp. And, you do what every person who finds a magic lamp does…you rub the lamp. And out pops a genie. But this isn't an ordinary genie. This is a business genie. So instead of granting you three wishes, he grants you three options, and you have to pick the wish that makes you the most money correctly. If you guess it, he will grant it. If you guess wrong…your business dies. High stakes genie, what can I say.

He says "I can double one *aspect* of your business, and the rest of it stays the same. I can double the number of customers you get every month, the prices your customers pay, the number of times they buy. *Which do you choose?*



So let's look at all three options:

Option #1: **2x # of new customers** x 1x price x 1x # of purchases = **2x** hypothetical max revenue

Option #2: 1x # of new customers x 1x price x **2x # of purchases** = **2x** hypothetical max revenue

Option #3: 1x # of new customers x **2x price** x 1x # of purchases = **2x** hypothetical max revenue

HYPOTHETICAL BUSINESS MAX REVENUE =

OF NEW CUSTOMERS/MO x LIFETIME REVENUE

(PRICE x AVG # OF PURCHASES)

For starters, all three of these seem similar. If you take the number of new customers you get, and multiply it by how much they spend…***It doubles your business's potential revenue!***

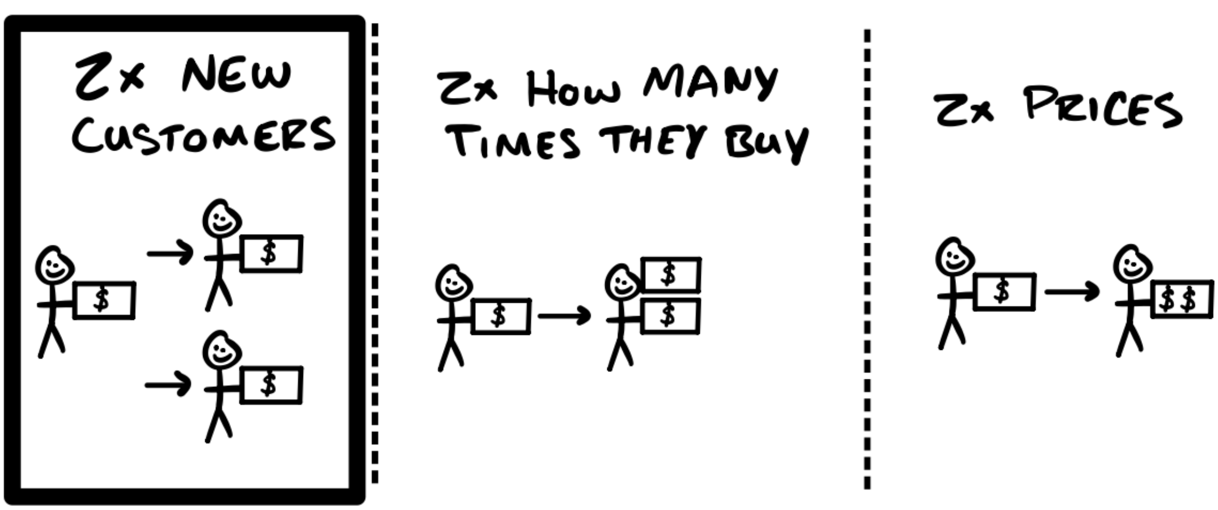
So they're all the same???...Not so fast. Let's figure it out together.

I want you to imagine you have a stable business with the following stats:

Your Business Stats

- New Clients/mo: 30
- Churn: 33% (3 mos)
- Price: $100/mo
- Total Clients: 100
- Net Margins: 20%
- Revenue/mo = $10,000
- Profit/mo = $2,000

Option #1: Double Your # of New Customers Per Month (aka - cut cost to acquire a customer in half)



In the simplest terms possible, we double our revenue because we double how many customers we get for the same money. And we get to save all the money we would've spent in advertising to double our business and it drops straight to our bottom line.

Let's walk through how this happens:

i) If we 2x our customers, we go from 30 sales per month to 60 sales per month.

ii) And when we do that, with our existing churn, we eventually stabilize at a new plateau of 200 customers instead of 100 customers. We get that by dividing our number of new customers per month (60) by our churn (33%) which equals 200.

iii) This means our CAC cuts in half because we got twice the customers for the same price. So it goes from $100 per customer to $50 per customer.

iv) And since we have twice the customers, our revenue doubles. We go from $10,000 per month to $20,000 per month.

v) Next, if we have twice the customers, the cost to deliver for them doubles as well (just to keep it simple). So we still have the cost to deliver, but we paid half price to get them, so our margins go to 35%. Here's how: We would normally only make $4000 in extra profit if we simply doubled the business. But since we saved $3000 in CAC, we have $7000 of profit, which means we have 35% margins.

vi) And since we went from $2000 in profit to $7000 in profit, we 3.5x profit!

Old Business Stats

- New Clients/mo: 30
- Churn: 33% (3 mos)
- Price: $100/mo
- CAC: $100
- Lifetime Revenue: $300
- Gross Profit: $150
- Gross Margin: 50%
- Total Clients: 100
- Net Margins: 20%
- Revenue/mo = $10,000
- Profit/mo = $2,000

New Business Stats

New Clients/mo: **60 (i)**

Churn: 33% (3 mos)

Price: $100/mo

CAC: **$50 (iii)**

Lifetime revenue: $300

Gross Profit: $150

Gross Margin: 50%

Total Clients: **200 (ii)**

Net Margins: **35% (v)**

Revenue/mo = **$20,000 (iv)**

Profit/mo = **$4,000 (vi)**

So now we know the result of option #1. Let's keep track of it below.

Option #1: **2x** # of new customers x 1x price x 1x # of purchases = **3.5x** PROFIT

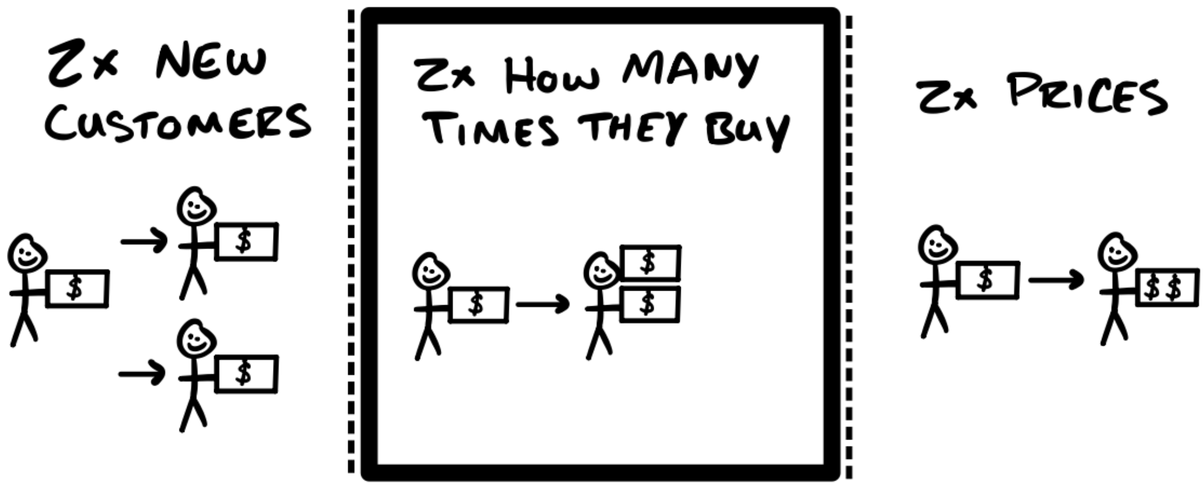
Option #2: 1x # of new customers x 1x price x **2x** # of purchases = **⁇** PROFIT

Option #3: 1x # of new customers x **2x** price x 1x # of purchases = **⁇** PROFIT

Author Note: Avoiding Complexity The Best I Can

To simplify stuff, I have only included costs of advertising and delivering. Different businesses have different costs for different things. These models work to help you figure out how to maximize your profits either way.

Option #2: Double The Number of Purchases (aka - how many times they buy from you)



Now let's look at what happens if we double how many times they buy from us. We know the number of times they currently buy from us is 3. So, when we double it, it means they go from buying from us three times (or three months) to six times (or six months). If they buy twice as much stuff (or stay twice as long) that basically means it cuts our churn in half! From 33% to 16.5%.

In the simplest terms possible, we double our revenue because we double how much customers are worth and we get to save all the money we would've spent in advertising to double our business and it drops straight to our bottom line.

Let's walk through how this happens:

i) If we 2x how many times our customers buy, we cut churn in half which means we take the average customer from staying three months to staying six months.

ii) And when we do that, our lifetime revenue doubles from $100 x 3 months to $100 x 6 months. So we go from $300 to $600 in lifetime revenue.

iii) Our relative delivery costs stay the same. We go from $50 x 3 months to $50 x 6 months. So we go from $150 in costs to $300 in costs per customer.

iv) Because people stay twice as long, we continue to grow until we have 200 customers. Which you can calculate by dividing # of new customers per month by monthly churn (30 / 16.5%).

v) When we have twice the customers (200) paying us $100 every month, we double our revenue to $20,000.

vi) But, we still have 200 x $50 = $10,000 in costs to deliver for them and the same $3000 in costs to acquire new customers every month (CAC). This means we have $20,000 in revenue, $13,000 in costs, so we profit $7,000. 3.5x our original profit. And gives us 35% net margins.

