

In The Trenches_ Conversation with Casey Brown

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SPEAKERS

Casey Brown, Steve Divitkos



Casey Brown 00:00

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S**Steve Divitkos 00:40**

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C**Casey Brown 03:03**

Thanks, Steve, happy to be here.

S**Steve Divitkos 03:05**

We are excited to have you here, and I think a logical place for us to start would be for you to tell us a bit more about yourself and your company so that the audience knows who they're listening to.

C**Casey Brown 03:16**

So I'm Casey Brown. I describe myself as a pricing geek. I founded boost pricing about 15 years ago, and we exist for one simple purpose, which is to help businesses command the prices they deserve. And I find that small and medium sized, privately held companies, which are 30 million of us in this country and we employ half of America, they're the lifeblood of the economy, and too many businesses are accepting mediocre pay for excellent work. Many of their products and services, their pricing is exactly right and dialed in where it needs to be to be competitive. But any of your products, any of your services, any of your customers on any of your opportunities, bids, proposals, quotes are less than it could be, they would pay you more than you're accepting mediocre pay for excellent work, and it robs businesses of resources that they could use to innovate, add new lines of business, upgrade technology, hire more people, make an acquisition, pay themselves and their people better. Now we're talking about paychecks. We're talking about families and communities impacted. So there's a really big ripple effect here. And so for me, this is mission driven work to help people who pour their hearts out for quality and service and excellence, and making sure that's properly rewarded. And I do a lot of keynoting and podcast appearances talking about this. And then at Boost, we do pricing training programs for sales teams and other customer facing folks, where we kind of expose customer negotiation tactics and then armed sellers with the methods and messaging and tools and confidence to negotiate from strength and win more deals at higher prices.

S**Steve Divitkos 04:48**

Yeah. I mean, one of the reasons, of many that I was excited to talk to you today is just my reflection on like the power of pricing as a lever to increase profitability or to generate revenue growth and. And if you compare it to other levers. So let's say, you know, to increase my profitability or grow my revenue, I could raise prices, or I could release a new product, or I could enter a new market, or, the unique thing about pricing is assuming that you have the requisite amount of pricing power, which we'll get into. It is a pretty quick and low friction way to both increase revenue, but importantly, substantially all of that revenue drops to your bottom line, because there's no cost associated with a price increase. Not to suggest that everyone should just go double prices today, because, of course, a lot of businesses don't have that luxury. But I guess just with the benefit of hindsight from my experience as a CEO, I came to appreciate how unique pricing is in that regard, compared to all the other levers that we can pull to grow our business, either revenue or profitability wise.

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Casey Brown 05:49

That's right, yeah, I talk about that in my keynote, and we teach that in our training programs. We call it the pricing pulley. So a pulley is a, you know, operates on the principle of mechanical advantage, where a small amount of force can lift the large amount of weight and pricing is very similar. For the profitability of a business, a tiny change in price can have a massive impact on profitability. X percent increase in pricing has a bigger impact on profitability than X percent increase in sales volume or X percent reduction in expenses, because every penny of that drops to the bottom line. So you know, just for example, a company that has a 10% bottom line, a net, an EBITDA, whatever you want to call it, 10% bottom line, 1% price increase drives a 10% improvement to bottom line. And, you know, so what other faster, easier, lower friction way is there to get double digit profit growth? I don't know one for most businesses, and that's just with 1% and you know, I know many of your listeners are professional services firms, so they're not usually scrapping for half a percent or one, we've got the option, a lot of times to do five or 10 or even more, and there is a dramatic impact on our profitability from that.

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Steve Divitkos 06:55

Yeah. So let's start with a reasonably basic question, but an important one. So in deciding what price to assign to our products or services, how much, if at all, should we pay attention to the prices that our competitors charge? Because on one hand, I guess you can argue that our competitors prices don't explicitly contemplate the value that we're creating for our customers through our products, but on the other hand, there's probably something to the idea that competition feels like an inescapable reality of any pricing decision. So how much do we pay attention to what our competitors doing from a pricing standpoint?

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Casey Brown 07:30

Both of the points you just made are the cornerstone of my answer, which is, and of course, I'm a consultant, so I'm going to say it depends. You know, it's right on my business card. That's like my favorite work, right? But there is a reality to it. So let's just imagine a spectrum, and on one end of that spectrum is a very intensely competitive and commoditized product or service. So like, think bulk chemicals, tonnage steel, right? Like it's a ton of steel from this one and that, you know, this supplier, and that supplier is the same ton of ton of steel. And so versus the other end of the spectrum, which is maybe lots of professional services firm, a very differentiated medical solution, a like a lot lots of things you know, that are on this other end of the spectrum. And so my answer is the same. We're across that spectrum, but in different kind of proportions. In other words, even at the most competitive and commoditized end of the spectrum, there is pricing power that exists for the best in the industry. Yes, this ton of steel is the same as that ton of steel. But how is the ordering process? How is the speed? How is the inventory, how is the availability? How easy are you to work with? How quickly do you rush in and solve problems and save the day when something arises? How do you prioritize my needs? How do I know I can count on you? These are things that even in the competitive and commoditized end of the spectrum, differentiate you from your competitors. And so I, even at that end of the spectrum, counsel people not to be handcuffed in their pricing decisions to their competitors. Now, the amount of price premium that's available to the best in class in that end of the spectrum is much less. You're not going to get 20% higher price at that most commoditized end of the spectrum, but you can get one or two or three, sometimes half four, and that in those industries, because they tend to be very slim margin businesses. You know, one or 2% makes a world of difference. So I would not let myself be overly limited in my pricing hunger, my how bullish I'm willing to be on my own pricing, because my value is not the same as them. Now, you go to the other end of the spectrum, and competition and their impact has far less to do with your pricing power, both because the sort of the magnitude of the range of prices expands a lot. So like, you can get a website probably for, you know, \$1,000 and you can get a website for \$100,000 right? So there's a huge range in the professional services under the spectrum, and that is one reason it's less important. But the other thing is it's also significantly less apples to apples, one provider to the next. So it's not the same thing. They don't do the same thing that you're doing. They certainly don't do it the same way that you do it. And so it's very common. It's this sort of tempting thing that people say when they talk to me, a pricing expert, like, oh, well, we really got to understand what our competitors are doing, or we need to do some market research, or we need to. And I always say, you know, let me save you a 50 grand. Like, I mean, go spend it if you want to. But what a market research study is going to tell you is some of your competitors are cheaper than you and some of them are more expensive. How does that influence your pricing decision making? In other words, like, if we already know the punch line, what are we going to do differently with our pricing? Because we know what's going on with the market, because we're in there somewhere, you know? And that's not always true. It's not always my advice, because sometimes I'm dealing with someone who is head and shoulders price premium over the market. But most often, even if they're a premium player and they're up there near the top, they're probably not the most expensive option on the planet for it. So it's like, why do you care very much what they're doing? Because their value proposition is not your value proposition. What really matters the most is not what competitors are doing, but what the customers care about. And do the customer see enough value to pay you that?

