

Power Teaching Master Class
Transcript of interview with Ramit Sethi of I Will Teach You to be Rich
By Pamela Slim of Escape from Cubicle Nation

Topic: Strategic Pricing

PAMELA: Well, hello. This is Pamela Slim and I am totally delighted to be hosting a master class on strategic pricing with someone who I consider to be such an expert on the topic. Our guest is Ramit Sethi who is a long time blogger, a number one New York Times best selling author of the book [I Will Teach You To Be Rich](#). An entrepreneur and a teacher. You can find him at iwillteachyoutoberich.com. And if you get inspired by what you're hearing during this class, you can also tweet him @ramit which is R-A-M-I-T.

So I have known Ramit for years and first met him through his blog, when he was just blogging as a college student at Stanford. And I remember very distinctly when he launched his first online product in 2006, which was called Ramit's Guide to Kicking Ass and it was a four dollar and ninety-five cent ebook, which we'll talk about later. He even got some push back from his market about those exorbitant charges for an ebook.

Now, six years later, in 2012 he launched a \$12,000 course and Fortune recently did a six page profile on him where they revealed that his business generates over a million dollars per year, which is amazing. His hourly consulting rate is actually \$3,000, but often he'll turn down folks who ask him for consulting inquiries and he's helped thousands of students to learn how to earn more money, including pricing strategy through his Earn One K program. So Ramit, thank you so much for joining us today.

RAMIT: What a pleasure. Thanks for having me.

PAMELA: Absolutely. So we are going to get into some very specific details in this class. I really want to start at the highest level before going into analysis of particular price points or strategies. How, in a big picture way as a business person, should we be thinking about pricing?

RAMIT: Okay. I'll give you two levels of analysis that I work with. At the very highest level, pricing is strategic. Some of what you find is that most business owners, when they decide that they want to create some kind of product or service, they kind of go and retreat into a cave for two months or two years. They write a book or they create an ebook and at the very last minute they say, "Okay, how much can I charge for this?" And they do a little googling and they look at the other blogs they read and they say, "Oh, they're charging \$29. I should charge \$29. Or they're charging \$29, maybe I should charge \$19 because it's my first time out there." They really don't put much thought into it.

And what happens is one of two things. One, they don't sell a lot and they're very disappointed and they actually don't know why. Is it the product? Is it the marketing? Is it the pricing? Or two, for someone who's doing this the first time, they may actually sell a surprising amount. It might be a terrible \$4.95 ebook [that] I just wanted a whole bunch, but it didn't really bring in that much revenue. So I'm wondering and I was kind of pleased, but I thought, wait a minute, I just spent all this time doing this and I only made X dollars? So let me walk through two different levels that I use to start analyzing pricing. The first is that pricing is strategic. What that means is when you walk into Target and you buy a scarf, Pam, how much would you expect to pay for a scarf at Target?

PAMELA: Maybe eight bucks. You know, eight to \$15 depending on the scarf.

RAMIT: Perfect. Eight to \$15. And let's say you walk into Barney's in Manhattan. How much might you expect to pay there?

PAMELA: Probably about \$150 to \$700 or some obscene amount.

RAMIT: Exactly. That's exactly right. I would say that's exactly accurate, \$150 to a thousand bucks. Now is it five hundred times better than the the eight dollar scarf? Probably not. Or even 100 times better? Probably not. But there's a brand that is very different. What does it say about Barney's when you walk in and you pay \$200 for a scarf? What kind of person does that?

PAMELA: An elegant, sophisticated, wealthy kind of person.

RAMIT: Correct. And what do they not want to deal with when they walk into an expensive store like Barney's?

PAMELA: Perhaps haggling or maybe other harried moms that you might find like me at Target. You know, they really want to be in an environment where it's luxurious and they have great service and there's no stress. They feel really supported.

RAMIT: Nice. No stress. They also don't want to be embarrassed. There's nothing worse to that Barney's clientele than wearing the wrong thing to their engagement. Now, on the other hand, someone who goes into Target is equally valid. They aren't necessarily looking to avoid a group of harried customers. No. They want value. They want it quickly. They want value. You know, they want something that looks kind of nice. Target has carved out that nice niche. The whole point of this is that pricing is much deeper than just slapping a number on your product. It dictates and it reflects who it is you're targeting, what their hopes, fears and dreams are.

And so pricing is a much deeper issue than just how much am I charging? When I charged \$4.95, I got a very different type of clientele and it said something very different about me than when I charged \$12,000. So the first level of analysis is that pricing is much deeper than most people think. It is strategic. If I look at your products and your

products are, let's say, anywhere from \$29 to \$47, I have a very good sense of what kind of business you run versus if your products are \$1,000 to \$4,000. That says something; but I'm not getting only better or worse, I can give you examples of both that are just fine. But it says something about the type of people you're going after, the type of products you offer, etcetera. So that's one. Does that make sense so far?

PAMELA: Absolutely makes sense. I love that. And we'll definitely dig in when we start to look at specific prices about trade-offs between those areas. Because you're right. There's no right answer. There's the right answer for the right kind of business you want to run.

RAMIT: Exactly right. Exactly right. So we can talk about a lot of specifics in further questions. But I'll just give you the second level of analysis that I use which is actually quite typical. And what I'll say here is that there are some well-known frameworks in pricing, particularly for information products, which I know a lot of your students are creating. And I'll just give you some basics here and then we can talk about what the meaning is behind these soon.