Old Business Stats	New Business Stats
• New Clients/mo: 30	New Clients/mo: 30
• Churn: 33% (3 mos)	Churn: **16.5% (6 mos) (i)**
• Price: $100/mo	Price: $100/mo
• CAC: $100	CAC: $100
• Lifetime Revenue: $300	Lifetime revenue: **$600 (ii)**
• Gross Profit: $150 ($50/mo)	Gross Profit: **$300** ($50/mo) **(iii)**
• Gross Margin: 50%	Gross Margin: 50%
• Total Clients: 100	Total Clients: **200 (iv)**
• Net Margins: 20%	Net Margins: **35% (vi)**
• Revenue/mo = $10,000	Revenue/mo = **$20,000 (v)**
• Profit/mo = $2,000	Profit/mo = **$7,000 (vi)**

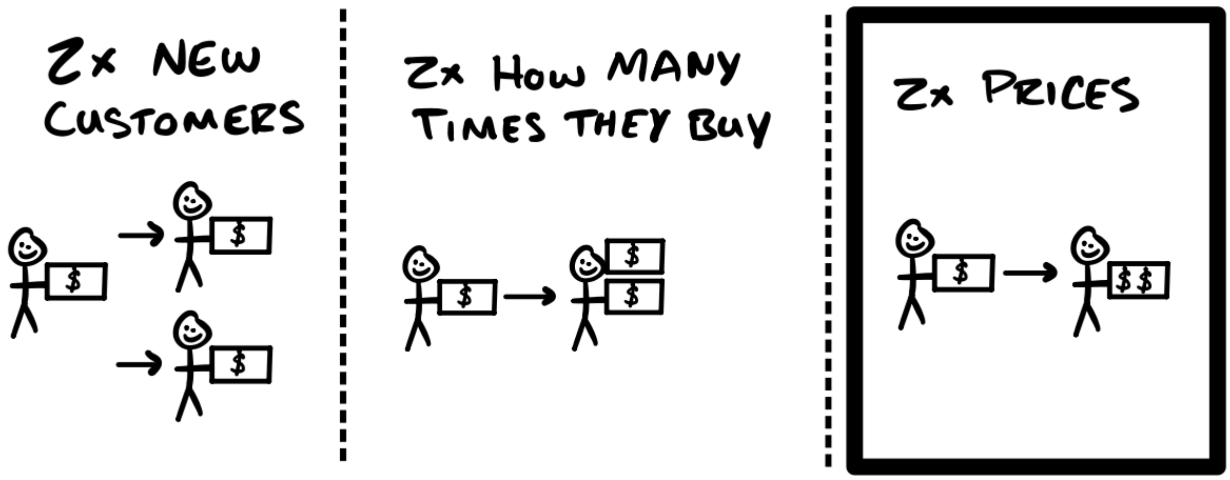
So now we know the result of option #1. Let's keep track of it below.

Option #1: **2x** # of new customers x 1x price x 1x # of purchases = **3.5x** PROFIT

Option #2: 1x # of new customers x 1x price x **2x** # of purchases = **3.5x** PROFIT

Option #3: 1x # of new customers x **2x** price x 1x # of purchases = **⁇** PROFIT

Option #3: Double Your Prices (aka - how much you charge for the same thing)



Now let's tackle Option #3. In the simplest terms possible, if we 2x our prices…and nothing else changes…we 6x our profit. Here's why:

Let's walk through how this happens:

i) We double our prices, with the same number of customers

ii) Our gross profit triples as a result because we now get $600 to deliver something that still costs us the same $150. So we go from $150 in gross profit when the price was $300 to $450 when the price is $600 ($600-$150 = $450).

iii) Our gross margin goes from 50% ($150/$300) to 75% ($150/$600) as a result.

iv) Our revenue doubles as a result from $10,000 per month to $20,000 per month.

v) Since our cost to acquire a customer stays the same, and our cost to deliver stays the same, when we double the price, we have the same costs as we did at $10,000 per month ($8,000). We take that same $8000 out of our new doubled revenue of $20,000 per month, and we get $12,000 per month in profit. This makes our net margins 60% ($12,000 / $20,000). Which 6x'd our profit!

Old Business Stats:

- New Clients/mo: 30
- CAC: $100
- Lifetime Revenue: $300
- Gross Profit: $150
- Gross Margin: 50%
- Churn: 33% (3 mos)
- Price: $100/mo
- Total Clients: 100
- Net Margins: 20%
- Revenue/mo = $10,000
- Profit/mo = $2,000

New Business Stats

New Clients/mo: 30

CAC: $100

Lifetime revenue: $600

Gross Profit: **$450**

Gross Margin: **75%**

Churn: 33% (3 mos)

Price: $1=**$200/mo (i)**

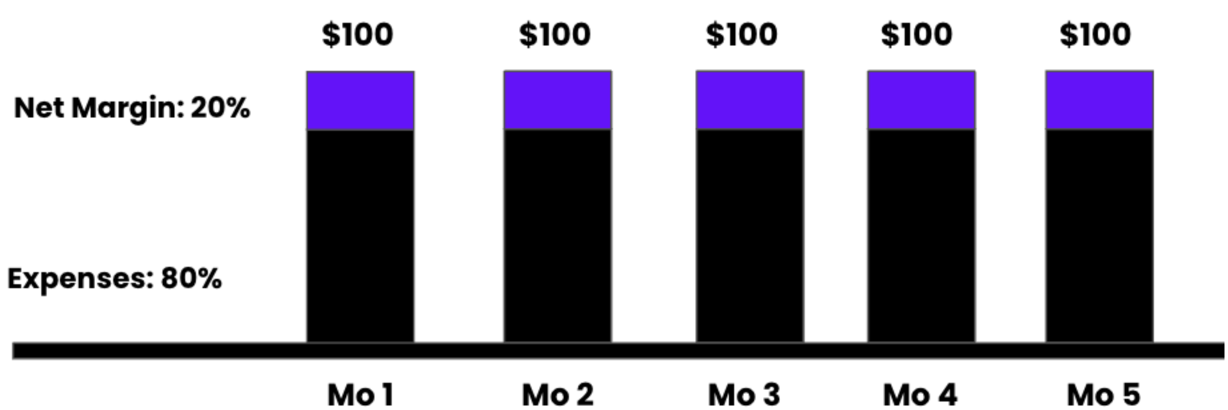
Total Clients: 100

Net Margins: **60%****

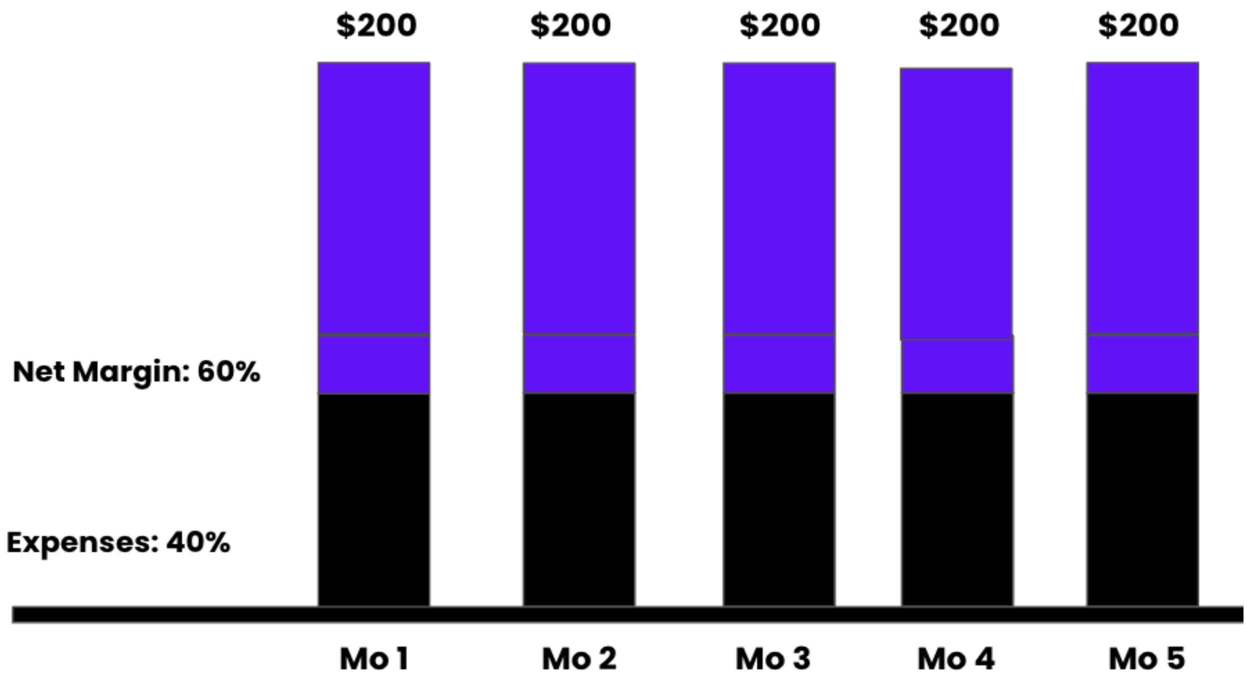
Revenue/mo = **$20,000*****

Profit/mo = **$12,000******

BEFORE



AFTER



Now we know the result of option #2. Let's add it to our tracker below.

Option #1: **2x** # of new customers x 1x price x 1x # of purchases = **3.5x** PROFIT

Option #2: 1x # of new customers x 1x price x **2x** # of purchases = **3.5x** PROFIT

Option #3: 1x # of new customers x **2x** price x 1x # of purchases = **6x** PROFIT

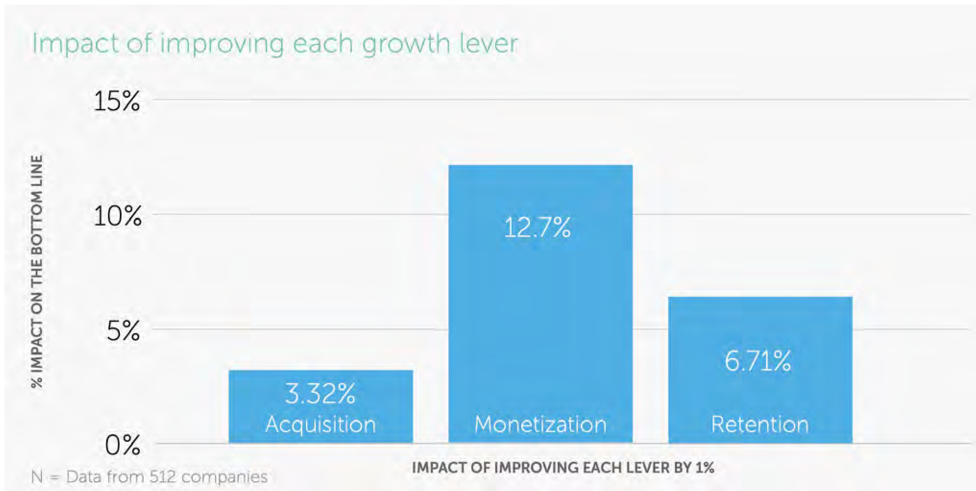
Back to the Genie

Since we know the first option 3.5x our profit, the second option 3.5x our profit, and the third option 6x our profit... we know what to tell the genie. So we go back to our genie and confidently select option #3: *We choose to double our prices and keep everything else the same.* And in so doing, 6x our profit. Yes, *that* is how powerful pricing is on the profit of your business.

I didn't just make this up... Look at this massive study from more than 500 businesses done by Profitwell, a large reputable software for membership companies!

