

## COFFEE BREAK BLOGGING

### *Podcast Transcript*

**Episode 132: Setting Your Price Part 2 –  
When Is The Right Time For  
Low Prices?**

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Welcome back to another installment of [Coffee Break Blogging](#), where this isn't just another podcast; it is a full course on building an online business based around your blog from scratch.

My name again, is David Risley and if you want to catch up with us from the beginning, I want you to go to [coffeebreakblogging.com](http://coffeebreakblogging.com) to view the full archives and also get subscribed to the show if you are not already subscribed.

With all that said and done, let us get to our topic for today.

Today we are going to go into Part 2 on how to determine and specify what to charge people... How to set your prices. And today, I want to specifically talk about When Is the Right Time to Have a Low Price Point? And this is a really important topic because I find a lot of people really do try to lowball their price; almost as if it is a crutch, like they are depending on it. Like you can't make sales unless you lowball the price or if you are giving discounts and coupon codes and things like that. Or I also see people who just instinctually go to low prices because, quite frankly, they are scared to charge anything more than that.

And so, we need to talk about this. We need to talk about when is the right time to use low prices and when it is not the right time to use low prices.

First of all, I want to go in to a few side effects; a few negative side effects of relying on low prices in your business, or even relying on discounts...

The first one is that you are always in this mode of hunting for new sales. That is kind of a lot of pressure, too, when you are a business owner. You are constantly seeking new sales. You are constantly trying to entice people to make that purchase. You never can relax on that, actually. You do not have any consistent, dependable revenue and you are always hunting for that next hit. And it is just a lot of stress. It is not very much fun.

Second one is that you are going to have to constantly have different sales and special offer and sales events and stuff like that. What comes to mind for me on that one is car dealerships. Now, obviously they are dealing with high ticket things; but have you ever noticed how they are constantly running some kind of a weird special, like around a holiday; the Labor Day Special, whatever? It is always a special. Anytime you walk in to one of those places, they have got some kind of a special going on.

It is like they cannot make sales without them. I've seen furniture stores like this. We do not want to be in that position as online business owners where we are constantly having to rely on sales, special offers, limited time events; stuff like that. We will use those things occasionally but at the same time we want to have a business that can make sales without relying on those kinds of gimmicks.

So one of the side effects of having those low prices all the time is that you are going to be relying on those types of things in order to make sales.

Number 3, as a side effect for relying on low prices is that you are going to have more demanding customers. Yes. You will have more demanding customers. You might think instinctually that people that pay the most are going to demand the most from you. It is actually not true. Those people generally, who pay more for something; something about them is that they are generally not as demanding.

Now, obviously as the person who is selling something to them; you got to deliver upon that. You need to more than deliver upon that. You need to treat those people like absolute, gold, in fact. But in terms of hassle factor, you are generally going to find that those who have paid less amount of money are going to be more hassle. They are going to make more little demands from you, they are going to complain the most. In fact, this will be a natural lead into the fourth side effect here and that is you will have higher refund rates and chargebacks. That sucks.

Chargebacks, if you are not familiar with that term; that basically means that somebody used their credit card and then they turn around and just disputed the charge. They call their credit card company or their bank and says, "I don't recognize this transaction" which is very often is not true. It is just a way of getting their money back, in some cases.

Now, there are legitimate reasons why chargebacks can happen; if they do not recognize the business name; if you did not make it clear to them that this is the name that is going to appear on your credit card statements, things like that. They might legitimately not know what that is, but sometimes people just use that system to get their money back. It doesn't matter why. The thing is, generally speaking, and I definitely know since this is my business is that, those who pay the least for things are more likely to have higher refund rates or do chargebacks.

I can tell you that with the [Blog Marketing Academy](#), this is a very, very low problem for me because I take really good care of my customers and I generally do not have these problems. But I can tell you, with my first site PCMech, on my tech site days, I definitely did notice that. Lower price point stuff; I had people requesting refunds over a few dollars and it is like, whatever. I just give it back but it is just a hassle factor for support.

And then the last side effect here that you definitely need to be aware of if you rely on low prices and discounts for your business is that you are essentially training your customer base to expect and wait for discounts or free and cheap things. That is going to make it a lot harder for you to make money in the long run if your people are basically waiting for the next sale because you do them so often, they know that they are coming. Or if you give so much for free that they are just going to wait for free; they are going to wait for that coupon code and it is just going to get in the way.

Now there are a couple of places that come to mind as an example of this that maybe you have seen. One of them is Udemy at [udemy.com](#). The big training site with lots of courses and stuff that you can buy. You will go there, you will see courses for sale for like \$299 or something; and you would think... "Wow, that guy must be making bank!" No, they are absolutely not because almost all of Udemy's instructors are opted in to their promotional program and Udemy relies heavily on discounts and coupon codes. So that person who has got that course listed for \$299, I bet you they very rarely make a sale unless they are less like \$10... I mean, it is significantly discounted in a lot of cases. My wife, not too long ago, purchased 3 courses on Udemy and they were listed for like in hundreds and she bought 3 of them for \$10 each because it was a special offer. So people do not buy things much on [udemy.com](#) unless they are getting massive discounts and that really does harm the potential revenue of working with [Udemy](#).