So let's say you've created an ebook - just an ebook of any length between 30 and 100 pages. Typically for an information product that's an ebook you can get \$27 to \$47. That's generally what the market will bear. And yes, there are exceptions, but generally. Add some video to that, so you have an ebook plus video, that can generally take you to \$47 to \$97. If you add some sort of video course and it's quite good, you may be able to ask for \$497 to \$997. And finally, above \$1,000 you really have to have something very special and sometimes that might involve in-person material or live calls.

Just to give you some context, as you mentioned, Pam, I've sold courses from \$4.95 to \$12,000. And each level you go to changes dramatically. The amount people have learned to pay, more importantly the value they receive from it changes in a massive way. But this is a good framework that I use. Keep in mind these two frameworks. One, that pricing is strategic. It's more than just the numbers. But two, there are some well-known models. So we can start off with these models as a shortcut and then adapt [them] based on our product, our market and the kind of brand that we want to create.

PAMELA: I love it. That is so helpful and I really love to have that big picture framework to start with. So with that, if you are looking at it from a strategic perspective and really wanting to know what kind of experience you want your customers to have with you, how you want to be perceived in the market and then how your products fit within that, then how do you begin to figure out the price that your ideal market will really eat up? And by ideal price, what I mean is something that truly reflects the value that you are providing but is also one that your target market really feels good about paying.

RAMIT: Yes. Great. I love the way you frame that question, because when I have close friends that ask me for help with pricing, typically they come to me one day before launch and say, "Hey, I'm thinking of charging \$135", which, by the way, is in general a

terrible price for any product. They ask, what should I charge? And I say, “Pricing should be done so far back that if you do this at the last minute, it’s almost impossible to do right.”

So I’d like to give you a third framework and this goes quite a bit deeper than what we already talked about. What this will help you do is align the brand you’re creating, the product you’re creating, your business goals with the market that you have and the market that you want. So first of all, put aside price for now. We’re going to deal with price later.

But here’s a basic framework that you can use. It gets more sophisticated as you go down the rabbit hole but first of all I would ask, who’s your market? Are you targeting the market that wants an \$8 scarf? And they prioritize value and quickly getting their product and getting in and out. Or are you targeting the woman who lives on Park Avenue and wants to look like she’s willing to pay. Money is really not a concern for her. So who are you targeting?

And I would really like you to get very specific. What age? What gender? When people tell me that their market is people 27 to 54, I say, okay, there’s virtually nothing identical about a 27-year-old to a 54-year-old. Nothing. They think about everything differently. They think about love differently. They think about money differently. They think about careers differently. Kids. So let’s get really specific. I like to have a range within four or five years. I like to have the gender. I like to have an idea of where they live, what are their hopes, fears and dreams?

Now we’re going to talk about the market. What are their needs? In the Target example, they need value. Right? They’re on a budget. They want to stretch the dollar as far as it can go. And also they want to make it look good. Maybe that’s the difference between somebody who, for example, shops at Wal-Mart versus Target. You can assume that people who are going to Target probably want to look a little bit more stylish. I think that’s a fair assumption. And we can test that as well. So we find out what they need.

Not only what do they need on a positive side, but what do they want to avoid? They want to avoid being embarrassed. They want to avoid going into a store that’s not going to be congruent with how they see themselves.

The third is the format. We talked about this and we’ve covered market, we’ve covered needs. Format. We talked about format, right? Ebook, ebook plus video, video course, etcetera?

PAMELA: Mm hmm.

RAMIT: And finally when we understand this, we can say now I’m going to get to the fourth step which is pricing. Notice how pricing comes after all these other more important things. Here’s a perfect example. If your market is a bunch of broke college

kids, you're not going to be able to charge \$1,000. If you are offering an ebook only to college kids or to 24-year-olds, you're certainly not going to be able to charge \$1,000.

If your market passes what I call the “pay certainty” technique, that is, they have the ability and willingness to pay, they can and they will pay and you offer a multimedia course and you're targeting 40 to 45-year-old mothers of two with a household income of \$65,000 plus, now you may be able to charge \$97, \$197, \$297, etcetera. So notice how you went through all these things where you really got in the heads of your customers. We know who they are, what they want, what they fear. We know what kind of format we're delivering. And then we come up with some pricing that we can then test and see if it works well or not.

PAMELA: Yeah. Something that's fascinated me so much - can I say the name of the \$12,000 course?

RAMIT: Sure.

PAMELA: It's the Dream Job course. And one of the criteria for participants was that they didn't have any credit card debt. Am I remembering that correctly?

RAMIT: That's right. That was my Dream Job Elite course which is the high-end version of my Dream Job course. And the reason that it was priced accordingly - it was the highest price I had ever charged for a product until that point - was not only did you get the course, not only did you get live calls with me, which I rarely do, but they also got to come to New York for a weekend and go through some very advanced, intensive, in-person training. Now one of the strategies that I really want to talk about, which I don't often share, is disqualification.

PAMELA: Yes.

RAMIT: We always talk about who we want. But who do we not want? And I'm going to give you an example of a disqualification strategy that I use. This strategy costs me over \$1 million per year. Okay? This is money that I could be making that I intentionally do not make. And I just want to underline that fact to show you that this isn't just talking the talk. I really want to walk the walk and show you why I did it.

PAMELA: Mm hmm.

RAMIT: I forbid anyone with credit card debt from joining my flagship courses. My flagship courses tend to be relatively expensive. They're going to be \$1,000, \$2,000, \$3,000, etcetera. I forbid them from joining. In fact, I tell them if I find out they joined with credit card debt, not only will I refund their money, but I will ban them for life from ever joining anything of mine again. And I do this. And it costs me dearly in the short term. But what do you think happens when I disqualify these people from joining my courses? And what do you think goes through their minds and the minds of the market?