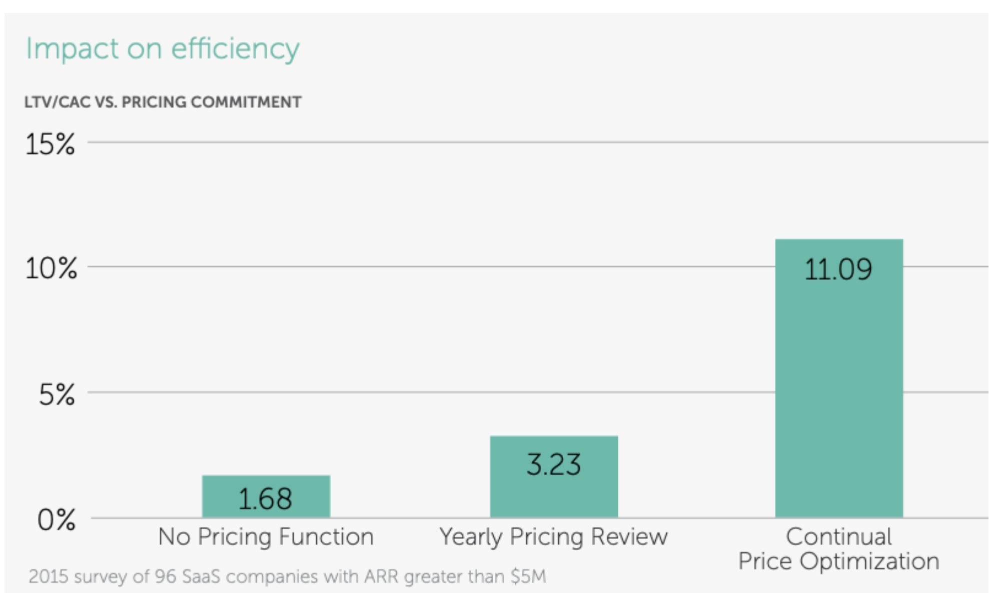
Case Study: 512 Companies' Data in Three Important Graphs

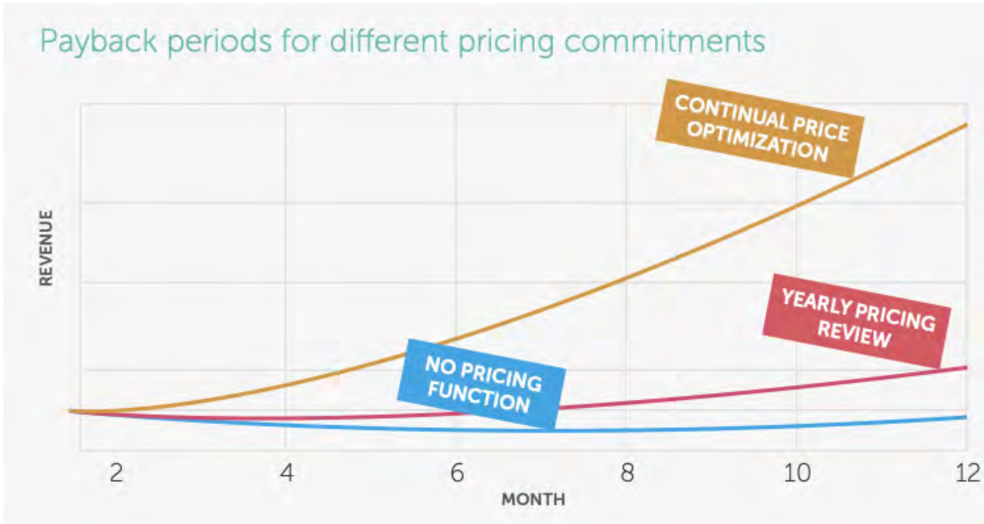
This graph by Profitwell stopped me in my tracks. It affected me so much that I made up this entire genie story to try and explain its significance. Check it out.



This graph suggests that improving pricing by 1%, is twice as efficient at increasing profit as improving retention. And nearly 4x as efficient at increasing profit as improving acquisition. So if you're wondering where to focus first, focus on that. It has the lowest effort and highest returns.

And just as interestingly for me, companies that tested their pricing more frequently, make more profit (graph 1 below) and as a result, grow continually faster (graph 2 below).





So yea, it's that important. And if it is, then we might as well have a whole bunch of ways to improve our pricing. We might as well pluck the juicy profit fruit from the low-hanging price tree while it's right in front of us.

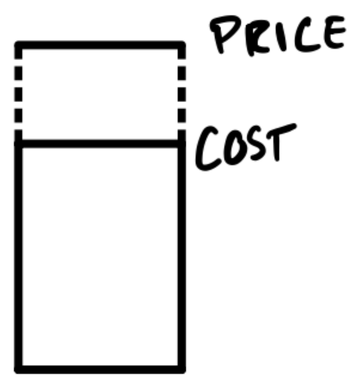
And that's exactly what I'm gonna show you.

Three Models Of Pricing

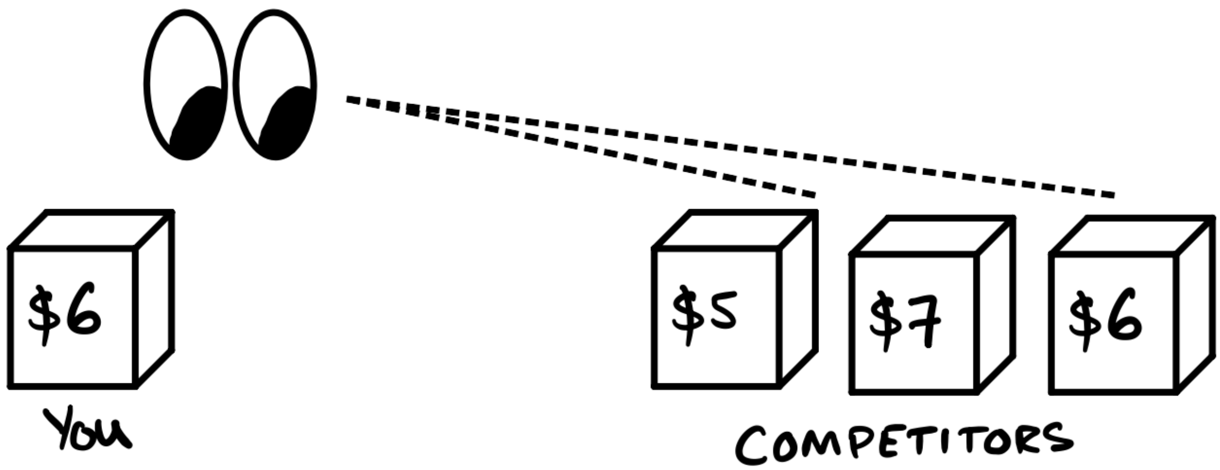
People usually price by simply looking at what everyone charges. This is the recipe for break even and burnout. In other words, you run a nonprofit with none of the benefits!

Here Are The Three Big Pricing Models

We've got: 1) cost plus pricing, 2) competitor based pricing, and 3) value based pricing. Lets walk through each one.



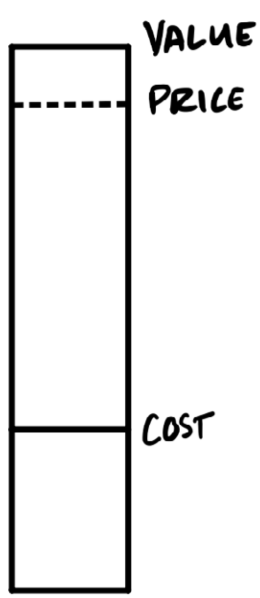
1) **Cost Plus Pricing:** whatever your costs are *plus* an arbitrarily added margin
    a) **Pros:** Simple to understand and you cover your costs.
    b) **Cons:** Every person who would pay more because they need it more you don't net on. And, costs change. And, you don't always know all the costs ahead of time. Your customers have no idea what it costs you, so your costs don't matter to them.



2) **Competitor Based Pricing:** whatever the average of what everyone else is charging

   a) **Pros: Simple.** It might be closer to what the market is willing to pay.

   b) **Cons:** You're a copycat. You're using a pricing strategy that isn't based on your business or your customers. It's based on their business and their customers. Hard to make a shoe fit when it's not yours. Be Cinderella, not the stepsisters.



3) **Value Based Pricing**

   a) **Pros:** You base it on what a *customer* is willing to pay (WTP) rather than what "the competition" is willing to charge. What the customer is willing to pay for your product now will look a lot different than what your customer is willing to pay once you've made it more valuable to them. You can charge 2,3,4,5 x market rates or more if you make something a customer actually wants rather than just charging more for something they can get somewhere else for less. New customers may very well pay more than what you currently charge. But you can continuously raise prices if you continuously add value! This then forces you to increase the value of your product because it allows you to charge more. And, as a result, you talk to your customers a lot more to figure out what they want so you can make it for them and make money when you get it right.

b) **Cons:** This focuses less on trying to get the most customers possible and more on trying to provide the most value possible to each customer you get. This means it takes more of a different type of work than most people are used to. It requires a brain to think and hands to work. And thankfully, you have both.

Value-based pricing is where we want to be. And if that's the case, how do we find the perfect value-driven price?

Three Metrics To Determine Value-Driven Pricing

If I want to adjust a price, I look at:

1) How many people buy at the current price (Aka - *Conversion rate*)
2) How many times they buy, or how long they stay at the current price (Aka - *Churn*)

When you increase the price for non-luxury goods, people buy less often (and repurchase less often). If you have these few metrics, you can begin to understand the *perfect* price for your product. Unless you have a different short term strategy, the *perfect price is the one that makes you the most money (not gets you the most customers)*. I make a little table like this to document my findings:

Price	Clicks	Conv Rate	Sales	Churn	LTV	Total Return	Difference
$10	100	5%	5	10%	$100	$500	-
$20	100	4%	4	10%	$200	$800	60%
$100	100	2%	2	33%	$300	$600	20%

Bottom Line: I want the thing that converts the highest number of people at the highest total lifetime value (specifically, lifetime gross profit). Which, in this table would be the "total return" column.

My Rules For Pricing

Before I show you the ten playbooks I use in my portfolios to tweak pricing to make more money, it's worth explaining a few of my beliefs first. They are the foundation upon which all the tactics are built.

