Increasing Prices

How to Use the Power of the Yes-Yes System

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Why Comparison Matters

There's just one way to determine a price of a product or service.

It's called *comparison*.

Which is why we compare the price of apples with apples
Even so, we have to still figure out a base price. An apple may cost $0.30 or $.50. So how do we reach a conclusion? We can't—unless we create some comparison.

Our brain sorts out why a single apple might be worth $.50
And how it compares with another apple that's worth $.30. But all the time, the brain is going through some sort of comparison. We know this to be true, because of the stories our grandparents told us. They would find a 50 cent apple to be horrendously expensive.

"We'd get an entire sack of apples for $1," my grandfather would say
And that's because he too was making a comparison. He was comparing the price of apples back in his day, with the price of apples today.

Which is why we first look at what our competition is charging
They, in turn, looked at what *their* competition was charging; who looked at what their competition was charging—and this is why we have prices that seem to hover together like lemmings.

Until someone breaks through that price barrier
We've learned that the *gorillas*: *information, uniqueness* and *scarcity* play a big role in creating consistently higher prices. And while we don't have a big problem with *information* and *uniqueness*, it's not always easy to be able to use *scarcity*.

There's only one way we can come to some sort of price conclusion. When we compare, we get a base level. That base level may be price, size or a whole bunch of factors that help us make a decision. Without comparison, we have no real starting point.

This creates a dilemma of sorts
Sure, we can just jack up the prices and hype up our marketing. But there's a downside to hype—namely, it dies down. A client may get all charged up and swept away by your marketing, but then, in the quiet of the day, may feel a pang of regret.

There's a way to remove that pang of regret, even when charging a lot more than your competition. And that's to give the client a choice. They can choose between a lower price and a higher price.

Just like buying apples, it seems...
So how do we create this comparison factor? It's relatively easy, and it goes by the unusual name of the *Yes-Yes system.*

The Yes-Yes System

When you go to buy a coffee, what are you thinking of?

Most of us would say—we're thinking of the *coffee*. And that's perfectly true. We think of the coffee, the coffee and nothing but the coffee. That is, until we walk up to the counter and are offered a choice of a regular or premium coffee.

You find out quickly enough that there's a blueberry muffin involved.

If you choose the *regular* option, you get the coffee. If, on the other hand, you pay a little bit more and choose the *premium*, you get a muffin as well. Suddenly your focus has changed. You're no longer thinking of the coffee. The muffin—that bonus— is messing with your mind.

The Yes-Yes System is primarily about the bonus
The product or service, wonderful as it is, doesn't hold a candle to the bonus. The bonus is what changes the priority of the client, making them want the *premium* offering, rather than the *regular*.

So what's the Yes-Yes system, anyway?
The *Yes-yes system* is a robust way to increase your prices, that works because of comparison. When a client decides to buy a product, they see a *regular* price and a *premium* price. The premium price has the goodies they desire, and so they choose the *premium*.

It's important that the *premium* is not higher than 15% of the *regular*
For the client to perceive the *premium* to be real value, the prices should be remarkably close to each other. If the *regular* is worth $10, the *premium* should be 10-15% higher—at about $12 or $13. This really matters as prices go up. So a product that's $50 for the *regular* should be about $57 for the *premium*.

When a client heads out to buy your product or service, we automatically assume that the product or service is the biggest attractor—and it is. Yet, no matter how wonderful the product or the service, the client is immediately attracted to the bonus. And it's the bonus that makes the Yes-Yes system so powerful.

The second factor in play is the value of the bonus
The bonus should be valued at between 25%-50% higher. Or it should have inherent value *that seems priceless*. So let's say you're hosting a tiny seminar on how to do amazing podcasting. And the *regular* option is to give you all the information you need about the topic. But the *premium* is a visit to your

The cup of the coffee on the left—is a *flat-white*. The cup on the right is identical in every respect. It's the same size, same amount of coffee—almost identical in every respect. In fact, you should be able to swap the cups around, and no one should notice. The difference, however, is the blueberry muffin (on that elaborate napkin). That's the ONLY difference between the *regular* and *premium*.

studio to view your set-up.

The move to *premium* is almost instant
The logic may seem to suggest that the participant would choose the cheaper option. After all, their goal is solely to understand the concept of podcasting—no more. But if the pricing is within 15% of the *regular*, the participant will almost always choose the *premium*. An insider view of your studio gives them the chance to leapfrog their own progress in podcasting. The *premium* sounds like the logical step to take. And having settled the *regular* price in his mind, the *premium* doesn't seem like too much extra at all.