PAMELA: Well, what struck me so much is that it's so aligned with what you're trying to do in "I Will Teach You To Be Rich", which is to make sure that people have really strong financial habits first. It's not to shame anybody who is in that situation. But you're saying you want them to make a really great decision to invest in a course where they truly do have the money to invest to make it a smart buying decision. That's the way that I read it. And what I would imagine that folks would want to do if they knew that that was the case and they wanted to learn from you, is they would want to run out and really focus on getting their credit situation in order so that they could participate.

RAMIT: You read it exactly right. Exactly right. We can rewind back to where I said pricing is strategic. That policy is not just a random policy. It is totally aligned with everything I talk about, which is I don't want you on my list if you are a whiner. Leave. Leave quickly. Unsubscribe. I don't want to waste your time and I don't want you to waste mine. And, yes, I'm a bit provocative and that's how I really am in real life. But I believe if you're not right for my material and it doesn't resonate with you, that's okay. There are better sites out there for you. In fact, I'm happy to recommend them to you. That's easy to say when it comes to an email subscriber. Much harder to say when it costs me seven figures a year.

But it shows the market that I'm very serious. And what ends up happening is, it's almost like people go through the seven stages of grief. They say, "I don't believe this guy; I want to pay you." And I say, "No, that's my policy. And thank you for offering to pay me two grand, but frankly two grand is not going to change my life. But it could change yours. And I would prefer to have you focus on that debt first. It's the right thing to do." And when I say that and when they internalize why I'm doing that, then they become students for life. They will radically change their debt pay-off schedules. They will update me frequently. And when the time is right, when they're financially secure they come back to me and they ask to be let in.

That really establishes a brand for the entire market. Nobody does that in my market. And I'm very proud to do it. And again, this is how you can use pricing. You may come out with an ebook and you may charge a radically low price. I would discourage that, but you could do it if you have a reason. You could also charge a very high price and explain why your stuff works better than anyone else's and prove it. Again, pricing dictates what people perceive about your brand. So it's a very important part of what you do. But it all ties into your strategy and all these other frameworks that we talked about today.

PAMELA: Yes. Definitely. I really love that. It does so clearly draw a line between what it is that you believe in and what you stand by in terms of what you're ultimately trying to do, which is to help people to develop really strong financial habits. So that's just a great example. But you're right. Not everybody would do that. But it works for you in what you do.

Now, I'm curious: a common situation that I hear from people is that some coaches or folks out there are always recommending to be pricing high just for positioning. They're

also a whole bunch of other people, and I might put myself within this market, that feel really strongly about wanting to be able to reach a broad number of people with a price for that market that is reasonable and accessible. So how do you figure out that balance between wanting to position yourself for the value that you truly do create, but at the same time not make it prohibitive for those who could really benefit from your work?

RAMIT: This is a challenge that I struggled with for over eight years as I really thought through the business and watched it developed. As a general rule I would say that most of the coaches I see out there dramatically undercharge what their value is. And they all tend to cluster around certain price points. And there generally is no validity or differentiation. If you just looked at pricing you could take one approach or you could take the other and the pricing oddly enough falls in these certain clusters. And that is probably not the best way to do it.

If you look at our Target example, or even if you look at sandwich shops or deodorants, there are dramatically different price points. Or perfumes, for example. What I would say is, your goal is to provide massively valuable products but you also want to reach as many people as possible.

You know, I learned something from one of my mentors named Jay Abraham who's quite sophisticated in pricing and positioning. He's one of the best. I told him that people want a couple of these really small products and based on my user research they want to pay between \$9 and \$29. Well, I'm here selling a \$12,000 product. It seems very incongruent to sell a \$9 product. It just doesn't make any sense to me. And do you know what he said? "If people want a \$9 product and you're already successfully selling \$2K, \$3K, \$12K, just give it to them for free." He said, "I would rather not even play in the \$9 space. I'd rather give it to them for free and in fact tell them."

What should we tell them? Look, I could charge \$9. I could probably make \$90,000 a year with this \$9 product. But I don't want to do that. I'm not interested in playing in the \$9 space. I would rather give this to you for free. So here it is with my compliments. And what I encourage you to do is treat this like a paid product.

And I actually did exactly this, Pam. I'll share an example with you. I interviewed one of my other mentors whose name is B.J. Fogg who is a Stanford psychologist. And I spent approximately 16 hours preparing for this webinar and I pulled out my old psychology textbooks. I wrote a huge list of notes. And I recorded this interview with him. And then I gave it for free to my audience. I could have easily charged \$1,000 for it. But I gave it for free and I said, "Look, I could charge you \$1,000 for this but I don't want to. I want to give you this massively valuable material because I want to invest in you. And I know that when I do that eventually you will invest in yourself, whether that's my course or somebody else's course, I want you to find success. And I hope I could have a little bit to do with that." I said this. I said, "All I ask is that you treat this like a \$1,000 purchase because that is what it's worth. I want you to turn off your cell phone, go to the other screen and listen to this for one hour. It will change your life. It is worth \$1,000 and that is what I ask in exchange for giving this to you for free."

So that is a long way of saying, Pam, that if those are your dual goals, one method I found that works really well is to create massively valuable products. Charge premium prices for them. Give away great stuff for free. So at one end you're selling high end products. At the other end you're giving away stuff. 98 percent of my material is free.

The one wrinkle or distinction that can really set you apart is be sure to tell people why you are giving them this free material. Don't just give it to them, explain why. Explain how this fits into your model. Explain how you know that they will use the free material. Prove that your stuff works and eventually they may want to join one of your premium courses or calls. When you do that you can actually hit both your goals and you can grow your revenue quite significantly while most importantly helping your students and clients.