Rules of Pricing I Follow

Raising prices makes you money in two ways. You make more gross profit per customer *and* you have less cost to deliver because you have fewer customers. So raising prices increases revenue and decreases costs at the same time. Ex: I *tripled* the prices at my gym from $99 to $299 and I lost 30% of my customers. So I went from 200 x 99 to 140 x $299. So revenue more than doubled while my costs dropped by 30%. This had a much larger effect on profit.

Price to make the most money, not sell the most customers, or to maximize the first purchase. If you count on customers buying different things from you, or buying the same thing multiple times, then to make the most amount of money possible, pricing has to account for that. You want the prices that make the most money over the lifetime of the customer rather than the highest price possible for their first purchase. I used to say the highest price I could get people to buy at. But now I want the price that people will keep paying at.

Higher prices get fewer new customers but often make the business more money. Ex: If you double your price from $10 to $20, you often *don't* cut your conversions in half. This is fundamentally what all price increases take advantage of.

High close rate = prices too low. If want to make more money, and you close over 50% of sales consistently, you have room to raise your prices.

Full capacity = prices too low. Like the above, if you want to make more money but you've hit your capacity, you've got room to raise your prices.

Fixed Capacity. If you have a fixed capacity, and you are full, raise your prices. For example, if you are an artist and physically can't paint more than 10 paintings per month, then you have fixed capacity. If they all sell out every month, you need to increase your prices.

Keep raising prices until the amount of extra money you make from new sales no longer offsets the loss in sales. Hear more nos, make more money. You have to be willing to delay changing your price back when you get your first no. If you go from 50% close rate to 30% close rate but you double your prices, you make more money. But, you'll hear 'no'

- 40% more than you did before. So you gotta be willing to stomach it. Some markets are price sensitive. Others less so. But 9 times out of 10, when you raise your prices, you make more profit than you lose in sales.

Raising your prices usually means raising the value. If I want to sell something for a higher price, I make the product better to justify the price increase. The bigger the price increase, the bigger the value increase.

If you hear no more often, it doesn't mean you're making less money. I know on paper you can see that if you raise your price you'll get fewer customers but make more money. And that's often true. But what new and veteran business owners alike tend to forget ... if you make more money from fewer people it makes you hear a lot more people saying "no" when you make offers. And hearing no sucks. It really sucks. And it sucks so much for them that they often cave and go back to charging less just to get more yesses (rather than to make more money!)

How to know you raised your prices too much. You stop making sales. Or, people start complaining about the value for the cost. We measure this objectively using NPS scores.

If you have more than one type of customer, you need to have different prices for each. Different customers have different pricing thresholds. You probably have 2-3 customer avatars within your business. It's not uncommon that one customer avatar has 5-10x the willingness to pay of another. A more advanced pricing model takes this into consideration so you can maximize the revenue across your entire customer base. Typically, this means more prices and levels of service to accommodate the different customers preferences and spending power. To be clear, this is a more advanced strategy that requires the operational chops to deliver at different levels. And if you have multiple tiers, make sure the customer knows which one is for them. Name pricing tiers after an aspirational title that a customer wants for themselves.

Believe in your price. You have to believe your product is worth the price you'd have to charge to make the money you want. and if not, make it better.

Bill less frequently to have lower churn. The more often you bill the more often people cancel. The longer between billing cycles, the longer you have to provide value. For example, if you bill daily, you'll get far more churn than if you bill annually. So, bill as far out as you can.

Author Note: The Lookback Window of Value.

If someone pays you $5000 per month for services, and in your first month you make them $60,000, you think you paid for yourself for the year. But they will think you got them a good return that month. If the next mont you make them $0, they will cancel you. Because that $60,000 will be compared within the 'lookback window' of your last billing cycle, not the relationship. This is why longer billing cycles, in my opinion, create less churn. They also get more qualified customers because they have to pay for longer periods up front. To be clear - this is just my theory.

Display price in the smallest increment, bill on the longest increment. How you display price and how you bill don't need to be the same thing. You can say "this costs $5 per day" but bill $1825 per year.

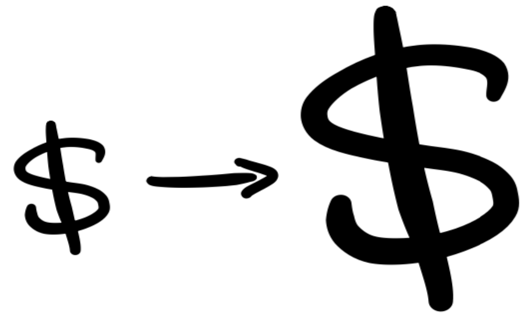
Match how you bill with how you provide value. *One-Time vs On-Going Value Pricing.* Pricing should separate one time value from on-going value. Many mistakes happen when business owners mix them.

Let's say I sell information and I sell accountability. If I sell that as one price, my information will likely be underpriced and my accountability will be overpriced. It would make more sense to bill a one time fee for access to the education/information and a smaller on-going fee for the accountability that more accurately reflects the (smaller) on-going value. After all, the day after you learn something, access to the information declines to close to zero. And if you're still paying a price based on not knowing that information, you'll likely stop paying. Pricing should be tied to value created.

Bill as much as you can *while* keeping customers happy. *Customer Surplus.* The difference between price and value is customer surplus. Some people call it goodwill. Either way, the amount of customer surplus typically dictates how good your word of mouth is and how many times they repurchase. My preferred way of handling this is having a premium price *so that I have the gross profit* to make a *far superior product* and provide *exceptional value* resulting in *a customer surplus for them* and *net profit for me*.

Alright, that sets the foundation for our pricing playbook. Let's dive into the nitty gritty tactics.

Just Raise It



A few years ago…

Leila and I went for dinner at a sitdown restaurant in the mall. I made my way down the menu. At the very bottom of the menu, I saw a little note that said **All prices subject to 4% processing fee at check out effective March 1st 2022.**

I thought to myself, *how clever*. I saw the prices as they had been before. Then, they had added a 4% processing fee. I googled who owned the company. It was owned by private equity. I could already imagine how this board meeting went.

"So we're running 8% net margins across all locations. If we add a 4% processing fee, it won't affect sales, we'll just add it onto the bill at check out. And by adding 4% to our revenue, we'll add 50% to our profit." Then of course, a bunch of nods go around the very long boardroom table. Or at least, that's how I imagined it happening.

So let's look at the math for a statistically average single location restaurant. If you owned this average restaurant, you'd make between 3% and 15% net margins. So let's take the middle 9%. And let's say revenue was $1,000,000 per year. That means your net profit would be 9% x $1,000,000 = $90,0000 per year.

Now, if you were to add a 4% processing fee, you would add $40,000 to your revenue. Barely noticeable right? Not so fast. That small increase drops straight to the bottom line. It would take revenue from $1,000,000 to $1,040,000 but it would take profit from $90,000 to $130,000 (a 44% increase in profit from *one small change*!).

It kinda is that simple. I mean, how many things can you do to a business, overnight, that can increase profit by 50%+ without any major change in operations? They had to print new menus and add an automated addition to their checkout process. *Efficient.*

Every business has loads of these tiny little pricing easter eggs hidden under little stones. I've made it my life's mission to collect them all. Inside this playbook, I'll share a few of my favorites you can immediately use in your business.

Small Percentages. Big Changes.

Remember, if you raise price by 10% and you run 10% margins…you double your profit. The percentages you will see in the chart below *only* amount to 26.8% to 63.8%. And to be clear, they're estimates. But, the average small business in the U.S. in 2024 runs 7-10% net profit margins (Investopedia). So, 63.8% could be a 6x+ in profit…that's a business owner's dream. And the best part, this list is all based on things that are **designed to affect sales minimally** (if at all). That way, you get the max increase with no change or *minimal change* in conversion rates.

Think back to our example earlier. If you took a business doing $1,000,000 per year with 9% margins and added 26.8% to your revenue from pricing optimization, you would increase your revenue to $1,268,000…and…increase your profit from $90,000 to $358,000 per yer (a ~4x increase!) This. Small. Stuff. Makes. A. Big. Difference.

The *Instant Profit* Pricing Playbook: Here's what we're going to cover:

Name of Pricing Play	Price Increase Play Provides
Month→28D Cycles	8.3%
Multi-Form + CC Fee +3-4%	3-4%
Sales Tax	0% - 10%
Annual CPI Increase	3% - 10%
Longer Duration Billing Options	10-15%
Round Up	1-3%
Annual Renewal Fee On Top Of Monthly	10%
Continued Access/ Automatic Continuity	10%
Ultra High Option	10-15%
Priced Guarantee or Warranty	5 - 20%
TOTAL	26.8% - 63.8

Author Note: Are There More Pricing Hacks?

There are other pricing strategies that create bigger swings, but they require more work/change/risk. So, I excluded them from this text. This is the *instant profit* pricing playbook.

Some of these you will be able to immediately use. Some of them won't be a direct fit for your business. That's okay. You only need one to make more money…*immediately.*

For each, I'll walkthrough:

- How I learned it
- How it works
- Examples
- How you can use it

Pricing Play #1: Monthly to 28 Day Billing Cycles

How I Learned This

I learned this from a gym owner at a business workshop. During the break he was telling me how his membership worked. He said "I figure, I program everything in 4 week meso cycles. My payroll is every two weeks. So I might as well bill that way. No one has ever had any issues with it."

I immediately implemented this in every subscription I had.

How It Works

Monthly billing gives you 12 cycles a year. Weekly (or every 28 days) gives you 13. That extra cycle? Pure profit. And the best part, people convert at the same rates. So this gives you an instant and permanent 8.3% increase in revenue for no extra cost. So if you had a 20% net margin business, implementing this would take you from 20% to 26.1% net margins and would increase your net profit by a whopping 41.5%.

Examples

Monthly Billing	New Weekly Billing	Annualized Old	Annualized New	Net Difference
$100 Per Month	$100 Per 28 Days	$1,200	$1,30	$100 (8.3%)
$100 Per Month	$50 Bi-weekly	$1,200	$1,30	$100 (8.3%)
$100 Per Month	$25 Weekly	$1,200	$1,30	$100 (8.3%)
$100 Per Month	$300 Per 12 Weeks	$1,200	$1500 (5th billing)	$300 (25%)
$100 Per Month	$99 Per 21 Days	$1,200	$1,716	$516 (43%)

Steps To Implement It

1) Change contracts for new customers immediately
2) Set a date to change for everyone else
3) Be upfront - call it a price increase if needed
4) Explain it as reinvestment in your business

My Advice

Switch to billing every 4 weeks. It gives you the best of all worlds. Theoretically weekly, bi-weekly, every 4 weeks, or every 12 all yield the same benefit. But…in reality, doing weekly and bi-weekly caused a lot of billing hassles because people wanted to go on short pauses. So, you want to display the pricing weekly for the lowest perceived price but bill that price every four weeks. So stick with 4 weeks, 12 weeks, or longer so you get the benefits of both. Make the switch. Your bottom line will thank you.