S**Steve Divitkos 11:30**

Yeah, and if you were to look across all of the CEOs with whom you've worked, and I know that's a large number, what would you say is the more common mistake among them? Is it people who pay too much attention to what their competitors are doing, or people who don't pay enough attention to what their competitors are doing from a pricing standpoint?

C**Casey Brown 11:49**

Overwhelmingly the former. We're too afraid to to outstrip our competition and pricing, even when the offering is very different. And you know, just kind of back to that, like that company that I mentioned is for a hypothetical company, and I've had some clients in this spot over the years that are, they're already way, way more expensive than the rest of the market. They could be 40% higher than their nearest competitor. And 40% sounds pretty good, unless it should be 50 or 60. In other words, if they're 100% better in terms of the value they deliver, but they're only 40% more than I think they're leaving money on the table. And so I think that we it almost always so most of the companies that work with us are the best in class and better in class providers. They have something compelling to offer that people really want, and they're getting downward price pressure from inferior competition. Why that matters? If you're at that end of the spectrum, a competitive scam is always going to make you feel that your prices are too high, or you're at the ceiling. And my firm and fervent belief, and I got 25 years of experience to to back this up, empirically, is almost no company is actually priced at their ceiling, and too much focus on competitive pricing, especially when you are better than most of that competition in terms of what you deliver, is only going to limit your confidence in your pricing power.

S**Steve Divitkos 13:14**

So speaking of pricing power, you've alluded to the fact that some businesses and some industries have more pricing power than other businesses and other industries. So there might be a CEO listening to this who really isn't sure of the extent to which her company has pricing power. So if you were to just kind of look at that from 100,000 foot level, what are some of the specific variables you'd look for when evaluating the extent to which a given business has pricing power relative to their customers?

C**Casey Brown 13:46**

I'm going to take a slightly different tack on that question, and if you feel like I didn't answer it, then circle back with me. But I'm going to talk less about variables and more about what I think is behind the question, which is, if I'm in a position that I have a product or service that is valuable, and we know it works in the marketplace, but we don't know where the cliff is. We might suspect we have some unexercised pricing power. We might suspect we could raise price without volume loss, or without significant volume loss, but we don't know where that cliff is. Are we right? Are our toes on the edge of it, or is it across the room? And so how do we understand or map out our pricing power? So, what I would say is, nobody, nobody, not you,

not your competitors and not your customers, really know where your ceiling is, and it's not knowable. Before we try, we can do some, you know, value mapping, and do some ROI calculations and wrap our arms as much as we can, around the tangible, measurable and unquantifiable benefit our customers get from buying from us. And we can say this is how much money we save you, or this is how many hours we you know, or how much we improve your employee satisfaction. Or we can do all that effort and try to turn that into some kind of metric that a lot that gives us confidence around our pricing power, even with that work done, and if we do that great, we still don't know if they'll pay it. Like all of that is theory, and all the talk about it is noise. The data is, did they buy or did they not buy? And we don't know where our pricing power is until we try it. Quite frankly, the world is your petri dish, right? So that the question is for a firm that says, I think I might be under priced for this product or this service or this segment, or across the board? And I don't know if I could do 5% or 10% or 20% I really don't know. The only way to figure that out is to start transacting business at that level, or failing to transact by by testing it. And then I would say the advice I give in those situations is that, how quickly we map out that on exercise pricing power is really a function of risk and your willingness to risk. If your willingness to risk is lower and you're going to take baby steps, if your willingness to risk is higher, you can take bigger steps. And to me, though, the risk tolerance is not just a function of the the kind of personal intrinsic risk tolerance of the CEO or the leaders making that call. But there's also some business factors that go into that, and this is where I'll kind of tie back to some variable concepts. So if you do, if you have 100,000 customers and 100,000 SKUs, you're big distributor, the ability to to map out your pricing power is, without taking a lot of risk is easy. It's easy to go a lot in some parts of your business and see what happens without risking a lot of volume. If you're a professional services firm who does 10 massive projects a year, you get so many fewer at bats that the risk of making a change and getting it wrong is possibly catastrophic to your business. So I think there are factors like the volume of purchase and the how centralized or decentralized your revenue is across customers and services and products, the recency and frequency of purchase. In other words, if you have customers that buy from you twice a month forever, they're going to notice the price increase. If you're a project based professional services firm, and the next projects with a customer that never bought from you before, they don't have the anchor point to compare that to. That changes things. So there's a lot of things we can look at about how our business is structured, what we sell and who we sell it to, that can give us clues to how much risk we're actually incurring by trying to map this space out. And then at the end of the day, it's a judgment call and a willingness to say, hey, we're already incurring the risk of underpricing, that risk, the status quo risk, is real. We are living that. It's not a question of no risk versus the risk of losing business. No, it's the risk of being underpaid versus the risk of losing business. And once the pain of one of those gets too great, we can run in the other direction, but that's the answer to how I would kind of address this question of, I think I have some unexercised pricing power, and I don't know how to figure that out.

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Steve Divitkos 18:10

Yeah. And I love the idea of testing, and I want to get there, but before we do, I just want to sanity check some observations with you based on my own experience. So when I was running a software company, it seemed clear to me at the time, and I'll and in addition, in retrospect, that we had quite a bit of pricing power, and there was a couple little check boxes, for lack of a better way to put it, that helped convince me that that was true. So first, it was pretty clear to me that the majority of our customers used our product very frequently. I think 80% of our customers use the product every day. So that was like one suggestion that there might be pricing power.

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Casey Brown 18:44

Very sticky product, yeah.

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Steve Divitkos 18:46

And speaking of stickiness, it seemed like we had high switching costs, which is to say it would be very expensive, time consuming, annoying for a customer to get rid of us. It seemed rather mission critical, in that if you ripped out the software tomorrow, you know, the people would be running around with like chickens with their heads cut off. And then lastly, the cost of our product was just a small percentage of our customers overall budget, which is to say that, like its importance, was asymmetrically larger than its price. So when I glued all those insights together, I said, Okay, I think we've got some pricing power. Now, of course, as a first time CEO, I totally fumbled it and didn't increase prices fast enough, didn't increase them by a large enough Quantum. So I had all these wonderful intellectual observation and totally screwed it up from a practical standpoint. But I guess, in your experience, do some of those check boxes for lack of a better way to put it align with your experience in terms of things that might be suggestive of pricing power?