PAMELA: I love that strategy. I really love that. That is very powerful. And if you start to look at it from a spreadsheet perspective, it can make so much sense, because incrementally what you would be able to sell at those lower price points really would not add up, but by instead focusing your marketing energies on the higher end products when people are ready [to purchase is] really valuable. I totally appreciate that perspective.

So, going back to the pricing strategy. You were thinking about how it fits within your brand. Talk about research. You are one of the premiere research nerds I know. You like it more than most people should. And I know that for every single product or service that you offer you do some pretty extensive testing. So the best case scenario, it sounds like, is you would have thought strategically about pricing before even developing your course. But let's say maybe you haven't and your course or your product is already developed, how do you not just make up a price that you think will work, but really go into the market with your clearly defined audience and test some different prices?

RAMIT: Okay. I could sit and talk about research for days. I actually love it. You're right. I'm a total weirdo. The problem is nobody cares. Someone suggested that I teach a class on research method and I said, "That's great." I would have three students. No, nobody cares. They just want to know the results.

So I will tell you in a tactful way what it is you can do from a research perspective. The best research is like a preventative health. You do it well before you need it. So the best research in the best case scenario would mean that you researched your customer. You know how old they are, what gender, what they want, what they fear and what else they bought, what else they read and most importantly, their needs. You know the actual language they use and what words.

Let's say that you're making a product on love. I recently spoke to some folks who are creating a product on love and I asked, "What does love mean?" Which sounds like the beginning of a bad joke. They were telling me who their customers are. They said [their] customers are women between the ages of 28 and 55. And I thought, "You've got to be kidding me." Do you think that a 28-year-old woman thinks about love in any similar

way to a 55-year-old woman? It's completely different. What words would a 28-year-old use versus a 55-year-old? They would be profoundly different, right? So we have to understand how they describe their problem, what is their paying point? And these are all best case scenarios.

Now then you ask, Pam, what if they already have their product, what kind of research should they be doing? So, okay, sometimes we already built a product. We didn't do the research. There are still things you can do. One is, again, you can research your prospects and find out what words they use and then incorporate that into your marketing. That's quite effective. And that's not just fake marketing. You're actually helping them more by connecting with them.

The second thing you can do is look at the market and see what else are they reading? What else are they buying? And understand what price points they're paying. For example, if all of the people on my email list at iwantyouoberich.com haven't got anything self-development related in the last year, or they've bought a \$5 book, it might be tough for me to sell them the \$12,000. It's tough. That might be a tough sell.

But if they bought the self-development and they're interested in courses, well, that's interesting. And they paid between X and Y, now I know. And you're also looking at other products in your space and you're realizing, oh, okay, I see. So other people who sell similar courses or products or services, they're priced between \$79 and \$99. That's a good data point. Now you're narrowing it down as to what it is you should offer based on what the market bears and what your customers in the market are telling you.

PAMELA: You have a pretty substantial list at this point. What if you don't really have that big a list? You do have a sense of who you want to serve. How do you begin to gather that data? Is it anecdotal? Do you do a survey? How do you do that?

RAMIT: My research methods have gotten more sophisticated over time. But really they're quite simple. Honestly, you don't need many data points to get started. One survey, add questions, 20 data points will get you started. Just 20 responses. So frankly if you're about to sell a product, you better know 20 people in your market. You really need to do that.

So if you're creating a product on how to make your kids go to sleep at night. How to make your one to three-year-old child go to sleep at night. You better know 20 moms and you go out there and you say, would you be willing to take 5 minutes? People are totally willing to do that. You can send them a SurveyMonkey link which is free or it's like a few dollars a month. You can send it in Google Box which is free. It really doesn't matter. Get 20 responses and you're going to be way ahead of the game to know how to formulate these surveys and what it is people want. And then you can do a couple more if you like. You'd be way ahead of the game.

PAMELA: That's great. I love that. And I love the starting simply. Now I'm really, really fascinated to know your answer to this question because I don't have any research on it but I have a really strong experience in my own business. And it's also a question

for a lot of students. How do you look at the difference between a product that is just a stand-alone - what we call passive - meaning that people can purchase the product, maybe it's either an ebook with videos, whatever the format is, but there is no live interaction or feedback from the instructor. So a pure stand-alone, downloadable product versus a product where some of the materials could already be designed, where people might listen to pre-recorded modules for example, but then have some kind of a live component to them.

My own experience says that there is much more interest and value in a course that does have some kind of live interaction versus a course that is just a stand-alone, downloadable. But what's your experience? And after you answer that question in terms of the difference in value or maybe the probability of which product would be sold more, that is, just stand-alone downloadable versus a live class, then we can look specifically at, if it is just downloadable, what are some strategies you can use to sell it? But let's look first at the first part of the question.

RAMIT: This is a great, great, great question and the answer I think is not obvious. Because I have had a very interesting experience doing exactly this. So I have done courses where I have done a big launch. You see people doing these launches and I had some live interactions which was typically weekly calls for about eight weeks. And many of these courses did very well during the launch. So I thought oh, this is great. People certainly do value live interactions.

However, one of the things that I believe is that a real business is not just a series of launches. You have to be able to build a business that grows while you're not there, while you may be asleep. People should be able to join courses evergreen. Not all courses, but a lot of them. So I took many of these courses that I did some live stuff with and I turned them into what I call evergreen models which means that you can join it at any given time. And what we saw in general was strong conversion as well. So it turned out that people were certainly willing to pay even if it was recorded.