So why do clients move beyond the *regular* into the *premium*?
There are two distinct reasons why they move from *regular* to *premium*

- Clear benefits
- Feeling of loss

The first reason is the easiest to figure out...
There's a clear benefit to the participant showing up at your studio—as a bonus. In the seminar, you can show all the video and photos as you want, and it's akin to showing someone a video or photos of a foreign country. The actual experience is always better. And, at least in this case, the client clearly sees the benefits of the bonus. The 10-15% addition in costs is hardly a barrier.

The second reason is the feeling of loss
When you take away that muffin, or the studio visit, you are effectively *giving* it to the client, then taking it away. And we don't like that feeling at all. Once we see the bonus, and realise the value, we want it immediately. Taking it away only makes us want it more.

So we come full circle to the concept of the comparison
We buy because we compare. And when the client sees your *Yes-Yes* pricing, they start comparing the *regular* with the *premium*. And yes, there may be others selling exactly the same—or similar products and services. But the bonus becomes the factor that messes with the mind. That bonus isn't available anywhere else—and shouldn't be. That singular factor of the bonus makes your product or service different from whatever is out in competition-land.

And to execute the Yes-Yes system correctly, we must take extra care
The *Yes-Yes system* itself isn't complicated. But that doesn't mean it's not fraught with danger. The single biggest danger is *creativity*. While the *Yes-Yes* pricing grid is utterly straightforward, clients will do their own tweaking. This tweaking results in their clients either buying the *regular* or heading away to the competition.

- The core of the *Yes-Yes system*—yup, it's the bonus
- The bonus is more important than the product or service itself
- The bonus is important because it provides the critical factor of *comparison*
- This comparison shows up as *regular* and *premium*
- The cost difference between the *regular* and *premium* is never higher than 15%
- *Regular* and *premium* are EXACTLY the same, except for the bonus and price.
- Creativity is dangerous, so we must execute with great diligence.

It's time to move to the execution stage and assemble the elements of the *Yes-Yes* system!

Assembling Elements of Yes-Yes

Does the *Yes-Yes System* work? Yes, but it also fails. And the reason it fails is simple. It fails when the person creating the *yes-yes* table gets too creative.

Creativity is the enemy?
Yes indeed it is. From time to time a client will come back and report that the system isn't working. And that's not entirely true. It's still working—even when it fails. Because when the client says it's not working, it means that his clients are buying the *regular* and not the *premium*.

But the goal of this book isn't to get you the lowest possible price
And usually the *regular* is the lowest price—it's the price you are charging for your product or service right now. The premium is the *preferred* price. And if you get the same price as before, it means that something has gone wrong. And usually when that *something* goes wrong, it's because *someone* has begun to get too creative.

I'm all in favour of creativity
Go out there and put chilli instead of jaggery in your food. Do your paintings upside down if you like. Be as creative as you want to be with pretty much everything in life. But with this Yes-Yes table, let's drop the creativity. If you replicate the elements of the table correctly, it succeeds. If you don't, it fails.

It's that simple.

So let's take a look at the table and the core elements

- Your product/service
- The bonus/bonuses
- The price structure
- Red ticks

It's natural to want to want to be creative and march to the beat of your own drum. When creating the Yes-Yes table, it's better to avoid creativity—or risk drumming your client away.

At this point, we're not going too deep into the elements and why they work, or what causes them to fail. All we're doing is getting a brief view of what they are, and an overview of why they're important. At this point, it's just assembly time. So let's start with the first element: the product/service—namely, your offering.

And bear with me while I repeatedly bring up the core product and the bonus. It's a repetition, no doubt, but it's worth repeating, because that's where most of the implementation goes wrong.

Let's go back to that cafe, shall we?

Element 1: The Product

Imagine you went for a coffee with a friend. Your friend orders a large latte. You order the small.

So here's the question: Did both of you order the same coffee?
Yes, you did. But obviously there was a variation. His latte was bigger than yours. And to state the obvious yet again, yours was smaller than his.

In short, both of you bought completely different products!

When you're creating the yes-yes, this is the first place where people go off track
They believe that a blue pencil and a red pencil are exactly the same. After all, the blue pencil and the red pencil are only superficially different, aren't they? They both have the same height, width and both have an identical lead.

And yet, one variation—the smallest variation makes things different
For the yes-yes to work, your first step is to make sure that both the *regular* and the *premium* start off with exactly the same product. Not the slightest whit of a difference can be apparent.