Pricing Play #2: Processing Fees & Second Form of Payment

How I Learned This

Let's talk about adding credit card processing fees and multiple forms of payment. This simple trick can significantly boost your profits and reduce churn.

I learned this from a friend with an ad agency. He was trying to get me to start one. He kept telling me it was a good idea. And at the end of his 'pitch' - if you can call it that - he casually mentioned " and I added 33% to our profit by adding a 3.99% credit card processing fee." That caught my attention for two reasons: First, because he showed how small his margins were. And that killed any interest I had in starting an agency. Second, adding 3-4% for no extra work sounded…neat.

How It Works

Here's how it works:

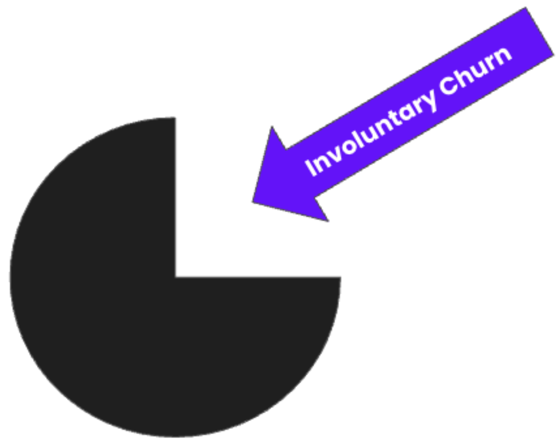
1) After the customer agrees to the price, ask, "How did you want to pay?"
2) Then say, "Great, it's just a 3.99% card processing fee."

They either accept, or they balk for whatever reason. (Note: I've never seen anyone lose a sale because of adding a processing fee).

Now, here's the clever part that I added on top of what he told me. If they hesitate, offer an alternative: "No problem. You can save the 3.99% by providing a second form of payment. We only have the fee because if a card declines, we use resources to get a new one, and about 7% of cards do every month. If you save us time and effort, we pass those savings on to you."

Now you might be thinking - *wait - didn't that just erase the gain in pricing?* Yes, but we got something much more valuable.

Why does this matter? Recurring payments get 1.2%-1.7% monthly *involuntary* churn due to card info changes. If you have 5% monthly churn, this could be 24-34% of your total churn.



Examples

Let's break down the impact on Lifetime Value (LTV) for a $100/month service with 5% churn:

Situation	Price	Churn/Mo	LTV
Old	$100/mo	0.05	$2,000
Accept Fee	$104/mo	0.05	**$2080 (+4%)**
Add 2nd Card	$100/mo	3.8% (1.2% saved)	**$2631 (+31%)**
Add 2nd Card	$100/mo	3.3% (1.7% saved)	**$3030 (+51%)**

Look at the gains in LTV per customer with this simple change in the bottom three rows of LTV column.

Even with higher churn rates, the impact is significant. For 10% churn:

Situation	Price	Churn/Mo	LTV
Old	$100/mo	0.1	$2>000
Accept Fee	$104/mo	0.1	**$1040 (+4%)**
Add 2nd Card	$100/mo	8.8% (1.2% saved)	**$1136 (+14%)**
Add 2nd Card	$100/mo	8.3% (1.7% saved)	**$1204 (+20%)**

Steps To Implement It

Change your scripting. Accept a second form of payment. Have them authorize both forms of payment. Re-run all failed transactions the next day on the new card.

My Advice

Do the little scripting change. Worst case, you get a 4% boost in revenue for no extra work and no decrease in sales. Best case, you get a massive boost to LTV. Which, if you remember the genie story, disproportionately drops to your bottom line. Now you can enjoy a more profitable, more stable business.

Pricing Play #3: Sales Tax

How I Learned This

Let's talk about adding sales tax to your pricing. This isn't just about following the law - it's about protecting your profits.

I learned this from a Canadian marketer charging me $25,000 a month. I agreed. But when I saw the invoice, it said $27,000 per month. His province had 8% sales tax. It was there clear as day: $25,000 x 1.08 = $27,000. When I asked him about it he said, "I don't cover taxes. My price is what I get." I just took note and paid the invoice. Blunt, but effective.

How It Works

Taxes are a huge cost in business, and sales tax comes off the top line. If you're simply paying sales tax for your customers, you're taking a massive hit. Think about it - if you have 20% margins and have to pay 5% sales tax, you're giving away 25% of your profit. *That's insane.*

Examples

Here's a map of different services that have taxes across US states. I only show services since 78% of businesses are in the service industry. You can look up your own.

Pro Tip: You Cannot Charge Taxes You Do Not Pay

To be clear, if you do not get charged taxes, you cannot charge them. But, if you do, you could easily recoup this massive cost center (it happens more times than you think). Most businesses are afraid to simply say "plus tax" when they price. But when you check out at a restaurant or fast food joint, you're not offended by the fact that they add tax. So why would your customers be? You don't need to eat it. It rarely won't affect your sales but it will affect your bottom line.

Pro Tip: Incorporate in a Different State That Doesn't Charge Sales Tax

This allows you to still save the same amount of your profit without passing it onto your customers. It takes some administrative work, but we're talking about huge chunks of your bottom line here. Reminder: the point isn't to make money it's to keep it. And, of course, check with lawyers etc. before you do it.

Steps To Implement It

If your state or country does charge sales tax specifically for your thing, here are the steps I'd take to implement sales tax in a sales process.

1) Get agreement on the price
2) Then send invoice or at point of sale put the script below **ON THE INVOICE:**
    a) *"State tax code [1030a.o] mandates that personal services are subject to 6% sales tax."*
    b) Keep it dry and matter of fact. Almost as if to say 'as you already know'
3) Put the tax as a separate line item before the total
4) Get in the **angry boat** with them…If they balk, get more angry about it than them. "Think I like charging this tax? I don't even get it! I hand it right over to Uncle Sam. Just makes my life harder for no benefit!"

Pro Tip: Menu Pricing

If you have a menu or publicly displayed pricing, just add a line at the bottom that says all prices subject to sales tax and an additional 4% processing fee. Thank me later.

My Advice

Either reincorporate in a state that's more tax friendly, or make the change. There is no world where giving away a huge chunk of your profit for zero value makes sense.

Pricing Play #4: Annual Price Increases

How I Learned This

I learned this from a real estate friend of mine. We were talking about a new tax law that was under consideration. He mentioned how dumb he thought it was. They proposed capping rent increases by 5 percent per year. He said "It's a dumb law for the headline. Anyone with a brain knows that most rent increases don't go up by that much annually. The average rent increase is 3.18% annually now. Do you realize how much money I'd make if I increased rents 5% per year? They're acting like they're doing something about it, but it'll barely affect the everyday renter."

I thought about it though, and figured, well, there's definitely no law capping price increases per year for services…*maybe it's worth trying.*

And based on what I learned earlier from our Profitwell data, companies that continually optimize/test pricing make *way more money* than companies that don't. So, I started including a right to increase our rates annually into my contracts. Now I could reap the same benefits these real estate guys did…but in my business.

How It Works & Examples

Here's why it matters. Your costs of doing business will go up. Inflation happens. You can either watch your margins erode every year, or you can be proactive about it. When I explain this to most business owners, they say, "That's not gonna make a difference in my business." Except, they haven't adjusted their prices in five years…so it already has…*just in the other direction.*

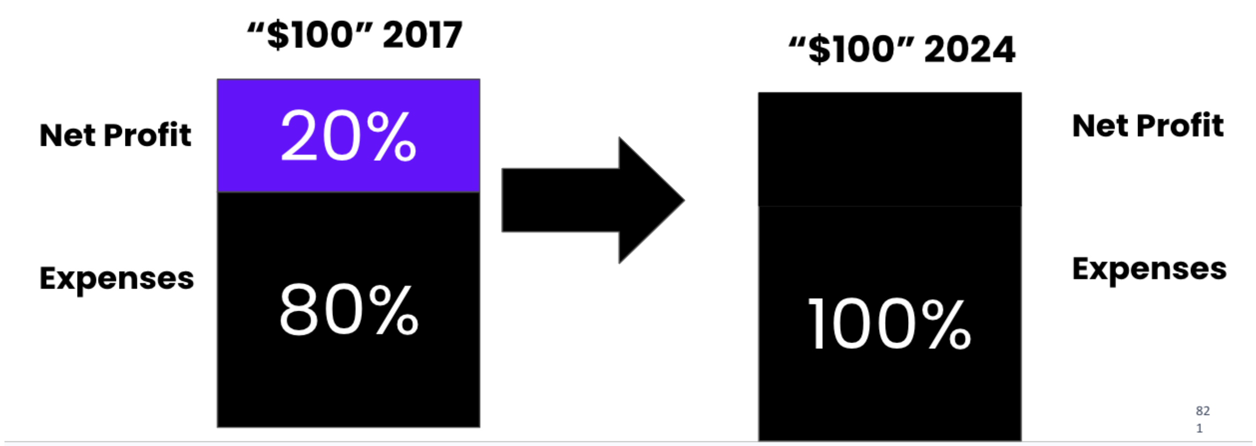
Here's what you do. You have people sign contracts that have fixed price increases annually. So if you charged $100 per month, and raised prices by 5 percent per year, then this would be your rates over the next five years:

Year	Year 0	Year 1	Year 2	Year 3	Year 4
Rate	$100	$105	$110	$116	$122
Increase	5%	5%	5%	5%	5%
Absolute	0%	5%	10%	16%	22%

Yes, with your prices jumping 22% over that time period. And here's a different chart below showing the changes with a 12% price increase per year to show you the power of compounding prices.

Year	Year 0	Year 1	Year 2	Year 3	Year 4
Rate	$100	$112	$125	$140	$157
Increase	12%	12%	12%	12%	12%
Absolute	0%	12%	25%	40%	22%

For example, with publicly available inflation data, $100 in 2024 was $79 in 2017. So if you charged $100 in 2017, and never made a change, you are operating with 21 percent less spending power.



Look at the image above. Let's say you have a service that you charged $100 for in 2017. And at the end of 2017, you made 20% margins. If you hadn't changed your prices since 2017, but allowed normal inflation to occur between wages and cost of goods, if you sold the same number of customers in 2024…you'd have *no profit only seven years later.* Adjusting your prices isn't just to make more money, for some businesses, it's the difference between staying in business and going under.