Now I will tell you that my numbers indicate that people value live interaction more. There's no doubt about that. But it's not just about what people value, it's also what kind of business do you want to run? Some people don't want to be doing calls every week. Or two or three or four calls or ten calls a week. So what I found in my own data was that yes, people pay attention to and value more when there's a live component but that, if you do it right, that demand doesn't totally drop if you automate and record everything.

I have courses right now that are evergreen. My live calls have been recorded. If you join you will get access to the live calls and people join them in droves. So I think the larger point there is yes, the way in which you structure your course matters. It matters profoundly.

PAMELA: Hm.

RAMIT: But what matters even more is knowing who you're targeting, making sure that you're actually addressing their concerns, that you've actually done some research. You know the language they're using. That matters far more than am I adding eight live calls or not? I can't emphasize that enough.

PAMELA: Yes. Well, I'll do a follow-up question about that. I'm curious though as well from a behavior perspective, because I know you study a lot about behavior and how people actually establish habits, is there anything that's important when people know that they're going through a program with a group where there's some accountability, for example, to go through a six week program? Is there any difference in the mind of buyers from that perspective? That, "Wow, I better really do this because I have this course that starts on this date and ends on this date?"

RAMIT: Yes. You're 100 percent right. One of the biggest challenges of our generation's is that we are desperately crying out for someone to hold us accountable. You know, nobody holds us accountable. When was the last time someone said, "You know what? You really need to step it up. You could be doing better than what you're doing today." It's been for many of us 30 or 40 years since it was our parents in seventh or eighth grade. And we are actually crying out for someone to do that.

I hear people saying that every day in my research, in my courses. They say, "I wish we had an accountability program. I wish I had someone to hold me accountable." So it's absolutely critical to do that. People want it. I actually am shocked at how people use the word "accountability." They say, "I want to be held accountable." I'm not accountable to myself. So you can use that, use what they want and actually integrate it into your courses. You said some really interesting things I thought were really smart. You said a six week program. The subtlety there is that people want to know that it's a closed-end program. The cover of my book actually says, no BS, no excuses, just a six week program that works.

PAMELA: Mm hmm.

RAMIT: The psychology behind that is people want to know that at the end of six weeks I'm going to be done. Great. And you know that you're going through it with a group. Pam, you do this better than anybody, which is to groom people along in a group and let them know that they're not the only ones. They're not alone. People want that more and more, to see that they're not the only ones going through it.

Now you can do this in a variety of ways. You can send emails, you can do a forum. I generally discourage forums but you can do a forum, a Facebook group. Whatever. And let people know they're not alone. That, in and of itself, can reduce refunds. It can improve sales and most importantly it can actually help them achieve their goals.

PAMELA: That's really wonderful. So from that perspective, part of what I'm taking away when you're even thinking about having a class that would be evergreen, where people could sign up for it for any time, you still can really specify that this is the period

of time in which to go through the course. Right, anchoring in. That it's a six week program. You could have pre-scheduled emails for once they sign up that you follow up. So again, even if it's not you live, you have the emails automatically coming to encourage them to be moving forward. And I think that could be a way to really make sure that they are actually getting the work done.

RAMIT: That's exactly right. There [are] so many ways you can do it, if you choose to go the evergreen route. Another simple way to do it beyond scheduling the emails is to once a week send out some stories about your other students - maybe a case study or two.

“They went through this. They were feeling really insecure about their interviewing abilities and this is what they did. They used module two and they overcame it. If you're feeling the same way, [click here to read more about, you know, Carrie.](#)” So there's all kinds of ways you can connect people whether or not it's live and I would just say that people really, really appreciate [that] even more than I suspected.

PAMELA: That's great and I really appreciate those examples. So we talked some about doing testing, and figuring out what's the right pricing you gave in the very beginning of the call. The different structures and tiers that we can think about, of ranges in the market that people will pay.

Now, let's get a little bit more into the marketing or the sales side of the equation. How are you really anchoring in the value of your pricing in the minds of your audience? Once again this is something I've seen you do so well - that months and months, sometimes years before you might release a course you are already talking about it on your blog. You're giving examples, you're planting seeds for the kind of content that's going to be covered and the value that's going to be covered. So what's important from that perspective as you're really thinking about marketing and selling your course?

RAMIT: It's funny you mention the years thing. When I released that \$4.95 ebook, I was shocked at how many internet cheapskates there are. They said, “For me, you jumped the shark. I can't believe you're charging.” By the way, this was after giving away three years of free materials. I had never even run an ad. I had never charged a cent. I'd never made a dime off this blog and all of a sudden I've jumped the shark.

I thought, “Are you kidding me? You group of internet weirdoes.” And what was ironic was I had to learn who to listen to, because all these whiners were saying, “Really, these suck.” But quietly there were tons of people buying this ebook. So you get these loud whiners, who are never going to buy, complaining. And then you actually have the people who want to take action buying or investing or taking action. And so I have a basic framework and you're correct.

Sometimes I do start planting seeds years in advance, not because I know what product is coming out. I'm not generally that strategic. But because I want to put it out there and I

want to see if people are interested. I want to hear the words they use. I want to hear the pain points they have and I want to see if it's truly something that they're engaged in.

So here's what I would suggest as to how to do this thing. You don't have to do this years in advance. You really don't. You can just do it a little bit in advance and it will end up, as we've seen data indicate, actually quadrupling sales. I'm taking we have actual numerical data on it.