C

Casey Brown 19:49

Oh, for sure, for sure and yes, absolutely like, what does my product or service do for my customer? What value does it create for them? What is the cost of. Having it, what are their alternatives? What are their reasonable alternatives? And some, sometimes it's, you know, a competitive product or service. Sometimes it's do nothing, sometimes it's manage it manually. So evaluating all of that, I think, you know, in addition to some of the kind of the metrics I mentioned, absolutely helpful to do two things, one, help us be bold enough about how much we ask for, and also give us the confidence to actually proceed. I'll tell a quick story of a software company I worked with. This was a long time ago now, but they had 100% renewal rate, and they were so proud of it. And I said, guys, is your pricing consultant du jour? That's a red flag. Like, I know it's great. I mean, recurring revenue. Awesome. We love recurring revenue, but if no customer has ever like, you are underpriced. And we had done some of this analysis, and it's the same kind of things you're talking about, the switching cost, the mission criticality of it, the magnitude is spent relative to the magnitude of the value, and some of these other things. But also we looked at the things I was talking about, how much of the revenue is concentrated among a small number of customers, how many deals did they do, the recieing, frequency of purchase, all this kind of stuff. And I recommended they do 100% price increase. And they freaked out. They were not okay with that, and I understood, because there's another, like, there's all the logical and reasonable and rational and data driven things that can drive us in a decision, but there's also emotion, and this is true on both the seller side and the buyer side. And there's tons of research that supports that. We make decisions on emotion and gut instinct, and then we justify the decisions we've made with the facts and figures that support that decision, and that is absolutely true. And B2B negotiated sales as well. It's not like just a consumer thing. We like to seduce ourselves into believing that we're super logical in business sales, but we're not always are. So they were freaked out, and they were nervous their customers would freak out. And this, this I understand, because even if the value was there to justify it. There is a certain kind of set point that sometimes lives in our mind, of like a sort of, like a fairness trigger. It's like, if you stay below that, I'm okay. I don't like it, I don't want to pay it, but I'm okay. But as soon as you kind of go beyond my sort of fairness threshold, I feel wronged, or I feel like you're trying to take advantage of me. You're trying to punish me because I've bought from you, and switching costs are high, and now you've got me over a barrel, right? So there's a lot of emotion that goes into it. Long story short, they ended up doing 50% there was a lot of a lot of fear, lot of hand wringing, a lot of time in Excel modeling. What about this volume loss? What about that volume loss? A lot of perseveration and their renewal rate was 100%. And I said, I told you. And the reason I share this is that it is the kind of variables you talk about are important, and the kind of willingness to map this space out based in variables about our business are important, but it also comes down at the end of the day to just a confidence and a willingness to try, and that's where I say our own risk tolerance factors in.

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Steve Divitkos 23:12

So interesting. What a unique take on 100% renewal rate. I think I'm going to steal that idea and use it with the companies that I work with. I want to get to testing because that's something that you just alluded to. You know, a lot of the companies that you know I've invested in have somewhere between, like, let's call it 100 to 300 customers on average, something in that general ballpark. And when it comes to proposed price increases, I often counsel those CEOs to test it, which is to say, the next 20 customers that renew pass through a price increase of X, and let's see what happens. And if it's crickets, then you can feel confident about passing it through to the other 200 customers. But of course, as you mentioned, different companies have different numbers of customers, different variables to consider. So can you just riff on this idea of testing a price increase and how you've seen it done well, and maybe how you've seen it done poorly?

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Casey Brown 24:08

Sure, although before I do, I want to go back to, if you roll it out to your first 20 customers and it's crickets, don't roll it to 200 customers, double it and then. Roll it to 20 more. I think this is in this sort of, is the lead into my answer to your question. I really think is so first of all, most companies don't test enough, and I think they should, and then if they test they would do exactly what you described. Like, oh, that went great. So let's roll it out. I think, and this is sort of back to that 100% renewal rate problem, losing business over price and getting price pushback are an important part of an effective price strategy. We have to lose over price. We have to hear price push back. If we are not getting those or enough of those, then we have no idea where the ceiling is. We're not close to it. That's all we know. We know that it's up here somewhere and we are still below it. Even if we went up 5% 10% 20%, if we are not getting pushback, we don't know where, the where the where the where the edges of that map are. Yeah, and that's okay, but we're sacrificing margin. We have to know we're sacrificing it. And so one of the pitfalls I've seen for companies is A, don't test or B, they test, but they take the data from that initial pilot group and then they don't tweak or refine their strategy based on it. It's like, it's either, you know, look, somewhere between, everybody walks away from you, and everybody says, Okay, no problem, is the right answer. And obviously, you know, we want to be closer to the Okay, no problem. But if we aren't getting some grumbling and grouching, it generally tells me that we are still undervaluing our own product or service. And so take it to that first 20 that renew. See what happens. If it's crickets. I joked about doubling the increase. I don't know what, but bump it again and keep going until you find that line. The other thing that I think is important around testing, and kind of the scenario you laid out was a software company that has renewals on some kind of rolling basis. Lots of companies operate that way, but there are other ways to segment customers besides just, you know, proximity of renewal date, right? And so I think that it's important not to have a one size fits all strategy. So if you're a company with 300 customers, all 300 customers are not created equally, right? Probably the sort of 80/20 rule, top 10 or 20%, make up 70, 80, 90% of your sales volume. And so I would have a very segmented approach and strategy, and I would not necessarily take the same price increase to everyone. This depends on the business you're in, by the way, because there are some industries or businesses or this doesn't practically work without creating a lot of commercial problems. But in most B2B negotiated sales, your customers already don't all pay you the same price. And so you don't have to take the same price increase to everyone. You have to stay inside the lines of what's legal there around the Robinson Patman act and some other things, but, I would say the problem with a one size fits all price increase. Let's say you've got those 20 renewals that are coming up. None of those are your big guy, right? They're some of your smaller customers, and you get crickets, great. What does that tell you about what the big people will pay? Usually, by the way, our price increase decisions center around the biggest customers we have. The biggest bullies, the squeakiest wheel, the vocal minority. So if we make a decision to increase our prices by 10% that decision is likely informed by the fact that we've rinsed that decision through the filter of will our biggest customers pay us that, and we've landed on Yes, they will. But for every customer that would pay you 10% there's another customer or handful of customers that would pay you 15 or 20 and so when we are two one sites fits all with our pricing decision making, we make less money. Homogeneous pricing decisions lead us to make less money, because our decision making centers around the most price sensitive customers we have and the most price sensitive stuff we sell. So the more granular we become, the more money we make. The riches are in the niches.