And business owners wonder why they aren't making as much money as they want??

Fun Fact: Warren Buffett Raised See's Candies Prices 50 Times!

Warren Buffet demands control over one thing in this business: their prices. He sends them the year's pricing for all candies. He's raised prices at See's over 50 times over the past fifty one years since the purchase! And sometimes as high as 17% in a single year.

And as a result, he has increased profits in that business to the tune of over $1B to himself over a lifetime. If he only controlled this one thing, it probably mattered. If you have a good product and loyal customer base, you usually have a lot more room than you think you do.

Steps To Implement It

Pick a reasonable percentage 5 to 15 percent is a good place to start. Simply add it to new contracts and customers. That's about it.

Here's the scripting for your sales team: "*In order for us to reinvest in keeping our integrity and delivering XXX at the highest possible quality, we keep our prices standard with the CPI. That way, we don't have any incentive to cut on the quality of what you get as the price of goods goes up."* Note: You don't mention this during the sale, you can bring it up when you're filling out paperwork.

Few people will balk if you keep it under 15% (which…a 57% increase in prices over the long term is enormous for *any* business).

Pricing Play #5: Annual Billing

How I Learned This

I learned this from my friend Patrick Campbell who sold his company Profitwell for $250M in 2022. It was a software company that specialized in pricing and churn. They had 14,000 active memberships using their analytics tool. This gave him huge datasets to see trends between price points across all industries.

Now, I had done the math on profit with different billing cycles, which we've already gone over. But I hadn't seen anything related to churn. Here's the data they found.

Billing Cycle	Monthly Churn	Price Ex	LTV	Gain vs Monthly
1x Per Year	2%	$100	$5,000	**5.35x**
4x Per Year	5%	$100	$2,000	**2.14x**
12x Per Year	10.7%	$100	$935	0

How It Works

This data suggests that *churn is directly correlated with billing frequency*. The less often you bill, the less churn you have. This data aligns with what I found when I went from billing every week to every 28 days. I had fewer people trying to cancel. This simply continues on with that logic to the over natural extreme - *billing annually and beyond*.

Now, look at the right column. This suggests *how much* switching the billing cycles you offer customers can improve your churn. And, by extension, your LTV.

You can 5x your LTV by simply getting customers to pay annually. So why doesn't everyone require that? You often sell fewer customers because the price is 12x higher than the monthly rate. So this drops conversions. The question is - does it drop conversions 5x? I don't know. You'd have to test it for you.

Pro Tip: High Conversions and Annual Billing?

A way to get around this is to sell a short duration of services up front, think six to twelve weeks. Then, once you've built a small amount of trust, upsell people into prepaying a full year. I've seen this done *zillions* of times to great success. This gives you the upside of easier conversions *and* the benefits of long term stick *so long as* you deliver well in the first six to twelve weeks.

What I can tell you is that in our companies, if there's a 16% discount given for annual (buy 10 months get 2 months free), and the sales is on a page, 10-15% will select the annual savings. If the selection is the default option, it jumps to 30%. If you sell over the phone, you can get 35-40% depending on the spending power within your market.

Now, let's assume you get 30% of customers to prepay for a year with a 16% discount. If you normally collect $100 upfront, but 30% of people pay $1000, then your average first transaction skyrockets to $370 per customer.

Examples

Here's what your pricing might look like if you offered annual billing and quarterly billing.

Monthly Rate	Billing Cycle	Monthly Churn	LTV
$100	$1200 Per Year	2%	$5,00
$83	$1000 Per Year (-16%)	2%	$4,15
$100	$300 Per Quarter	5%	$2,00

Steps To Implement It

Now, I'm not saying you should *only* offer this pricing cadence. That's a pretty advanced move. But, simply offering either payment option with some incentive (either a discount or bonuses they get for prepaying more upfront), you can make *a lot more money*. All you have to do is:

1) Add it to your pricing options
2) Offer the full price $1200 first (assuming the length of term)
3) Then ask if they'd like to receive a discount
4) If they say yes, you offer the prepaid discount of 17% off
5) If they say no, you could offer a prepaid discount of 8% if they prepay the quarter. Which, with our $100 per month example, would save them $25. So they'd pay $275 rather than $300 for the quarter.
6) If they still say no, yo offer the standard monthly with no discount.

Pro Tip: Always Start With Highest Price

The first number that comes out of your mouth anchors the entire conversation. And given you're the one selling, you want to be the one to say it. So, start with what the monthly payments would be if added up over an entire year with no discount. Then, downsell the discounts for prepayment with larger incentives as they prepay longer durations. This allows you to position the cheaper prepayment as a benefit rather than having the higher price of monthly payments appear like a penalty. Trust me. It sounds better.

My Advice

Offer other payment options and make more money. *Anyone* can do this. It helps with advertising *and* profits *and* risks nothing since you can always revert back to your standard pricing. This is truly a "0 risk more money play."

Pricing Play #6: Round Up

How I Learned This

I stumbled onto this goldmine when running my gyms. Picture this: I'd switched to weekly billing, but 10% of people were pausing every week. Note: I learned to bill on 28 day cycles *later*. So at this point, I needed a solution, fast. So I had to figure out how to make up the 10% that consistently paused every month.

So I'm walking through the grocery store and I'm checking out and the cashier asks "do you want to round up your purchase to donate to St Jude's children's hospital?" And being the bastard that I am, I said "No I'm good. They get enough attention." (Kidding).

But as I walked away from the exchange…*it hit me*…*I could just round up all my prices*. So I hurried back to my computer to look at my pricing. It turned out, I had made all my prices end in .00 - and - most of my prices ended in 7 because I had heard that somehow sounded better.

So I decided to test out rounding my prices. I added .99 to all my prices, no one seemed to mind. Then, I took all my 7s and turned them into 9s…and again…no one seemed to mind. But this tiny change, given the thousands of transactions a year I was running…made a *massive difference.*

How It Works & Examples

I had three pricing tiers at the time for 2 days, 3 days, and 4 days per week. So I took my prices and gave them a little nudge:

$47 → $49

$37 → $39

$27 → $29

Old Price	New Price	Old Annualized	New Annualized	Annual Difference
$47 per week	$49 per week	$2,444	$2,548	$104 (+4.25%)
$37 per week	$39 per week	$1,924	$2,028	$104 (+5.4%)
$27 per week	$29 per week	$1,404	$1,508	$104 (+7.4%)

That tiny change added an extra $104 per client, annually. We're talking 4.25% to 7.4% price increases. And get this - it didn't hurt my closing rate at all. Then I wondered what else I could do. I thought, "Let's push it." So I added .99 to those numbers:

$47 → $49.99

$37 → $39.99

$27 → $29.99

Old Price	New Price	Old Annualized	New Annualized	Annual Difference
$47 per week	$49.99 per week	$2,444	$2,599	$155.48 (+6.36%)
$37 per week	$39.99 per week	$1,924	$2,079	$155.48(+8.1%)
$27 per week	$29.99 per week	$1,404	$1,559	$155.48 (+11.1%)

The results? Mind-blowing. Annual increases of $155.48 per client. Depending on the price, that .99 added between 6.36% to 11.1% to my price. Again, with no change in conversion.

To give context on how significant this was. The average gym runs 12.5% net margins. So adding 6.36% to 11.1% can grow profits by nearly double. All from one change in pricing.

Pro Tip: When NOT To Add .99 or change 7s to 9s

Here's a quick tip: Luxury items often end on a round number of typically 0 or 5. Main reason - people who buy luxury goods want *not* to get a deal. The fact that it's expensive and not a bargain is what makes luxury inherently valuable. But for everything else, those .99 endings can work wonders.

Of course, test it out. Sometimes shorter numbers do better. But in my experience, you've got more wiggle room than you think.

Steps To Implement It

Change 7s to 9s. Add .99 to all fees. This takes so little time, and the only thing easier than doing it is not doing it. Change contracts for new customers immediately.

My Advice

Premium does not mean luxury. Luxury goods become more valuable *because* of their price. Whereas with premium goods, the price *reflects* the value of the product itself. So, you can still add .99s and turn 7s to 9s in those instances. It may not sound like much, but if you add $50,000 per year like I did with a zero work solution…you're not gonna get poorer.

Pricing Play #7: Annual Renewal Fee On Top of Monthly

How I Learned This

I learned this from my mentor John, who had a 22-location tanning salon chain that he eventually sold to LA Fitness. During the transition he got to know the owners and learned a lot about their business model. So we're driving and talking about business and subscriptions. And he's telling me about all the tricks they'd do to increase profits.

John explained "You see…they realized people cared a lot about the monthly. But never looked at the annual price…" They'd hear $468 per year and run the other way, but $39 per month somehow sounded more affordable. So, the owners had everyone sign up for annual contracts that had three things. A start up fee, a monthly rate, and *an annual renewal fee*.

Fees	Annualized	Effective Monthly Rate
$39 X 12	$468	$39/mo
$39 X 12 + $99 X 1	$567	$47/mo (+20%)

This allowed them to advertise $39 per month then still have a $99 annual fee on top that they charged once a year. This took their annual revenue per customer from $468 per year to $567 per year. Which was an effective rate of $47 per month, and a 20% boost in revenue. Which, we now know, drops disproportionately to the bottom line.

This tiny change allowed them to advertise $39 per month but effectively get $47 per month. So they got the benefit of the low price for sales and advertising, but they got the benefit of the higher price for profits.

The key is that people focus on the monthly price but rarely consider the annualized cost. They just want to know what they're gonna pay *right now* and *monthly*.