So here are a couple things. Number one, you're not looking for everyone. You're just looking for the right people. You talked about this with me, about all of [the] people with credit card debt for my high end programs. I would challenge each listener here tonight, okay, so you want this type of customer. Who do you not want? Target does not want the type of people that shop at the high end store that I mentioned, Barney's. And Barney's does not want the people that shop at Target. It's crystal clear. Who do you not want? This is a very, very hard thing for people to answer because you tend to want everyone. That's no good. The second thing is, don't think about pricing as the last option. I'll give you an example. Pam, I love examples from the world of dating.

PAMELA: Me too, me too...

RAMIT: Uh, because...

PAMELA: ...it's my favorite analogy...

RAMIT: Yes.

PAMELA: ...in business.

RAMIT: So I have a PG-rated example that I want to share. I think women listening to this will relate. And men as well. So think about a guy who goes on a date with a girl and he's been strategizing for two weeks. At the end of the night, how am I going to get that kiss? Should I say this? Should I say that? Should I put my hand on her shoulder? Should I have her in front of the tree?

And women know that the decision whether there's going to be a kiss or not was made long ago during the date - sometimes within minutes. They're saying things like, "Am I attracted to him? Is he genuine? Is he funny?" Now the words he uses when he goes in for the kiss may have an impact. It may have a five or ten percent impact, if we have to quantify it like nerds. But the real decision was made long ago.

And I would say the same thing is true for when you're creating a product. Yes, your price matters. There's no doubt about that. But what I'm trying to get across is that whether your product is going to succeed or not is not going to be as dependent on your pricing as you think. It's going to be dependent on the research you did, on the type of product you're offering, who you're offering it to and what problems you are solving. So if you could do that, you can generally really, really, really explode your sales. Most

importantly, help your students, help your clients hit their goals. When they do that you both win.

PAMELA: Definitely. Well, my daughter actually started her first day of kindergarten today and as I was thinking about this next question...

RAMIT: Wow.

PAMELA: ...I would imagine that when your kindergarten report came back it said something like, "Ramit has a very healthy sense of self." That's kind of the sense I get, that from the time you were really little you were pretty much a confident kid. You can tell me where I'm wrong in that. But I imagine your personality for all the years I've known you is you're pretty clear. Right? You're pretty strong. You have a sense of humor. Many other people don't necessarily have that kind of personality. Get struck by self-doubt.

When you're a new entrepreneur or when you're doing something for the first time, it's very normal to feel like yes, I really want to be delivering value but I don't really know if I can. You know, can I actually do it? Like what if I make this claim that somebody is going to lose weight or find love or make money or whatever it is, and I can't actually deliver? How, how do you deal with some of those emotions with integrity, so that it doesn't take you down but it also really makes sure that you're delivering value to your market?

RAMIT: Yes, I love that you ask me this. It's funny, Pam. I've invited you a couple of times to speak to my students and I always take pains to point out that you really are one of the most sophisticated thinkers I know on doubt and fears and really confronting and handling those. I feel like I actually don't have much to add to what you do because you do such a great job.

But there are a couple things I've noticed among some of the friends I have that are just starting out. And we all have doubts. If you look at my first \$4.95 ebook, the sales copy is terrible. You can actually see my fears and doubts in the sales copy. I go around explaining why I'm charging this much. I justify it. It's just terrible. And you compare that to my later sales pages where I say, "Look, if you have credit card debt, leave." It's a totally different thing. But, but guess what? That took me years to get to. I was very unconfident and scared. I was terrified. That's why I charged such a ridiculous price. \$4.95? The price alone tells you how scared I was. I was just petrified with fear that people would think I was selling out. And you could see that in every aspect of my product. The price, the sales copy, everything.

So what I would say is, first of all, acknowledge it. We all fear putting ourselves out there and putting a price tag on what we know. That's scary. There's no doubt about that. I am still scared to this day when I charge something. I'm wondering are people going to say that I'm trying to sell out or I'm just doing this to make money - stuff like that. It really cuts to your self-worth.

The natural thing we do, the natural, and one of the worst things we do is we cut our price. We think that if we lower our price that's going to make everything okay. And that is quite contrary to what actually happens. You get these internet whiners. They're going to whine whether you charge one dollar or \$1,000. To them, everything should be free. And guess what? They are not your market.

I talked about who you're serving and who you're not. I'll say number one, become crystal clear on who it is you're serving. Would your market ever complain about paying, let's just say, \$100 to find love or to start a business? Of course not. Who would complain? People who are not serious. People who are looking for any excuse not to take action. So who are we going to serve? We're going to serve the people who take action.

And I'm going to add one more thing as a challenge to everybody listening here. Because I believe that the entire industry can do better than it does. I look at some of the products I see out there and I just shake my head [because] they're just not good. I think we can all challenge ourselves to do better. My products in the early days could have been a lot better. Now I take pains to make sure that they are the best they can be. I think we can all do that.

So here's what I would challenge everyone. Take the risk on yourself. Take on all risk. That means a money-back guarantee. That's the bare minimum. So prove it. If you're not sure if it works or not, prove it. Tell people you'll give them a full guarantee and go even deeper than that. It's not just about giving them the money back. How easy is it to get the money back? They have to send one email and that's it. Maybe that's it. Answer the question. People don't just want to know if they're going to get their money back. They want to know that it's going to work. They want to know that they're not going to waste time. They want to know they're not going to look stupid.

Answer all these questions. Take on all the risk. Put yourself in a customer's mind. When you do that, when you come out with a great product that you're really proud of, when you get some proof. People have gone through it, you collect testimonials, you put them back in the marketing and you take on all the risk. That is how you can really, really, really grow your business because you're doing the risk. You're taking it on and you're telling your client and your students and your customers, look, this isn't going to work for everybody but I believe it will work with you. Here's why. Here's the proof. And if it doesn't, you're out nothing. You spent two weeks, maybe the most interesting two weeks of your life. I'll give you all your money back. But I want to challenge you to try to be better than you've ever been and I think I can help.