A tiny change in colour, size, quantity, delivery method—any tiny change—changes the nature of the offering.

But let's start at the top—what is the product and why the fuss over this sameness?
The product, service or training that you're about to offer needs to go into two categories: *regular* and *premium*. So let's say you're offering a course on *leadership for astronauts*. To construct the *regular* and *premium*, we have to start with the core offering—namely the course on *leadership for astronauts.*

You'd naturally think that there should be a difference between the *regular* and *premium* option. After all, that's what makes regular, regular and premium, premium. But when starting out the price grid, there needs to be no change. For both the regular and the premium, the offering needs to be exactly the same.

And to belabour the point, if you were selling red pencils, the core offering would be one red pencil on the left. And ditto—one red pencil on the right—exactly the same. And weird as it sounds, this is how we need to create the first step of the price grid.

That's it?
Yup, that's it.

The Product

Red Ticks

The Bonuses

The Price Structure

Black Belt Presentations Series		
	Regular	**Premium**
Book 1: Slide Design and Packaging **(PDF and Audio MP3) (valued at $139)**	✓	✓
Book 2: Structured Presentation Delivery System**(PDF and Audio MP3) (valued at $139)**	✓	✓
BONUS		
Book 3: Control Mechanisms That Get Results **(PDF and Audio MP3) (valued at $139)**	-	✓
Secret Bonus 1: A 45 minutes video presentation and transcript **(valued at $75)**	-	✓
Price	**US$189**	**US$199**
Pay Safely With Any Of The Options Below		
To pay by Credit Card	Buy Now	Buy Now
To pay by PayPal	*Buy Now*	*Buy Now*

Element 2: The Bonus

The bonus is the core difference between the regular and the premium offering. We know by now that the product needs to be identical in all respects. It's only at the bonus stage that you see any sort of change or variation.

So let's take a cup of coffee as an example
The regular offering is a latte, 200 ml.
The premium offering is also a latte, also 200 ml.

The bonus—available only with the premium—is a tiny blueberry muffin
Let's look at it visually, to see how it makes a huge difference to how we perceive the very same offering.

Both of the coffee-snobs are having the same coffee. Same size, same cup, same amount. But one of them has a muffin. It's a tiny muffin, probably yummy. And that muffin, which happens to be the bonus, gets the attention. It's what turns the regular offering into premium.

Whenever we see a bonus, something weird happens to all of us
Let's say you wanted to go to a workshop to learn how to paint watercolours. Your goal is to get a hands-on experience on watercolour, nothing more, nothing less. Yet, as you're about to make your payment, in comes the *muffin*. For a tiny additional sum, you not only get the course, but also three video-based techniques on how to speed up your watercolour painting process. If you buy the videos separately, they cost a lot more. But buy it along with the course, and you save a chunk of change. At this point,

there's a certain clarity in your mind, right? You are going to the workshop to get a hands on experience. If you've never been to a workshop before, you know that you can't absorb it all. And so the videos become a sort of *necessity*. The fact that the bonus is being offered at a lower price makes it super-valuable. The logical move would be to buy the premium offering because it's the most valuable.

In fact, your brain can't focus on anything else, but the bonus
When we set out to buy a product, the brain has already done a lot of jumping for joy in advance. Like Pavlov's dog, we have already worked out what we're looking for and gone through the anticipation of owning the product or service. The bonus comes as an add-on.

I learned this yes-yes concept quite by mistake when at a conference in Australia
I was a speaker at the conference and quite green behind the ears. I hadn't been in marketing for long and was invited to the conference as a last-minute replacement for someone who'd dropped out. And there was this speaker who literally got people shoving and pushing each other to get his product.

So what was the tipping point?
It was the bonus, of course. At this conference (actually a pitch-fest)[1], there were many products and services to choose from. To say the audience gets jaded with pitch after pitch is a bit of an understatement. Still, this speaker was not just selling the software, but, for the first fifty buyers, he was going to install and help them run the software.

Notice closely that the software didn't vary in any manner
Whether you bought the *regular* or the *premium*, the software was exactly the same. But the bonus was so tantalising—that the audience stopped focusing on the product offering—and only wanted the *premium*.

In short, the bonus creates a certain level of pain
Once we have bought into the product or service, all of our energy has been spent in selecting that specific product or service. When the bonus appears on the scene, it becomes an additional incentive. Immediately focus shifts from the product or service to the bonus. When that bonus is taken away, it becomes the only thing that we are interested in at that point in time.