S**Steve Divitkos 28:13**

Yeah. So that makes, that makes a great deal of sense to me. We deal in small business, M&A, and in the course of or I guess, as participants in that ecosystem, we often encounter mature founder led companies that haven't raised prices on their customers in years. And in some cases, they've never raised prices over 10, 20, 30 years. So not all cases, but in many cases, we see a pricing opportunity. That said, one of the recurring things that we see among new CEOs is that once they finally do raise prices, they don't raise them high enough, or they don't raise them quickly enough. Usually out of some basis of fear, fear of losing customers, fear of pushback, whatever the case may be. And that's certainly a trap that I fell into, as I mentioned earlier in our conversation. So I guess the question to you is, like A, how common is this in your experience? And B, what would you say to a new CEO who's listening to this, who's currently sweating over their first ever price increase decision, and as a result, is erring on the side of caution?

C**Casey Brown 29:17**

So, how common is it? It's universal. It is universal. I have been asked this question that you didn't ask, but is, is very is the cousin to the question you asked, which is, in all the years you've been working in pricing, Casey, how many times have you seen somebody go the other direction? Ask for too much, too quickly? How many companies are out there overpriced and it's costing them sales volume? And I'm not saying there's none of those in the world. I'm saying the people that have ever come to me, I've never once, never one time in 25 years in this space, in 15 years of running this business, working with many 1000s of businesses and CEOs, have never seen a company that pushed too far, too fast. Yeah, and I think there's a few reasons for this, and I would say, if I'm a brand new CEO, and if I'm a good, brand new CEO and smart CEO, I don't come in with arrogance and bravado thinking I know the answer to everything. So I learned from the team that's there, because they've been doing this for a long time, and they've been doing it successfully and profitably. Is their pricing opportunity, sure, but let me hear what my team has to say, which is smart, but problematic when it comes to pricing. Because, we as the sellers are almost always more price sensitive about our products and services than our customers are. We are more sensitive on their behalf than they are. And this scenario of like wringing your hands, sweating, freaking out, worried, nervous, whatever, for six months of analysis, announced, announced the price increase in its crickets. That's happened 5 million times already this year in companies like that's, that's, that is the common scenario. The scenario of, we did the price increase and half our volume got wiped out. We had to rule it all back and beg our customers to come back. I've heard that story zero times. So real quick story, real quick story to help illustrate this one, and then I'll try to land the plane on this concept. Before I started my own company, I was a pricing manager in corporate America, and I was a pricing manager at GE. And it was our job as the pricing department to look at the cost factors and the competitive and commercial factors, and look at all the you know things, and decide the time was right for a price increase. And we would come up with the math on how much are we going on halogen versus LED, versus incandescent versus fluorescent, and to which you know segments of the market. We had a very granular approach to pricing, great, but we would tell our team about this, our own sales team, of course, before we'd send out the notification to customers, and they would freak out, I mean, freak out, panic. We're going to lose all our. This customer is going to throw us out on our ear. We're going to be put out to bid by Walmart, like all this stuff. Right? Then we would announce it to the customer. They were also not happy. They complained, but far less than our own people did, frankly, and then the

date of the price increase would happen, the date when it actually went into effect. And the actual sales volume erosion from that price increase was negligible. So there's this sort of stair step thing, like the most noise was from us, the second most noise was from customer complaint, but the actual data, remember, what we talk about is only noise. The data is, did they buy or didn't buy? The data said it didn't matter, and the value was there. And so I think the what's happening there is that customers have to over report their own price sensitivity. They have to complain about price they have to tell the vendor that they're too high, because if they don't, they're just giving you a green light to charge whatever you want. If I'm like Steve, I love the proposal you put in front of me. This is only 20 grand really. I think it's worth 30. No customers ever gonna say that, right? So we hear of asymmetrical feedback about our pricing. It's always too high. That's the feedback we always get. We believe it, and it causes us to have an inferiority complex and a self limiting belief that suppresses our pricing power. So if I'm a brand new CEO, I've been in the role for six months and or a year, whatever, and I'm planning the first price increase ever, and my team is terrified, and they're telling me it is a massive mistake and we can't do this, and we've never done this. I would hear them with empathy and love, but I would not let that be the reason I didn't get bold with pricing, because, as you said, if we go too low, you can't go to the well. Three weeks later, saying, Oh, whoops, sorry, we probably should have asked for more. You can go to the well again eventually, but you burn an opportunity when you do this and you better make the opportunity count.

S

Steve Divitkos 33:47

This episode is brought to you by Boulay. Now for those of you who operate within the search fund ecosystem, you probably already know that Boulay is the standard when it comes to quality of earnings reports, tax and audit services, but for those of you who are newer to the community. Consider this, over the past 20 years, Boulay has worked directly with hundreds of search funds, from capital raise to exit, currently assisting over 150 funds in the search phase and another 125 in the operating phase. They work with searchers across the entirety of the ETA journey, from issuing K1s to your investors during the search phase all the way through to helping prepare your books for an exit at the conclusion of the operating phase, they are the industry leader in performing financial due diligence and creating QAV reports that your investors can rely on. They provide a full suite of tax services, both for your search fund and for the acquired company. They perform the annual audits required by most debt and equity investors, and they also perform outsourced accounting services, acting as a fractional bookkeeper and controller for those companies whose needs might not necessitate full time in house resources. In short, you can safely assume that these guys get it. They've grown up in the search fund ecosystem over the past 20 years, and they have the reputation to prove it. To learn more. Go to Boulaygroup.com that's B, O, U, L, A, Y group.com. That is entirely consistent with my own experience raising prices, which is to say that the loudest source of noise and fear was entirely internal, specifically within the sales team, because in at least in my experience, the sales team in particular had a pretty strong opinion about, I think this price increase is going to impair my ability to like hit my quota, right? So how have you seen just like the tactical communication, internal communication process, how have you seen that managed most effectively to address those fears?