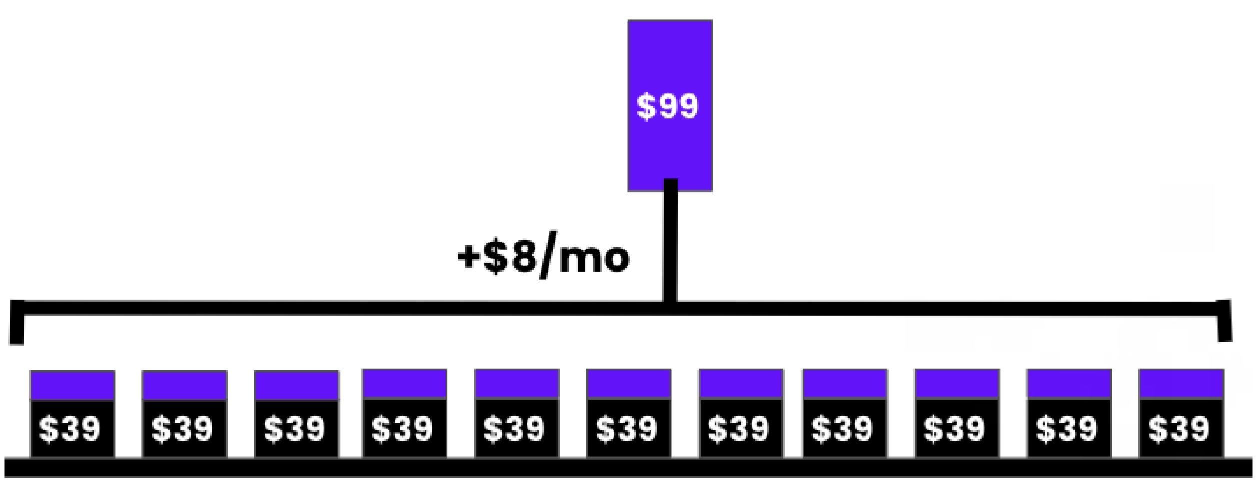
Author Note: Conflict With Billing Annually?

If you can bill annually, by all means do it. But in some markets, customers are more price conscious. In those instances, you can simply add an annual fee *on top of* a monthly rate that lifts the overall annual revenue per customer significantly *without* impacting sales conversions. This is where this play shines.

How It Works

Here's how it works. You set a monthly rate. Then on the anniversary of their contract signing, you charge a renewal fee. You can charge it the same day as they sign up, or have it come at the end of the year. Either work.

And if you do the math, whatever the annual renewal fee is, you can divide by 12 and add that to your effective monthly rate. See below:



Pro Tip: Have A Setup Fee *And* An Annual Renewal Fee

Having both a setup fee *and* a renewal fee allows you to waive one of them to get the other. This is especially useful if you need to incentivize a customer to take action.

Steps To Implement It & Examples

Step #1: Pick a renewal fee that's 1-3x your monthly rate. This adds a big increase to your revenue with no added work. Aka - all profit. For example:

0.5x monthly = +4.15% revenue

1x monthly = +8.3% revenue

2x monthly = +16.6% revenue

3x monthly = +24.9% revenue

Provided your sales don't drop, you made money.

Step #2: Add a beneficial "reason why."

Here's the easiest one I know: *"You pay this for rate protection. If you don't agree to the fee, you'll be subject to any price changes we make."*

Alternate: *"This allows you to go month to month after the year, without having to pay a cancellation fee after your first 12 months have completed."*

These also protect against losing any sales. If they balk at it, then you just drop it, and they don't get the benefit.

Step #3: Add to contracts and have them initial next to it. Both the rate, and the annual renewal fee. Which you can call "rate protection" or "cancellation fee prepayment."

My Advice

Actually do it. If you're afraid, remember, you can always waive it as a gift to incentivize signing up. But if you do implement this, and you do get a 10-20% increase in revenue with no drop in sales…well…you already know…more profit for you.

Pricing Play #8: Automatic Continuity

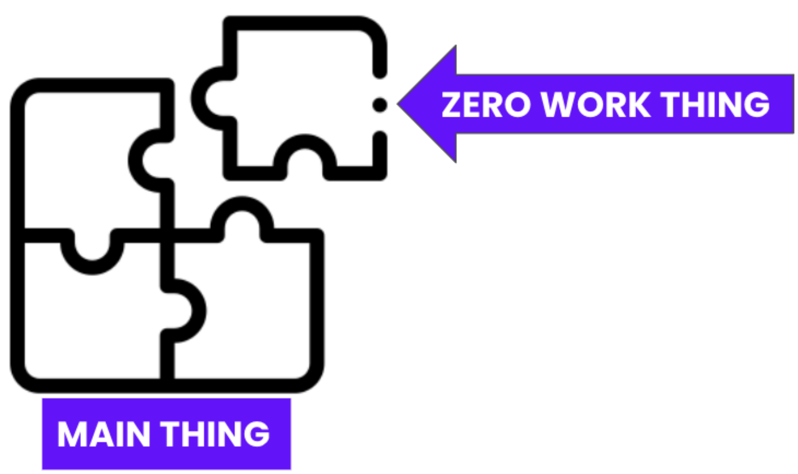
How I Learned This

I went to a workshop ages ago and this guy doing $5,000,000 per year got up on stage. He sold education. He said, “As my give to this community, I’m going to share something that made me $750,000 last year and cost me nothing besides one line on my contract.” I leaned in. He continued, “I call it ‘Continued Access.’ I used to sell lifetime access to my courses. But now, I sell one year of access, and at the end of the year, it rolls automatically into a much smaller monthly payment of $99 per month. They agree to it upfront. And the curious thing is, it didn’t affect our sales at all. Everyone knows they have a year to cancel so they don’t mind signing that it continues onwards. And for us, we don’t need to resell them. They just roll right in.”

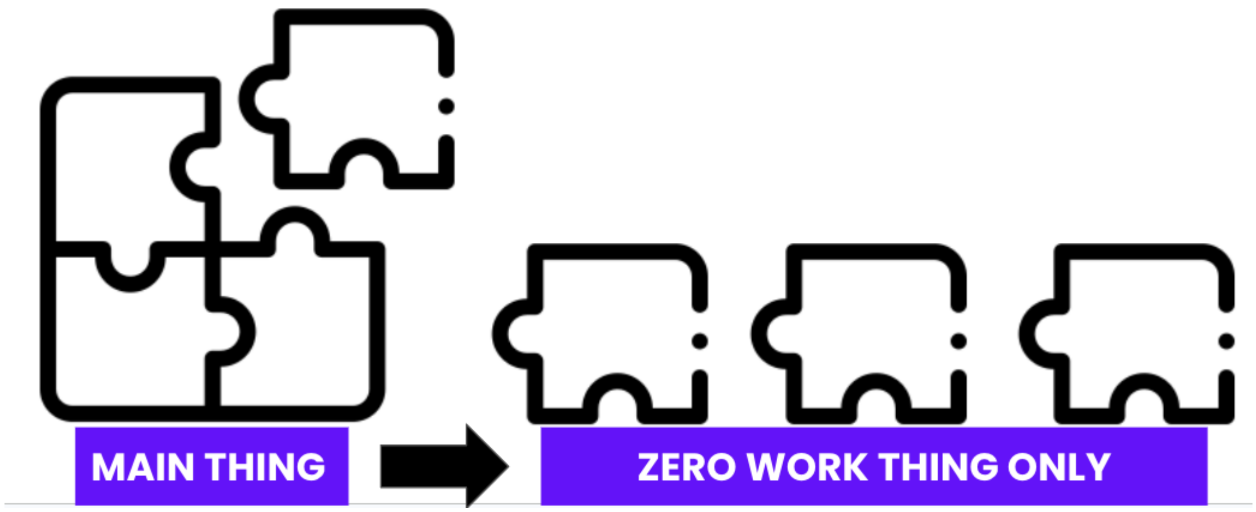
Then I tried it in my business…and it worked to the tune of $150,000 per month of pure profit. We just stuck it on the end. We did so little with it that my COO one day asked what the revenue line item was. *That’s* how passive it was.

How It Works

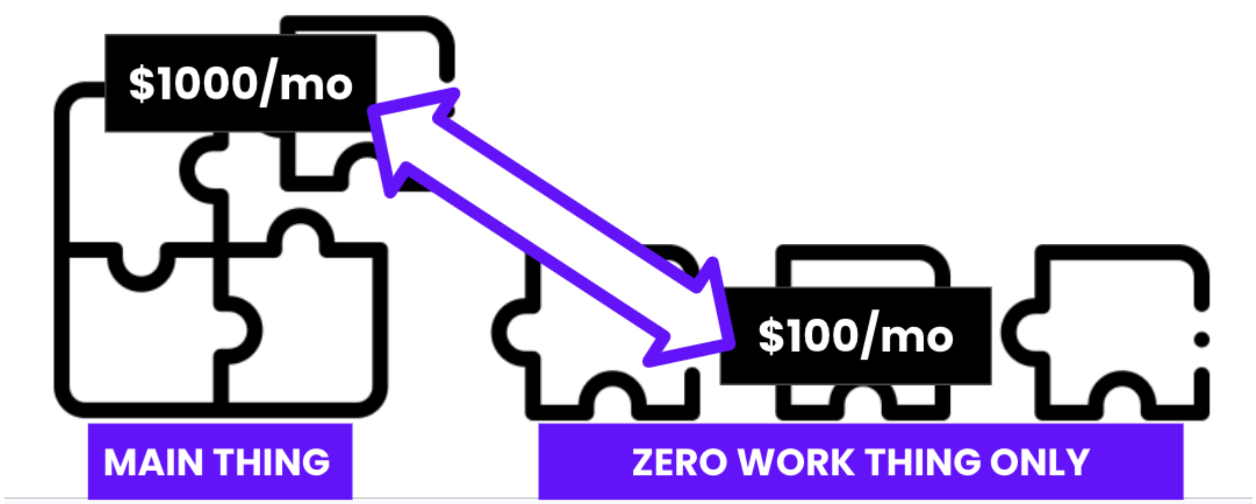
Whatever you sell, you create the most paired down, zero work version of your thing.



You price it at 5% to 20% of the main thing. Then, you simply 'tack it' at the end of whatever you sell on the front end. Like so:



In comparison, the price will seem small. And people will suffer from sunk cost fallacy. Aka - they already spent X on the thing, they might as well pay 5-10% to "keep it." Like so:



Think of it like the "storage" for services businesses. They don't wanna use it, but they don't wanna lose it. Over time you build up this pool of lower ticket customers that you can advertise to, ascend, sell other stuff to, or…just collect profits.

Here's the math behind it. Let's say your main thing has the following metrics:

Current Service

Price: $2000/mo

Duration: 4 Months

Gross margins: 70%

LTV: $5600 ($2000 x 4 x 70%)

Then you add automatic continuity.

Continued Access Automatic Continuity

Price: $200/mo (10% Monthly Rate)

Gross Margins: 90%

Duration: 20 months.

Conversion: 50% into this level

LTV Result: + $1800 LTV from $5600 to $7400 (32% increase!)

Profit Result: Depending on your margins, could be a 25-100% increase.

By simply making this *available* you add 32% to your LTV and $1800 in absolute profit per customer to your business. Not. Too Shabby.