When that speaker at the conference offered to install and help run the software, he was shifting the client's attention from the main product to the bonus. Since there is a

1 A pitch-fest is where the speakers speak for a while, and then spend the rest of their time hawking their product. It's similar to what you'd see on TV— when you run into advertorials.

fair amount of complexity in installation, that bonus became invaluable to the clients. And that's what created the pandemonium.

But not just any add-on

The moment we see the bonus (and we'll go a lot further into bonuses shortly), we begin to own the bonus too. When we see that muffin, we know that we should be chomping into it. Sure we have our rich coffee, but somehow the pleasure of that coffee is being rapidly downgraded—and all because our focus has turned to the bonus.

When we don't get the bonus, it's akin to exposing us to something valuable, then taking it away just as quickly. We experience loss. And we're keen to make up that loss by ensuring we get the *premium* option.

The bonus is critical—yes, it is—but we also need to make sure we have an extremely uncomplicated pricing structure.

Element 3: The Price Structure

Most of us have had a go at the Rubik's Cube.

And yet most of us struggled to solve it partially, let alone completely. The reason for this lack of success is due to the complexity involved. But the bigger reason is that we simply ran out of steam.

The purchasing process makes us very tired
When we switch roles and become clients, the purchase process can be frustrating. It's not just about finding the right product or service, but we need to absorb all the details, reduce our risk factor and then we're faced with not one, but two options. The entire journey is pretty exhausting. Therefore, at this stage in particular, there should be no confusion of any kind.

And a simple pricing table is what you need to reduce confusion
The table consists of three core areas:

- The main product or service
- Bonuses + prices
- The payment options

Let's start at the top with the main product or service
As we've gone over and over—and over again—the main product or service is exactly the same in both the *regular* and *premium*. This is your main offering. So, if you were offering a consulting service, this is where the service would show up; if it were a workshop, this is where the workshop would show up.

The next sections are the bonuses and prices
This is where we see the first change. The *regular* option may or may not have the bonuses, but the *premium* always has all the bonuses. In some cases, the *regular* may have a single bonus, while the *premium* has more than one. What's critically important is not that there are bonuses. Instead, what's important is that the bonus that's available with the *premium* is the most desirable of all.

If possible, it needs to be more desirable than the product itself
Remember the software being sold at the conference? Sure, the software was great, but it was the installation that was the most desirable. To the person buying the software, the installation was a bit of a nuisance; an unnecessary time-wasting exercise. So that bonus becomes super-desirable. That's what you need to offer with the *premium* option *at all times.*

After which, you list the *regular and the premium prices*
To get the price you want, you need to start with the *premium*. Let's say you have a skin cream that you want to sell for $63. That's the price that needs to go in the *premium* price box. And to the left of that box, you should slot in the *regular* price.

At which point you need to take care of one very important point
The difference between the *regular* and *premium* should *never be more than 15%.* It can be less than 15%, but avoid the temptation of going further up the percentage scale. This is important because a difference of 15% may not always look like much.

To go back to the coffee example, the *regular* option will cost $4. But the *premium* option costs $4.60. The tiny blueberry muffin might normally cost $1.50. So the client doesn't have to think much, does he? The entire value of the *premium* is $5.50, but he's getting it for $4.60.

At first, it's scary to increase prices by 10-15%. But then as you meet with success, a touch of gluttony may creep in. It's better to increase the price, test the response, then increase it again. The price of the product may increase a lot, but never more than 15% at a time.

Sure it's a bargain, but it's also a very desirable bargain
The muffin enhances his cafe experience, and for a tiny additional price, he can ensure that the cafe experience stays spectacular.

If you want to increase it more than 15% at one go, you're wasting your time
Let's say you wanted a final price of $70 for your skin cream. Would it be possible to have the *regular* at $50 and the *premium* at $70? The answer is obvious, isn't it? Even as you look at the numbers on the page, they look too far apart. If you need to get the price to $70, you move it in stages.

We'll explore how those stages work, but for now, make sure the difference is not more than 15% at all times.

Which takes us to the final part: The payment options
If you notice, we have two payment options, but that's just because some people prefer to pay by Paypal. They get payments in Paypal, and it becomes more convenient to pay by Paypal than to fill in an entire credit card form. However, for those who would rather stay far away from Paypal, there's always the credit card option.