C

Casey Brown 35:47

Yeah. Well, before I answer that very directly, I'll set up the answer this way. When I started my company, I was fresh off of being a pricing manager in these fortune 10 and fortune, 100 companies that had well staffed professional pricing teams and pricing strategists on, you know, and that's where I learned pricing. And I thought to myself, I will bring this to the middle market. I'll bring this to small and medium sized companies who could benefit from this strategy. And at the beginning, we were doing, you know, we, when I say we, it was me. I was a solo printer for years at the beginning. I was doing, you know, segmentation analysis and elasticity calculations, and I was trying to bring this very strategic view of pricing to this middle market. And I say this, and with great respect, this is not me insulting anyone's intelligence or sophistication, but it was like I dropped in from, you know, a PhD particle physics program, and was trying to teach that to high school kids or middle schoolers, it was just, it was the wrong solution. It was a solution in search of a problem. And so I was trying to bring strategy to businesses that didn't have some of the fundamental execution pieces right. And now, and there's a middle of the story, but the end of the story is, our firm is now exclusively focused on the execution of pricing, not right, price setting, price getting, not strategy execution. And so it's everything from the moment the decision has been made about what to charge. How do you actually get people to do that successfully? And this is a function of messaging. This is a function of confidence, this is a function of preparation, this is a function of effective objection handling. So it's skill and mindset. It is so common that companies think, oh, I need some help with my pricing strategy. We look at it and it's like, hey, your pricing strategy is a B plus, maybe, maybe a B minus. Okay, it's a B. It's a solid B. Is it perfect? No. Could it benefit from improvement? Yes, but if you can spend a lot of time and money making your strategy perfect, and you put it in the hands of your sales force, and if you don't have their hearts and minds, they'll march right around that strategy and discount anyway. Most of the leaks in businesses happen not through sub optimized strategy, they often through sub optimized price execution when it's the put in the hands of the person whose job it is to go communicate that to the customer and defend it and hold the line and win the most deals at the highest prices. So that's what we do. That's why we do this, because that's where all the problems lie. And we find that companies are not particularly skilled at figuring out how to shift their people on that themselves, which I think there's a lot of reasons for that, a couple that I'll mention. One is they spend 365 days a year geeking out about, you know, the best mission critical software for point of sale, or the best, you know, they're the best florists, whatever they are, whatever they do, that's what they spend, 365 days a year geeking out about we geek out about this and how to shift this the mindset of salespeople. The other thing is, you can't coach your own kid in baseball, right? Like you know your crowd on the plate. You're crying. The kid won't step crowd on the plate. Coach says, take a step back. It feels like you're crowding the plate. Kid steps back and cranks one over the right field fence. It's like, Dad, you see that. You're like, are you kidding me? Like, sometimes it can't come from the boss. It just it doesn't work. You have to bring in this sort of outside, third party expert. This is not to say everybody who wants to do this well, needs to hire my firm. There's lots of ways, by the way, I will mention this because this is a much cheaper option than hiring us. I have a book called Fearless Pricing. You can get the Kindle version for less than 10 bucks. And we talk exactly about how we teach this to people. So this isn't, you know, I'm not trying to keep all the good stuff behind the paywall, but the super common mistake is focusing so much on, what are we going to do? What's our price increase going to look like? How are we going to segment it? What are we get? And we don't focus enough on arming the people whose job it is to take the punches on behalf of the company from the customer when the customer isn't happy about it.

S

Steve Divitkos 39:50

Yeah, so we've talked quite a bit about, I guess, the hypothetical example that we've been using thus far has been an enterprise software company that's got some amount of pricing power. Relative to their customers. But I guess for purposes of having a fulsome discussion, I'd like to go to the opposite end of that spectrum. So let's talk about pricing a product or a service in an intensely competitive industry where customers have the luxury of like, very quick and easy price discovery. So for example, a lot of people listening to this are interested in the home services space. So roofing, Water Heater Repair, HVAC, etcetera, like, if my water heater conks out, I can Google Water Heater Repair Toronto and quickly get quotes from the top five results. And honestly, as a customer, I typically just choose the cheapest one. So I guess theory would suggest that intense pricing pressure and low margins come from lack of pricing power. Is that too simplistic of a mental model? Are companies selling these more or less commoditized-ish products and services like are they just forever doomed towards low margins, or is it more nuanced than that?

C

Casey Brown 41:04

It's a bit reductive, but not too much. I mean, I think it kind of goes back to something we already talked about, which is this idea that there is a compressed amount of opportunity in the more competitive and commoditized industries. Certainly in the product space where, let's use a distribution business, for example, where I am distributing this pen, and my neighbor distributor has the exact same pen from the exact same manufacturer, manufacturer on the exact same day, these are identical products. That is the kind of the ultimate, you know, in commoditized space, there are still even in distribution, there are still winners and losers. There are still companies that are able to charge more than their competitors because of the service model, because of the expertise, because of the you know, so there's this doesn't fall completely apart. It's not like you have power or you don't. To me, this is always a spectrum. There are companies that have more of it by dint of who they sell to and what they sell, and others that have less. But I don't think there's any industry in the world where, I mean the true definition of commodities, every single player in the market charges the exact same amount. Nobody is able to earn a price premium, because if it's a true commodity, then the lowest price would have 100% of the market share, and that doesn't exist. So I would encourage people who are at that end of the marketplace to challenge yourself, to not use the word commodity. Don't talk about that, don't talk about yourself that way, and look for ways you can differentiate. And one of the things that I've seen, that I think works really well, is creating expertise and setting yourself aside, and it can be things like content marketing. So it's like, Okay, I'm a hot water repair company, and I'm putting out content about this, and I'm talking about this, and I'm educating people. Can it be repaired or does it need to be replaced? What five things you should know when you're deciding to choose one, but you can create some content that generates SEO that supports your being the top. It'll also build trust. One of the one of our clients, was a residential roofing company, and they would go out and give the quote. So this wasn't, you couldn't look up the quote online, but you'd go out and you get a quote, and most homeowners, are calling 2, 3, 4, people. And one of the things that they started doing, and this really increased their close rate, is they left behind a checklist. And it's like along the along the, you know, the left side of the piece of paper was, here's all the questions you can ask any roofer that comes to give you a quote to make sure you understand how they work. And do they do this with real quality, whatever? And then there were two, you know, three columns. The first was their company, and it was check, check, check, check, all the way down. And then there were two blank columns where the homeowner could use this to evaluate and sort of interview other providers. Because most homeowners replaced maybe one or two or zero roofs in their life, they're not expert in roofs. So this kind of approach, this sort of like, let me give value to you, it's not in self service. It's in service of the good of the company, of the customer. I've seen in really competitive and commoditized industries, that can matter a lot because it builds trust.