That is how you understand them, you connect with them and you really position yourself as someone there to help, which of course you are. It's not about convincing someone to do something they don't want to do. No. You're taking your doubts. We all have them, and you're saying, look, I may not be right for you. But I think I'm right for some of you. And let's do this journey together. And when you do that you will soon get proof.

And as you get that proof and people say, “Ramit, you changed my life.” Or “Pam, I was able to quit my job and do what I love,” your doubts will slowly start to seep away.

PAMELA: Yes. I love that. And that’s definitely been the case of what I advise to people, is that it’s normal that you might feel less secure when you’re starting. But you really want to be rigorous to make sure that you are delivering the very best you can at any given time. It gets better as you go. I’m the same as you. My very first clients who I had did not benefit from the clients I have today, right? Seven years after doing all of this work.

I’m curious for one thing. In terms of guarantees and the money-back guarantee, are there any stipulations or should you just not worry about it? I’ve seen sometimes people might say, “You will get 100 percent refund plus \$100, but you must demonstrate that you’ve actually read the material,” right?

RAMIT: Yes.

PAMELA: Or people have a similar concern where they say, if I have a product that somebody can download, how do I know that they don’t just buy it, download it and then ask for a refund? Is that the kind of thing you just shouldn’t worry about because those people clearly are not your market? Or do you believe in just having a complete money back guarantee? I’m thinking about products that might be virtual products, classes or downloadable products. But what about for something like a live event, right? That you’re actually investing your live energy. Somebody might be coming to a retreat or a conference or something like that. Is it the same across the board?

RAMIT: No, it’s not. And that is a great question. I will answer although I will also admit that I haven’t fully tested different guarantee models. I’ve tested some. I will tell you that guarantees and testing those are a great thing to do as you get more and more sophisticated, as you get a lot more customers, etcetera. But at the beginning as a general rule I would always default to putting as declarative and expansive of a guarantee as you can. Taking on all the risk you can.

[Even if it]is an in-person event. I’ve seen lots of in- person guarantees. They say, look, if you don’t love this event, come up to me any time during the entire event or during the first 24 hours. Come up to me and I will refund your money right there on the spot. I think that that’s a good general rule.

Let’s say that you do something like this with one of your products and you find that 50 percent of people are refunded. You have two possibilities there. One is you have a really bad market of degenerate freeloaders. That’s one. Two, I actually would guess that your product probably isn’t very good. If I had a 50 percent refund rate I would say, “Oh my God, something is wrong with my product.” [Do] you know why? Here’s the truth, Pam. Generally people are good. There’s always going to be a certain number of people who refund. We know this number. We have a very steady refund rate and we monitor it every week. And we know that no matter what, there’s going to be some

minimum amount of refund. That's the price of doing business. Do some people sign up and then they cancel? Yes. If they do it more than once, do we watch them and notice them and perhaps even ban them? Yes. But that's not something to spend a lot of your time on.

I prefer not to spend my time looking at the bad apples. I want to grow my business for the good apples, the ones who want to take action and get results. So my general rule is - again, general rule and rules are meant to be broken - just start off with a really, really broad, great guarantee and then over time you may want to tweak it, tune it, etcetera. But a guarantee is just a minor part of the sales process. There are much more important things to worry about.

PAMELA: I love that. It's like everybody worrying that somebody's going to steal their idea when really it's so hard to actually implement it that that's usually the last thing you need to worry about.

RAMIT: Yes.

RAMIT: You should be so lucky that they steal all your ideas. That would be great if you have a million people paying attention to you. You should be so lucky.

PAMELA: Exactly. Exactly. One last piece which you touched on in some of the earlier sections. Let's assume that you have thought about your branding and positioning, you've done some market research, you do have a good plan for getting the word out and you put out a price and you have this nagging feeling that maybe the price really is too high. That everybody's saying, "This is great, it looks wonderful" and nobody is signing up. How do you begin to dig in and analyze, is it the price? Is it the sales page? Is it the positioning? Is it something else that you don't know about the market? Is there any way that you can figure that out? And I guess it would probably be if a price is too high. But it also could be if it was too low and the market was really perceiving it as...

RAMIT: Yes.

PAMELA: ...not valuable.

RAMIT: Okay. This is really, really hard to do. When you have something broken, generally the way this manifests itself is you put out a product and not that many people buy it. You think, "Oh, no; what did I do wrong?"

We have actually had this. I'll just give you an example. We recently ran a test of a product and it didn't sell as well as we thought. And this is one of the worst things that can happen because now you have to figure out where did you go wrong? Is it my marketing? Marketing emails? Is it my sales copy? Do people just not care about this topic at all? Is it my sales page? Is it the price?

It's very disheartening and discouraging to have that happen. So I will tell you two things. I'll tell you what you should do and then I'll tell you what probably realistically you will do. What you should do is iron all these things out before you come out with the product. When I came out with my Dream Job product I had collected tens of thousands of data points. I knew what people were going to pay. I knew that they were interested in this. I knew the words they used. I had done a lot of research. Guess what? That doesn't happen very often. We spent a lot of time and money doing that and that's great if you can do it.

What more commonly happens and what happened with this product that didn't sell well recently was, we had an idea, we added some new content and we thought, "This is great." Like we know what people want. Well, no, we don't. And when we put it out there, we didn't get the results we wanted, so we had to start doing what we call a post mortem and analyzing what went wrong.