Do these options make any difference to the pricing?
Not at all. They are just a matter of convenience, nothing more. Within the pricing table, they're the only elements that don't make the slightest difference. However, if it's possible, you may want to consider using more than one payment system.

A simple pricing structure of the main product/service, the bonuses, prices and payment is necessary for the client to do a quick scan and make a decision. The greater the complexity, the more the chances of confusion setting in and the client bailing out on the offer.

And now that we've understood more about the product, the bonus and the price structure, let's take a short and important look at the red ticks on the page.

Why bother with a few red ticks anyway?

Element 4: Simple Ticks

It seems overly pedantic to talk about red ticks.

All the same, those little red things you see on the page—they're important. Should you use red? We think so because it makes the options stand out. When a client is quickly scanning the pricing table, the red stuff stands out.

It stands out more than green, or blue, or orange—and definitely more than yellow. So if you want to choose some other colour, be my guest. But red works. It gets the attention and keeps that attention. If you have a single colour page, then a solid black works just as well.

What's also important is that the tick is simple
It's not something *creative* and *fancy*. In fact it looks a lot like a tick most of us would mark on a sheet of paper. So there you go: red and simple.

It works.

And that's it. That's the pricing table.

Note: This is an excerpt from "Dartboard Pricing (How to Increase Prices Without Losing Clients). For the complete book and to see the "Trust the Chef" page, go to: https://www.psychotactics.com/ttc

Summary

- The only way to determine a price of a product or service is through comparison. We can't tell for sure if a product should be priced at $4 or $4,000. Only when we have something to compare with, can we even start to figure out the price.

- The Yes-Yes system is based on the concept of comparison. When you see one price—in this case the *regular*, you're able to make a price comparison and determine whether the *premium* is worth the asking price.

- The Yes-Yes system hinges on the bonus. Most of us believe that our product or service is very important. And indeed the product or service is extremely important. Nonetheless, the client quickly moves their attention to the bonus.

- The Yes-Yes system also requires that there's absolutely no difference between the product or service in the *regular* and the *premium*. They must be identical in every respect. So identical in fact, that if someone were to switch the product or service from *regular* to *premium*, there should be no difference. The only element that's different between the *regular* and *premium*, is the bonus.

- For the client to perceive the *premium* to be real value, the prices should be remarkably close to each other. The price difference should be no more than 10-15%.

- Creativity is the enemy of the Yes-Yes table. Avoid creativity. Follow the simple guidelines and you'll be fine.

- The four elements are listed below:
    Your product/service
    The bonus/bonuses
    The price structure
    Red ticks

- When increasing prices, it's possible to have very slow, and quick upgrades in price. But even if you're going to make speedy—and substantial changes in the pricing, it's best to do it one stage at a time.

- Digging deeper into bonuses, we find that we sidestep price and adore value. Hence it's important to create a bonus that's valuable.

Resources

Resource No.1: Trust the Chef
Though it seems unlikely that new clients will buy your products or services, in reality we buy a lot of products and services on trust alone. There's no doubt that existing clients will buy from you, but even if you're brand new in the market, there's a decent chance that a trust the chef model works reasonably well.

While you're at the page, you may also want to trust "this" chef and get yourself a copy of the "Dartboard Pricing" book. It's definitely a decision you won't regret as it gives you a deeper understanding, as well as more depth into the subject of pricing.

http://www.psychotactics.com/ttc

Resource No.2: The 3-Month Vacation Podcast
The 3-Month Vacation podcast has no interviews. It has no blah-blah, meandering nonsense. Instead it's a radio show that's almost suited to binge-listening (yes, it's that good). So what makes it that good? It's very meticulously produced and rich with music (almost unlike any other podcast).

Plus, each podcast only ever covers three points and has an action plan at the end—so you can actually get things done. For those of you who like transcripts, every podcast has a complete transcript embedded in the podcast itself. It's out every Monday at noon.

http://www.psychotactics.com/podcast
http://www.psychotactics.com/itunes (for Apple devices)
http://www.psychotactics.com/stitcher (for Android devices)

Resource No.3: The Psychotactics Newsletter
It's a newsletter that's been going out every Tuesday and Saturday since 2002. And it's funny (well, I'm allowed to say that) and insightful. You'll enjoy how the newsletter tackles complex issues and deconstructs them down to a single thought. To get on the newsletter, go to the link below.

http://www.psychotactics.com

If you find anything that bugs you, please click on the link below to send me an email. Nothing is too small or too big. And if I can, I'll be sure to fix it. Email me at: sean@psychotactics.com

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