S**Steve Divitkos 44:21**

Yeah, we talked about internal communication of a price increase. Let's talk about external communication, specifically the communication to customers. So I guess the question is, when we communicate a price increase to our customers, is it important, what justification or explanation we use? Right anytime I get an increase to a bill, they'll explain it in some way. They'll say our input costs have increased, or we're investing in additional tools and people to serve you better, or whatever justification they use. I guess the question to you is, like, what does good look like vis a vis, Customer communication, and is it important what explanation or rationale we give when communicating a price increase?

C**Casey Brown 45:09**

Yes, it's super important. And I would say, you know, I'm about to make up a statistic, but I'm a consultant. I'm allowed to do that. Good pricing execution, good pricing strategy, is only 50% getting the number right. The other 50% is how you make people feel about it, the messaging you wrap around or the context you create around it, right? If I said, Hey, Steve is 1000 bucks, a lot of money, well, it's a lot of money for, you know, a dinner out, but it's not a lot of money for a brand new car. Like, in other words, the number doesn't mean anything on its own. It's in context of what you get for it that numbers have meaning. Why that matters at price increase time is that the communication we wrap around the increase give context to that increase. Is 10% price increase too high or too low, I don't know. Let me help me understand it. And so a tenant, or tenants of a good price increased communication. They're brief. Don't go into 87,000 explanations. They're personal in tone. They acknowledge that this is not good news for the receiver of the letter, but states that it's necessary, they are legally, legally compliant. Don't do anything dumb and break laws by how you talk about your pricing, and they're focused in value. And this is where I'm going to tie the what makes a good price increase communication to the what do we do about justification? I am generally pretty anti price increase communication that focuses exclusively on increased costs. Yeah, I don't think that means you can't mention them, or you shouldn't mention them, or they shouldn't be a part of bolstering your messaging, but I think it's damaging for a couple reasons. One, if you're in a business that there is cost fluctuation, you're sort of opening yourselves up for them to come back and knock for that price increase later. But even when that's not the case, the second thing happens, which is we have communicated to our customer that the only reason that they should pay us more, the only reason they should value us higher today than they did yesterday, is because the cost of our inputs went up. And I think that strips us away from our value. It's like Michelangelo painted the Sistine Chapel, was paid 3000 [inaudible] for that for that job, huge sum of money, like, half a million dollars in today's dollars, and he didn't charge that price based on the cost of the paint, right? Like, it's really dangerous to tie our value story to raw material costs or utilities or, you know, insurance is going up. I don't mean that we shouldn't include that, but I am rabid about the fact that we ought to focus on their value. What have we done since the last time we did a price increase, we've invested in a new technology that allows us to serve you faster. We've hired two more customer service agents. We've done this. We've done this. We've done this. Wrap your bad news, which is, hey, we have to take our price increase up with a good news story about the value in the partnership. And I also think it is the nature of too many companies, particularly small companies, to over communicate. We confuse transparency with good partnership, and we confuse opacity with duplicity. And to me, they're not the same thing. You know, if your internet service provider called you up and said, Hey, Steve, we're going to be increasing your bill by \$2 a month. Are you going to be home on

Tuesday? We'd like to come and sit down and have a conversation with you and just go over the price increase and answer any questions you might have. How do you feel about it? You would be like, I'm not happy about it. I don't like it. In other words, given a platform to complain, people will complain, but if in absent, we are often over communicating price change, especially when it's modest price and change or something that they don't care about. We are shoving it in their face, and we're making too big of a deal about it, and that's increasing their sensitivity. So don't do a meeting when a letter would do. Don't do a letter when an email will do. Don't do an email when a little notice slipped in the back of the invoice will do. Don't do that when a little notice on the website will do. And don't do that when nothing will do. Do what is the minimum amount of communication that is commercially responsible to do. Not less, but the minimum, any more you're usually working against yourself.

S

Steve Divitkos 49:21

Let's talk about this idea of discounting, because I know from my own first hand experience that offering discounts to customers sometimes feels necessary and commercially prudent, but I also know it represents a very slippery slope. So I guess at a general level, how should CEOs think about when discounting might be a good idea versus when it might be a mistake?

C

Casey Brown 49:45

Well, it's a mistake more than it's not, that's for the first seed all plan. And it's not to say that we should never discount, or we should never concede price, that would be commercially and competitively unrealistic for me to say, but in my experience, discounts are given too quickly, too deeply, too broadly, across the board, and they're done from a place of fear, you know, we're going to lose the deal. The customer is saying, you know, I'd like to go with your software solution. I really would, but I got three other quotes for the same thing, quote, unquote, on my desk that are significantly lower than yours. And you don't have to be the lowest. But can you, you know, get in the ballpark. If you guys could do this for X, and we'll go, you know. And we start thinking like, let's say, you know, \$10,000 you know, subscription, whatever it could be. 10 million doesn't matter. \$10,000 subscription. They say, Could you do it for eight? And we start doing things like, well, 100% of eight grands, but in 0% of 10 and having kind of a soft month. And I'm getting a lot of pressure to meet my quarter, and by the way, I've been trying to get my foot in the door for this company forever, and this is just one division, and they got seven other divisions. And we talk ourselves into it because we're afraid of losing the sales volume. One thing I will say, by the way, that if your customers are pushing on you for a better price, that means you have that's, that's a buying signal. If they're saying, Steve, I'd like to do business with you, but I need it to be this price tag. The message, you know that the words are, you're too expensive, the message beneath the words are, I want to buy from you. If the other guy were cheaper and better, they would already have my business. We wouldn't even be having this conversation. We wouldn't be exchanging these emails. We wouldn't be in my office. We wouldn't be on Zoom. We are having this conversation because they're cheaper, you're better. I don't want them. I want you. And so the first thing to acknowledge is, when we're getting pressure from customers is that they're that's an indication of some pricing power, not unlimited power. Doesn't mean we should, you know, just say, here's our number, take it or leave it. Like there are times to do it, but to mine from that buying signal some confidence that this conversation is happening, because the value is there and then ask a lot of

