

Want to Make More Money in Business... Then Raise Your Prices

By Kelli Hoskins, ActionCoach MetroNorth

The following profound statement was made by Eli Goldratt in his book The Goal: “In order for an organization to **Make Money**, the value of the product is (as perceived by the market) and the price charged has to be greater than the combination of investment in inventory and the total operational expense per unit that is sold.” Well of course, you can't survive in business otherwise. Yet unfortunately, this is one of the areas **business owners** neglect to guarantee and one of the reasons that many **businesses** are struggling or don't survive at all.

You see, many **business owners** set their prices based on where they feel comfortable selling, not based on where their prices need to be to justify the value that is being offered and to generate the revenue required for the business to **make money**. What you sacrifice in low prices, you must make up for in volume. Which means that you have to work harder in all areas of your business to make up for your low prices - you must bring in more leads, you must sell more products, you must deliver more products or service more customers, you need more resources to support the volume.

I hear many arguments to support why prices are lower than they need to be for the business to **make money** - the biggest one is competition. Are your prices higher, the same, or lower than your competitors? Is your product superior, the same, or worse than your competitors? If you answered anything but higher and superior let me ask you this: Why did you choose to start a business where you have to struggle to sell a lot of volume to make up for the low prices you need to charge because there is too much competition? Sound ridiculous? Yet I hear this complaint from business owners over and over again to justify why they aren't **making money**.

So how can you easily increase your prices? Firstly, you must know your break-even per unit that is sold. This number tells you where your price per unit needs to be just to pay the bills. Secondly, you need to decide how much profit your **business** needs to generate for you and then apply this margin to your break-even. Thirdly, you must be able to clearly define your value proposition - the benefits you offer and why it is worth the cost. And finally, you need to improve your marketing and sales skills. Too often I see business owners or sales people discounting prices to support their level of marketing and sales skill instead of improve their marketing or sales skills to support the prices they need to charge to **make money** in business. Now, just do it!