

Using the Value-Price Seesaw to Make More Money

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Price is what you pay, value is what you get! – Warren Buffett

Are your prices too low? Are you not getting paid enough? Do your customers do not appreciate what you do for them?

Why is this? Whose fault is it? I can tell you the answer – and you probably won't like it! If your prices are too low then it is your fault. Yes, yours and no-one else's. So, *you* need to do something about it!

I know this is not a "cool" thing to say, but let's not waste time making excuses for ourselves or our lack of effective action. You may be in a difficult and competitive market, but that does not mean you try to compete with everyone on price. It is easy to find people who cave-in to external pressure, but there are plenty of companies out there who are doing a roaring trade in exactly the same environment. Don't look for reasons not to act or to act half-heartedly, but look for reasons to act boldly and decisively.

The problems when you compete on price are multi-fold and include:

1. *You position yourself as a commodity* – you become something that is easily replaced for something else or something similar. This just makes you part of the herd and you end up following the herd blindly.
2. *You lack leadership* – if you are following others on their pricing then you are abdicating responsibility for your pricing, and you deserve everything you get. You may have competitors who price very low, but that does not mean that they are winning good business, that they are profitable or that the business is sustainable. Follow them and you could be one of the lemmings that follow them over the cliff!
3. *You are on a race to the bottom* – as a commodity, all that distinguished you from your competition is your price. Everything else, in the perception of the customer (and that is what matters) is the same or irrelevant. Competing on price works in a

downward spiral, and it is a race to the bottom where the bodies of all those who have not survived await you.

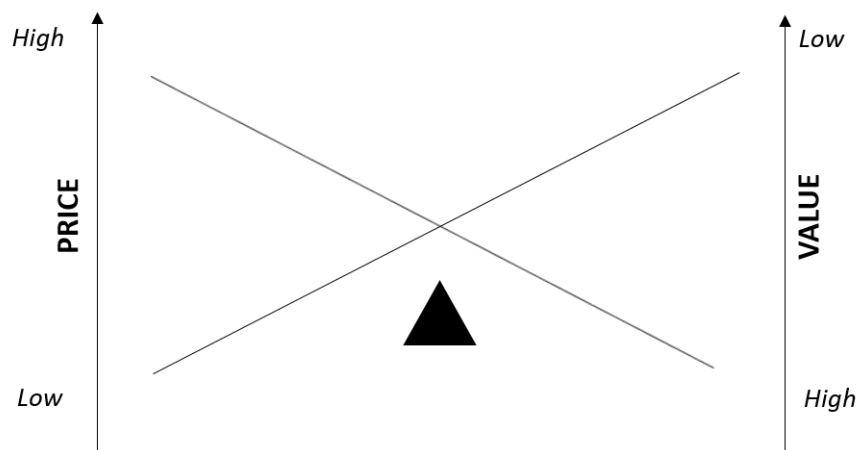
So how do you get over the problem of competing on price? The answer is don't compete on price!

Creating Value

Value is what your customer will pay you for that they value (not what you think your customer will value). What customers value are those things that you do *for* them, not what you do. That is those things within your offering which address their pains and helps them achieve the gains they seek.

What you want to do is create lots and lots of value. In short, there is a clear relationship between the price you can realize and the value you create for your customer. This is shown in the Value-Price Seesaw Diagram™

Figure 1: The Price-Value Seesaw™



From this diagram you can see there is a clear and simple relationship between price and value. Low value will result in your only being able to achieve a low price. To quote, *"Price is only an issue when there is an absence of value"*.

If you want to charge a high price then you need to stack on the value as much as you can to push the seesaw in the right direction. Stack it up with as much value as you can, and then add more. Remember, value is perceived by the customer. So, make sure what you do for your customer is addressing their needs in a strong manner and that they perceive you are doing this, this way you position yourself strongly and you also differentiate yourself.

Creating high value separates you from the herd and makes you more visible and attractive to existing and prospective customers. It makes it easier for them to choose you, and harder for your competitors to take customers from you.

What is of value for you from this article? What is the one action you will take, today, as a result of this to address your pricing?

If you would be interested in a 15-minute Pricing Improvement Strategy Session to identify your 3 key actions to address, or if you would like a copy of the free Pricing Improvement Cheat Sheet then email me at andrew.cooke@business-gps.com.au with "Pricing Improvement Strategy Session" or "Pricing Improvement Cheat Sheet" in the subject line and I'll send you the details by return.

About Andrew Cooke

Andrew Cooke is known for his work with executives, managers and teams in helping them to grow, develop and achieve results. Using a blend of consulting, facilitation and coaching he is noted for his ability in "bringing people potential to life". Andrew takes the time to understand and assist successful business executives in creating a customized plan that allows them grow and develop their leadership effectiveness. In doing this he guides executives to manage, direct and make change work for them and their stakeholders and teams in an increasing volatile, uncertain, complex and ambiguous business environment. From this he helps others to become more successful in both what they do and how they do it.

Andrew demonstrates a proactive attitude and empathy that blends enthusiasm, energy and a pragmatic approach in engaging leaders and their stakeholders. He has over thirty years of international business experience and insights on which to draw, and has worked with blue-chip clients and other leading businesses across a range of industries. Andrew is passionate about helping others to be more successful personally and professionally

Qualifications & Accreditations

Andrew is an experienced international expert in executive coaching, leadership development and business consulting. He has qualifications, certifications and accreditations from recognized leading global organizations, including:

- Masters of Business Administration (MBA), London Business School, UK
- International executive coach with certifications for Marshall Goldsmith Stakeholder Centered Coaching and Global Leader of the Future 360⁰ Assessment
- Accredited Coach with Human Synergetics for:
 - Leadership Styles Inventory (LSI)/ Group Styles Inventory (GSI)
 - Organizational Culture including:
 - Organisational Culture Inventory® (OCI)
 - Organisational Effectiveness Inventory™ (OEI)
 - Customer ServiceStyles™ Survey (CSS)
- Accredited DISC Facilitator & Coach
- Bachelor of Business BA (Hons), University of Plymouth (UK)
- Diploma from the Institute of Marketing (UK)