questions, like, it's so it's like, you got to be at eight. And we're like, oh, then we do one of two things we well, one of a few things. One is we rush in and do eight, or we match the competitive price. The other is we do some meet in the middle thing, or we do an apples to apples thing. Well, let's make sure these two packages really do all the same things, and boo boo. And here's what. And I don't hate apples to apples, I just think it's used too quickly. I think we rush to that. Another one I see a lot is this vomiting of value messaging like, here's why we're better than them. The problem with that is that the mouth is running and the ears are closed. We're in monolog mode. We need to be in dialog mode. By giving you price pressure, the customer is saying, I'd prefer to do business with you. They're giving you a buying signal. They're indicating to you you have some pricing power, and we can use that for good. We can use that as a permission slip to crack open the conversation and ask questions. And so pitfalls I see around discounts is too quick, too deep, too broad, too fast and too fear based. And so how do we slow all that down? And how do we get more granular? And how do we understand if the volume threat that they're projecting is real or a bluff, and if it is real, how much do I need to do? Do I have to go all the way down to eight, or could I do 9200 and still get the business? And that is generally not ever uncovered by us talking. It's uncovered by letting them talk. And so we've got to ask more questions. And here's an example. There's a bazillion great questions, and it's super specific to industry. But, you know, Thanks Sandra for this feedback. I understand price is a challenge here, and I want to help solve that and come back to you with a proposal that really works for your needs. Can you help me understand if prices were between us and this other competitive offer you got are exactly the same, let's imagine the prices were not different. Are you telling me you'd go with our software package? Yes, I would. Okay, great. Can you help me understand so that when I come back to you with a revision around this proposal, that everything that really matters to you is reflected. What is it about, what we've proposed, our software, our service, our company, our firm, our team, our approach, what is it about, what we've put in front of you that has you answer that way, that we'd be your choice? And then hush up and listen, because sometimes Sandra will reveal something that will make it so clear that they have no intention to go on with somebody else. Sometimes they don't reveal that, but they reveal this other thing. Well, we've got, you know, our sister company already uses your software and blah, blah, wait a minute, you have a sister company. They're using our software. I didn't know that was your sister company. Tell me more about that. And at worst, at worst, after you've asked this question, you've learned nothing. You can still discount, you can still meet in the middle, you can still do other you know, apples to apples, but it's so important to slow down and ask more questions. Questions are the salesperson superpower, and they're so underused. We're really good at staying very consultative with our questions, as we're doing discovery around their business problems, and helping to really connect the dots where our solution is the best fit for that problem. But as soon as we get into price negotiations, we drop from that consultative level down to this kind of peddler mode where we're horse trading on numbers. Now we're just talking, you know, we're moving money around on a table. No, we're still solving problems. We're still solving problems, and if we stay consultative, then we are able to close more deals at higher prices. So the message is not never discount. The message is, slow it down. Ask more questions. Ask yourself if this discount is truly necessary to win the business, because sometimes the answer is yes, but often the answer is no. They're just trying to get a better deal, because that's what humans do.

S**Steve Divitkos 55:24**

Right. So when you work with sales teams, like, at a very tactical level, are you arming each sales person with, like, a list of, I don't know, 10 to 20 questions that they ought to ask when presented with a request for a discount, like, tactically, how do you go about ensuring that the sales people actually respond in that manner?

C**Casey Brown 55:41**

Well, we're more of a teach a man to fish than give a man a fish kind of thing. So we teach them how to develop these questions for their business situation based on what they sell, who they sell to. Because, by the way, a given product or service sold to this company a versus Company B, what's going to resonate with those two companies are different. By the way, even inside Company A might be different, because you're, you know, the CTO is going to care about something than the CFO is going to care about, right? Or the procurement manager. So a lot of our training is about getting very clear about the audience and what really matters to them, not only on a logical and data driven way, but on emotional way. What keeps them up at night? What worries do they have? And then developing, not just questions, but also some value statements and objection handling responses that really reflect that. And then preparing, preparing is the other key piece. I asked businesses like, how many dollars did you spend in the last year on your marketing messaging, you know, new website or new wrappers for your trucks, or, you know, updated pitch decks or whatever. And then how many dollars and hours did you spend on price objection messaging? And the answer is zero, right? And then if they develop it, this is back to your, you know, your question you asked earlier that. I didn't, I didn't mention this a price objection FAQ Doc, I'm a big fan of that for internal purposes, especially at price increase time. When you do these price increases, what are all the things we're terrified our customers will tell us, this isn't in the budget. No one else in your industry is raising pricing right now. You got to come back to me, you know Q4 because that's what I'm budgeting for next year. Like, I don't know, you brainstorm. What are all the things that you could hear when you push this out, and then you help develop the best right talking points to that, and then get that to your people. Now getting the message to the people is only part of it, because if it's sitting there in their inbox, it does them zero goods. We got to open that document and say it out loud, say it to the dogs, the kids, the mirror, each other, your spouse, until it feels natural and comfortable in your voice. And so it's both about getting the questions and the messaging right, but then also doing that kind of the work of internalizing it in a way that now you can be in front of the customer, in the heat of battle, getting yelled at about this price increase, and you can still stay present and win the business.

S**Steve Divitkos 57:54**

Yeah, love that. So we've talked quite a bit about, like, tactical strategies. I'd like to ask you about psychological pricing strategies that tend to be effective more often than not. So for example, just to help you understand what I'm talking about, setting an anchor price higher than where you're willing to ultimately settle, or maybe ending prices in a certain digit, or maybe presenting like the good, better, best option, but trying to basically direct someone towards one of the three options. I don't know. Those are just three examples of potentially many. Do any of these or any other Psychological Types of pricing strategies tend to be reliably effective in your experience?