Pro Tip: Don't Be A Sneak

For avoidance of confusion. This isn't 'undisclosed' or 'forced' continuity. This is continuity they *must agree to* up front. So, be clear about what happens after X time period. Don't shy away from it. In my experience, people like knowing there's a more cost effective version at the end of the rainbow.

Examples

Here are a few examples of things that you can sell with automatic continuity.

- Continued support
- Tech support
- Priority support
- Price protection
- Continued access
- Community access
- Insurance/Warranty
- Peel off any small feature that people need but is super low cost to maintain

It doesn't have to be continued access. It's more that they have some very small, very high margin, version of what you sell that becomes the 'default' option in whatever you sell. And, it recurs automatically.

Just sell a feature of your product rather than the whole thing, and adjust the price to account for that, but stay profitable. Because it's so little work, it's basically free money.

Steps To Implement It

Step#1 : Pull up every product and service you sell on the front end

Step#2 : Find the features(s) that have value but don't cost much to deliver on from each service

Step#3 : Pick a price 5-20% of your normal price

Step#4 : Bolt it onto **every** front end purchase and say they *only* earn that rate after they've gone thru X time (then it helps stick rate too)

Step#5 : Collect a very high profit source in the meantime **and** remarket to those people to sell them more stuff over time (rather than lose them)

My Advice

I implement this in every company I own. It's about the closest thing to free money out there. You can also implement this in companies that only have one time transactions. Just fix a time on the back end, and start the continuity after that period. And if you can't think of what to sell…watch more of my content. Maybe you'll get an idea :)

Pricing Play #9: Ultra High Ticket Anchor

How I Learned This

I learned this from a tailor. I was getting fitted for a suit. The first one he had me try on was $16,000. I almost let out an audible gasp when he told me the price. He saw my reaction. He quickly gave me a $2000 suit to try on. When I looked at the tag, I let out a sigh of relief. What made it so impactful for me was that I had told myself I'd spend no more than $500. So, it worked.

How It Works

Price anchors *anchor* the price in the prospect's mind. I don't know what the psychology is behind it. And frankly, I don't care that much. I just know that it works. All you have to do is add something to your suite of products or services that's 10x or more expensive than your core offer. Think of it like the 'mac daddy' version. To be clear, you can offer whatever you want. Just make sure that if someone buys it, you're excited they did.

Examples

Let's walk through what this looks like financially for a business. Let's say you sell two things. A main product and a downsell. 80% of people take your main thing ($500) and 20% of people take your downsell ($200). The combined LTV per customer is $440.

Price	Take Rate	Added LTV
-	-%	-
$500	80%	$400.00
$200	20%	$40.00
	Old LTV	**$440**

Now let's say you implement the ultra high ticket addition. Look at how much it changes the economics of your business if only 10% of people choose to take it.

Price	Take Rate	Added LTV
$5,000	10%	$500.00
$500	70%	$350.00
$200	20%	$40.00
	New LTV	**$890**

Your LTV per customer jumps from $440 to $890. That's massive! All by simply having the gaul to add something super expensive to your menu.

Now, one of the sneaky benefits of this tactic is that you'll often close more people on your $500 thing because the price anchor now makes it *appear* more affordable. So now you make more sales than you did before *and* make more money on the few people who can afford it. Bingo bango.

Steps To Implement It

To make this happen. Think of the most absurd version of your thing. Think of the price you'd happily do it for. Now, start offering that first. After all, if it is the mac daddy, it's probably the *best thing for them* if they can afford it. So, get the gasp. And if they can't, act like the tailor and find something better suited for them *your main offer*.

As a fun side note, a close friend of mine implemented this in his business, and almost overnight, everyone started buying his mac daddy product. Now, it's all he sells. And that change made him more money to the tune of *millions per year.* Worth it.

My Advice

Make sure you are actually willing to do the thing you sell for a lot of money. And if you feel stressed when people buy it, keep raising the price until it makes you smile when they buy.

Pricing Play #10: Guarantee and Warranty Upsells

How I Learned This

I learned this from Apple. When the Apple iPhone first came out, they would replace any iPhone that was damaged no questions asked. It was pretty cool. Obviously, people took advantage of it, but it was something they had originally priced into the product and to maintain their brand integrity.

Years later, I remember reading a headline that they were doing billions per year in revenue on AppleCare. *Gulp*. What was even crazier was - *they used to do it for free*. Then I wondered, could I do the same thing?

In one of our portfolio companies, we sell high end physical products. I was speaking with the founder, and we wanted to figure out a way to drive more profit into the business. They offered a ten year warranty standard with the product. I asked him, "Do you think we could sell the warranty for 10% of the price of the product?" He didn't see why not, so we tried it. A huge percentage of people opted in. And, a new profit play was born.

How It Works

Here's how the play works. You sell your thing. Then, after the person agrees to buy, you offer a guarantee for 5-30% of the price of the product.

Also, if you have high margins, you can make the price of the guarantee equal to your cost of goods so you literally never lose money. If the cost of goods are 10% of your price, you could make the price of the guarantee 10% and never lose a dollar. All profit. **Note:** You want the revenue of the guarantee to exceed the cost of fixing the product. And the other benefit of doing it this way, is that you don't need to refund anyone. You keep the revenue, and simply cover the cost of delivering again (which is usually a fraction of the price you charged).

Here's how the math works:

$1000 Thing

$100 Guarantee/Warranty

$100 Cost to replace thing

1 out of 20 people asks for warranty.

You add (20 warranties x $100 price) - $100 Cost to fix one = $1900 pure 'guarantee' profit.

Advanced note: The profit on the one you had to honor just went from $900 to $800 because you had to pay the $100 cost twice as a function of the guarantee (definitely not bad!).

If you're curious, you are buying and selling *risk*. So it just comes down to knowing your numbers. For example, we knew for our products business that we had almost no one reach out about the warranty, so the extra 10% was pure profit. Zero new operations or added process. Just adding one line to the sales script.

Pro Tip: Works At Any Price

Given how many people opt for shipping insurance - *a new imaginary upsell for physical products* - it appears this concept works at every price. So whether you sell really expensive stuff or really cheap stuff, consider giving this a try. People hate risk and will pay for you to take it for them. As long as you price it right, it's *very* profitable.

Pro Tip: Cover Your Commissions

When we rolled it out, we hoped to recoup as much of our sales commissions as possible. And, after we did, a huge percentage of customers took us up on it. It was able to cover almost half our sales team's commissions. Think about it, if half the customers take an upsell that's 10% of the price, then you get 5% of your revenue back. For most companies who pay sales reps 10%, it's half their pay. Again, not bad for one line and zero operational drag.

Examples

You're only limited by your imagination here. Remember, we just started selling our existing warranty. Here are a few creative examples.

Product	Price	Guarantee	Price	Take Rate	Refund Rate	AddedLTV	Added Revenue
Wooden Table	$1,00	No watermarks or get replacement.	$100	45%	5%	$43	4.3%
Personal Training	$3,00	Lose weight and get money back.	$2,00	35%	10%	$630	21.0%
Dry Cleaning	$200	No tears/ stains upon return or get money back.	$20	25%	5%	$5	2.4%

*Friendly reminder that even a 4% increase in revenue can sometimes mean 20%+ increases in profits.

Steps To Implement It

You just ask after they've purchased "You just want the standard warranty on that?" They'll ask what it is. You'd then say "Oh, it's for anyone who likes that extra bit of peace of mind. If anything happens to your X [or this doesn't go as planned] you're covered. A lot of people do it." Then, you ring people up for this extra 'invisible' product.

And if they reach out for an exchange, or to use their guarantee, you just check to see if they bought it.

This also allows you to be the nice guy. Because if someone didn't purchase the warranty, you can still give them their money back anyways. You probably do that now for free anyways. Might as well make a buck on it.

My Advice

This little one-line upsell at checkout works especially well with 'main street' and 'traditional' businesses. It costs nothing to deliver besides doing some math upfront.

Why You Should Actually Do This

Inflation happens in every economy. It erodes profits over time. It's a fact of business. To survive you must raise prices. But only adjusting prices when you *have to* avoids all benefits of doing it when you *choose to*.

When you optimize pricing the right way, you…

- More profits - You can make more money without needing more customers.
- Attract more customers - The right price helps bring in more people who are ready to buy.
- Stay competitive - You steal customers from competitors and gain market share.
- Higher customer satisfaction - People feel good when they believe they got a fair deal.
- Faster sales - Products sell quicker when prices match what customers are willing to pay.
- More repeat customers - People are more likely to come back if they feel the price was right.
- Better cash flow - You'll have more steady money coming in to reinvest or use as needed.
- Fewer discounts needed - The right price means you don't have to offer as many sales or deals to attract buyers.
- Boosts brand value - Proper pricing can make your brand look more premium or trustworthy.
- Maximizes revenue - You get the most out of every sale by charging what the market can bear.

When you do it wrong (or never change prices at all), you…

- Lose money - Without optimized pricing, you charge too little and miss out on profits.
- Drive away good customers - Prices that are too cheap make good buyers go elsewhere.
- Constant discounting - Poor pricing forces you to run discounts all the time, which hurts your brand and turns customers into price terrorists. Always negotiating.
- Stockpiling unsold products - Incorrect pricing leads to items sitting unsold, tying up your inventory (and cash).
- Underpricing your value - You risk devaluing your product by not charging what it's worth.
- Competitors taking over - If your pricing is off, competitors with better pricing will outcompete you.
- Cash flow problems - Bad pricing can leave you short on cash when you need it most.
- Missing out on growth opportunities - Poor pricing can prevent you from reinvesting and expanding your business.

The *Instant Profit* Pricing Playbook

I picked these instant profit hacks because they take so little effort and they can instantly make *any business* more money. Here is your nicely organized list of pricing for profit hacks.

Name of Pricing Play	Price Increase Play Provides
Month→28D Cycles	8.3%
Multi-Form + CC Fee +3-4%	3-4%
Sales Tax	0% - 10%
Annual CPI Increase	3% - 10%
Longer Duration Billing Options	10-15%
Round Up	1-3%
Annual Renewal Fee On Top Of Monthly	10%
Continued Access/ Automatic Continuity	10%
Ultra High Option	10-15%
Priced Guarantee or Warranty	5 - 20%
TOTAL	26.8% - 63.8

As I said earlier, some of these you will be able to immediately use. Some of them you won't. That's okay. You only need one to make more money…*immediately.*

For now, pick the one or two that could make the biggest impact in your business for the least amount of work and risk.

Until next time,

Alex

PS - Changing prices, more than anything, requires guts. Have some. And reap your reward.