Another example is the App Store; the Apple App Store. It is amazing sometimes, the level of complaints that you will get over charging 99¢ for a freaking app! Or if you go, God forbid, you charge more than 99¢, everybody has a heart attack! Whereas when you go out into the regular world and you might even pass by 99¢ laying on the ground, you won't bother to even bend over and pick it up. But for some reason, in the App Store, people freak out over that. It is because the price points in the apps store are so low habitually that it has trained the customer base. Now, obviously Apple has a lot of other things going on, they have got that back into place and Apple makes a lot of darn money. But if you are a developer, you have got to like, work these things in order to make good money in the App Store. So just keep that in mind; you don't want your business to be in that situation.

So with all that being said and done, you might conclude that there is never a good time to have little prices and that is definitely not true. We need to talk about the flipside of all these and that is "When is the right time to have low prices?" And that comes down to two words... Customer acquisition. It is the idea of getting new customers into the fold. That is the exact right time to have low prices.

The idea here is to have a low barrier to entry to turn a free prospect or just simply an email lead into a customer as soon as possible. Ideally, when somebody gets on to our email list; ideally they will become a customer right away. We want to immediately advance that relationship from a freebie seeker; somebody who just got interested in your lead magnet, whatever and who wants to walk... And we want as quickly as possible, move them up into the status of "customer." And it really does not matter how much they spent. Even if they have only spent \$1 with you; just that simple act of giving you that dollar, turns them into a customer and it completely changes the nature of the relationship between you and that person. And that is the exact right time to offer low prices as a way to get people into the customer base of your business.

Now, the key here is you want to always, always have a follow-up plan to that low hanging fruit. If you don't, then you are going to be relying on these low prices and that is a recipe for just lots of headwinds. You are going to have a really hard time growing your business. So you always need to have that follow-up plan. The money is not made on the front end. It's not. You're not going to get rich on the back of a \$7 eBook. Where the money really gets made is on the back end. You need to have those higher priced things. And really, all the cheap front end products type of stuff; the entire purpose of that is to get them turn into a customer, get them having that type of relationship with you and then, they are a lot more likely; if you are doing a good job, of becoming a customer over and over again or buying higher priced things from you, and that is where the real money gets made.

So I want to give you a few examples of proper uses of low prices. And these are things that are not even on the internet; these are things that you see out in the offline world.

The first example is the "Free A/C check"... Like air conditioner. So you see these with auto mechanics all the time where they send out pamphlets or they will have some specials where they will change your oil for like 10 bucks; or they will do a free A/C check or something like that. Really, what that is, is a way to get you into their store. That is all it is. And so you go in there and you are thinking "I'm going to get my oil changed for \$10 or whatever. And yes, they will do. But do not be surprised if they come at you with a few other additional things they recommend that you do to your vehicle. That \$10 A/C check, you will walk out spending \$100 or more. And it is nothing dishonest there; it is just how they get you into the door and that is the exact function of the low price. They are making their money in all those follow-up sales.

Another example; if you go to the Black Friday in late November, the Black Friday Holiday. Well, it is a shopping holiday, really. And very often what you will find stores do is they will have some insane deal like on a laptop or a TV or something like that; like something like really, really cheap... Laptop for \$99. But then they will say limited quantities; like the first 10 or something like that. So what do you have happened? You will have people literally lining up outside the darn store to get that! Well, what happens there? Well, obviously that special offer sells out real fast but then everybody is in there and they start buying other stuff. The low price got them in there and they are going to buy other things, and that is where the money gets made.

Another idea... In the fastfood business, where you get like the 99¢ hamburger or something like that. Really good deal! You get a hamburger for 99¢! But of course, you want fries? You want a Coke? You want this and that? You end up spending four, five, six bucks, anyway. It is a front end offer. It gets you in the door, they make their money on the follow-up sales.

So these are all offline examples you have seen time and time again; the exact same thing applies to our online businesses. When you are going to have a cheap product sitting out there, floating out there or you put it after a lead magnet opt-in, it needs to serve a function and that is to turn them into a customer, but then you need to have a plan after that. You need to have the plan.

Now this is the perfect time to remind you about the [Blog Monetization Lab](#) at [blogmonetizationlab.com](#). This is my core training program at the [Blog Marketing Academy](#) and this is the perfect time to mention it because what we are talking about here is a core part of the Blog Profit Funnel that I guide everybody to build. And so, I have got people who are making their first sales and their front end product inside the Lab and they are putting that back

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in place because they know that is where the money gets made. And we are going to make a lot of money with those; having that proper funnel structure in place.

So if you want to learn all about that knowledge and build it for yourself; you can get started today for less than a buck a day at [blogmonetizationlab.com](http://blogmonetizationlab.com).

Hopefully that was helpful.

And by the way, if you are finding all these episodes helpful; if you are finding this full online podcast course known as [Coffee Break Blogging](#) helpful to you, and if you have not posted a review and a star rating for me yet inside of iTunes, I would really appreciate it if you can pay me back by doing that. It really helps me get the word out about Coffee Break Blogging and expand the community here. So if you could jump on over to [blogmarketingacademy.com/itunes](http://blogmarketingacademy.com/itunes), that will re-direct you right into [iTunes](#) so you can drop that review for me. An honest review, of course, but I would love to hear what you think of the podcast.

Thank you so much for listening and I will see you next time where we will continue talking about Setting Your Prices.