We're currently retesting that right now and in general I would say that pricing is usually not what causes other people to forego your product. It's usually not pricing. If your pricing is within some reasonable band, it's usually not pricing. It's usually something much deeper like your marketing, your positioning, your target module.

If you really cut to the core and deeply connect with someone, and I understand your hopes, fears and dreams, Pam, and then I charge you, let's say, \$199 instead of \$149, you're going to pay. Forty bucks is nothing. Even if it's 500 bucks and I truly connect with you, you're probably going to pay. Depending on the market and if you have the money and the willingness and things like that. It's usually that we're not able to connect with people because we don't understand what it is they actually want and what they're paying for and so on. So, in general I don't encourage people cutting their prices because that's usually not the problem. But don't take my word for it. If you want to try it, try it. Cut your prices by 50 percent and you will be surprised that usually that doesn't really move the needle much at all.

PAMELA: Mm hmm.

RAMIT: And you'll think, "Oh, man. It wasn't prices." So you can try that. Usually it's something much deeper and much harder to solve which is, "Am I serving the right market with the right product and communicating it in the right way?"

PAMELA: Yeah, I definitely know that, it's very, very useful.

RAMIT: That was a very discouraging answer. Is there anything else we can add on?

PAMELA: No. You know what?

RAMIT: I was depressed right now.

PAMELA: ... well, it is. One of the things that I think is so important from the beginning is setting expectations. I often do a lot of coaching of people who might bring something out to market and maybe they sell five seats in a class. Or seven. I usually work with them to say, “That is fricking fantastic.” Like the very first buyer that you have that is great. You know that some things are working and so you can adjust and you can grow, pour tons of value into those wonderful first five people who invest in the product. And that’s really where you grow it. I think often, with all the internet marketing we get, sometimes people feel bad if they don’t sell a thousand seats. And if it’s your very first time, as you’re saying, there are so many variables that it’s actually pretty great...

RAMIT: Oh, yes.

PAMELA: ...if you can sell anything at all. But what you do want to do is to dig in and figure out what really worked for those people so you can do that more. And when you’re growing incrementally, if they’re even referring to one other person, as you extend that over time you really can grow into a healthier audience. So I like your answer.

RAMIT: Yes.

PAMELA: I would prefer that people are really realistic about it and I just think people have very unrealistic expectations sometimes the first time they bring a class out.

RAMIT: I liked your answer better than mine, truthfully. I think you’re right. If you have one person buy your course, maybe that’s a fluke. And because it’s your mom. And the second person might be your cousin. But the third person means you’ve got something. And you really are on to something, especially if it’s some random person.

Think about the psychology of opening up your wallet and paying some random internet weirdo online for a course. This is unheard of. This has never happened in the history of what we’ve done in the last ten years. So it is truly remarkable if anyone values what you’re offering. The first time you launch a course you’re probably not going to get a thousand customers. That is fine. That’s totally fine. Next time you may double the amount of customers. The third time you’re going to learn a little bit more subtlety about the pricing and the positioning. And people are going to start to see testimonials. You’re going to have proof. So it’s all a natural progression.

My five dollar ebook was many, many years ago. I think it was seven years ago. And it took me a long time to even get to that. And then I learned how to do higher prices or different products. But it was a very long journey and it continues to be. And I still fail probably as often as I succeed. Probably more I fail. Like the most recent product launch. So, I would say that setting expectations is crucial. And give yourself some congratulations whenever you are able to help one of your clients or students succeed. They’re going to be with you forever and hopefully they will be able to tell other people how successful you helped make them.

PAMELA: That's wonderful. Well, I so appreciate this hour and all the different things that you have taught us about pricing. I know personally I was probably as excited as anybody else listening to you because I learn something new truly. Every single time that I listen to you I learn something new.

As a business owner now, on August 15th it'll be 16 years that I've been in business. You always want to be reevaluating what you're doing. If you get to different stages in business you can be thinking about things in a different way and making different choices. So the building blocks of what you've talked about I think could be applicable to people whether they're first starting out or people who may have been in business for a long time who really, really want to be reevaluating exactly how it is that they're doing their pricing. So I really appreciate your input Ramit.

You can find Ramit at iwillteachyoutoberich.com which is his very popular website where he blogs and shares all kinds of information about personal finance, behavior change, all kinds of good things there. As well as getting information about his courses. You can join his newsletter list which is also right there on his site. And also occasionally he's on Twitter so you can send him a shout out to @Ramit, R-A-M-I-T. Is there anything else that you want to close with, Ramit, before we end the call?

RAMIT: You know what? The only thing I'll say first of all, Pam, is that it's a true privilege to talk to you because you say that you learn about pricing when we talk but I learn about confronting our fears and some of the really deep internal psychology and barriers that we have when I talk to you. And believe it or not, I've studied the courses that you gave to my students, I've studied those myself because you really have a much deeper and intuitive understanding of people. So I will say to everyone listening, Pam is the best at what she does. And, just because we all have access to her doesn't mean we shouldn't take her very seriously. The stuff that I learned from you has been profoundly helpful for growing my business.

The other thing I would say to everybody listening is, pricing is important. Pricing is strategic. But pricing is just one part of your entire package. And if you continue to put your clients and your students and your readers first and figure out what they want and what they need, the pricing will fall out of that. So do your homework, connect with them first, find out what they really want. Not what you think they want, but what they really want. And you will soon find that as you help them your business will also become much, much more profitable. It's almost a guarantee.

PAMELA: Wonderful. Well, thank you so much, Ramit and thank you everybody who has been listening to the call. I so appreciate it. Have a great rest of your day. Bye bye.