C**Casey Brown 58:38**

Not in B2B, not really. So a lot, most of the research around the effectiveness of, you know, that ends in nine, nine or lift digit pricing, or, like, there's all the charm pricing, lux pricing. There's all these names for the phenomenon that you're talking about. And most of that research is in the B2C space. And there's, there's plenty of research, especially retail B2C, not negotiated B2C, that there is effectiveness with a lot of these kind of strategies, I have seen far less research. Most research I've seen has been muddled. And my own empirical experience about this is that that is not as effective and and I would say they I would put them in different categories. So I'm just going to, you know, just on the three you hit real quick. I'll just tell my my opinion about it. One is this idea of, like, communicate a higher price than you really want, such that you can actually win the business at some point, even if you negotiate, even if you end up discounting, that you do so, at a price that's still acceptable to you. This is sort of the market up to market down approach. I don't love this because it is a pricing game, and I think everybody knows when they're being played, right? So, you know this is a retail example, but you go to Kohl's, 100% of the items in Kohl's are on sale, right? You check out, and your receipt says you saved \$250 at Kohl's today. You're like, I bought a tank top and a candle. Like, I don't feel good. I don't feel like I saved money. So I think especially since most of your audiences, you know services and software, not as much these sort of commoditized product stuff, although maybe some of those folks are listening too. But in that service space, or software as a service, which your most important asset is with your customers is trust, because they're hiring you to solve a problem and they're trusting in your expertise. And I think pricing games like that actually erode trust. I think it cheapens your message. It cheapens their impression of you as the expert. Pricing is part of our brand, and their experience of our expertise starts long before they actually sign on the contract and start receiving our services. Their experience of our expertise is throughout the sales process, and if we are not confident or effective or masterful at owning our value and commanding the prices we deserve, I think that causes them to trust our expertise in other areas. So I'm not a big fan of games like that. That doesn't mean you should never play them, particularly if you sell into organizations with procurement teams, because sometimes, maybe even often, procurement folks are bonus, promoted, incentivized, not necessarily on the absolute price, but on the relative price relative to what you requested. So if they're able to get 15% deflation over your first price, then they get celebrated for that, even if this price is north of what you were hoping for. I think no. So I would say, you know, there's a little asterisk by my advice, which my advice is, don't play pricing games. And the asterisk is, unless you must. So know the game you're playing. And if you're playing a game with somebody who's playing a game with you, and they have their own set of rules, sometimes those kind of games can be smart. The other thing I'll say is, it's very geographically variable. So like, there are parts of the world where that kind of negotiation is absolutely

expected, and, if you don't know those rules, you're operating at a disadvantage. So if you're, if anybody listen to this as a global sells globally, then there's really different kind of rules of the road for different parts of the country. One other one I'll mention, I won't do all three, because I'll get too long winded here, but the other one you mentioned here, but the one other you mentioned is this idea of, like, good, better, best, or laying out some options for customers. I don't hate this, but I don't love it either. And again, what they're hiring you for is your expertise. They're hiring you to have a point of view about the best way to solve their problem. And too many companies are tempted to lay out this sort of buffet of options because we think, Oh, we want the customer to feel great about their choice. And hear me, humans love choice. It gives us a dopamine hit. We love it, but if we just lay out the options and say, Here, pick one. I think we're abdicating the opportunity to be their guide. And so if you're going to offer options, don't offer a million of them. Offer one or two or three options, and then say, here are some options that my recommendation based on everything you told me you valued, and it's really important to you, is this option, and here's why, if for some reason, this doesn't match up with your budget or your ability to commit resources to it, this is another very effective option that's going to be great for you. It just doesn't do this and this and this and this and this, have a point of view and make a recommendation, and sometimes that means only present one option, because only one option is really going to solve your customer's problem.

S

Steve Divitkos 1:03:13

Yeah. I want to transition to software. I know you work with companies across a very wide range of industries, but I know software is one of those industries, and I have a couple questions specific to software, mostly because, at least in my experience, software can be notoriously, quite difficult to price. And in part, that's because it doesn't support like a cost plus pricing model. Because the beauty of the software business model is that you can basically sell a new unit of software at a marginal cost that is close to zero, right? So, it doesn't really lend itself like a cost plus type of structure. So in light of this, let's say a software CEO is listening to this, and they're releasing a new product, and they're trying to figure out, like, what price should we slap on this thing? I guess, like, for a product that doesn't support a cost plus pricing model, like, where do you even start in determining, how do we price this thing?

C

Casey Brown 1:04:11

Yeah, it's tricky. So I think that it's, and this is true for pricing any innovation, even a product business. But you're right, there is some extra complexity around doing this in the software space, because the cost situation is quite different. But I think that, you know, if you start with the universe of well, it should cost somewhere between zero and infinity. All right, what we're after is a narrowing exercise. So like and anything we can do to narrow it. We want to narrow from infinity down to, like, I don't know the size of a football field, and then we'd like to get and so this piece of software is enterprise software, and it does this for a company. Well, other enterprise softwares not in this space, solving this problem, but other enterprise softwares that do this kind of thing, this is often, you know, maybe a range of prices, okay, that might give us a data point. All right. Well, are we able to estimate how much time this will save them, how many dollars this will save them, what problems they will be able to avoid because of it? What risk, what waste, over time, what whatever like. What does it do? Why would anybody buy it at all? Is we gotta be able to tell the value story, right? So the degree to which we can use any

quantification from that value story, it's another flag. And we're just hemming ourselves in, right? We're trying to, like, narrow that range of, well, it could be between this and this, and I don't know. The other thing that's important really quickly, and then I'll talk a little bit more about what we do once we narrow the range enough to at least try something. Is, what's the unit of measure? What are we even selling? I mean, one of the things like for software, for years, it was like, all user licenses, right? And it's like, per user is the wrong unit of measure for lots of software. Could be an enterprise wide price. It could be based on usage, or you could be based on one of the, one of the software companies I worked with, does dispatching for emergency crews for utilities. So if you you know we have three states without power after a massive storm, how do they dispatch crews to get the power on fastest? This was a software that did that in a way that was much faster than the manual solution. It was also resulting in a lot less union grievances, because people have to be called in a certain order because of the union rules and like so it did all this stuff. But it was like, this software didn't exist. There was nothing like it at all. And they were talking about per user and per this and for that, it's like, Hey, you can this company can do this with one user. This company needs 50 users, and this company gets less value than that company. So their unit of measure, what ended up being the number of electric meters. So we had just, you know, tiers of pricing based on electric meters. If you have up to half a million electric meters that you cover as a company, here's your price. If you have half a million to 1 million, here's your price. So step one isn't just even figuring the number. Step one is on what basis are we going to charge? And that unit of measure should scale with value, and is very infrequently in the B2B space, truly based in user. So we gotta figure out what, what we're gonna charge on the basis. And then we're trying to triangulate, right? And we're trying to hem in that infinitely large possibility down to like, okay, we think somewhere between 10 and \$20,000 a year is the right number for the software, or 10 to \$20,000 per month, whatever. We don't know. Now, there are reasons to go at 10 and there are reasons to go at 20. I think of this as and we don't maybe they might, maybe the right answer turns out to be 18, and we would like to Baby Bear. So, you know, Goldilocks and the three bears. Papa bear. Mama bear. Baby bear. Too hard, too soft, to just right. We want to just right. We always want to be just right, but it's very hard because we're guessing and we don't know because we haven't sold it yet. So you're almost always going to end up guessing wrong. You're going to Papa bear it and overprice. You're going to Mama Bear and under price. And there are problems with both of those, but I think the bigger problem is Mama Bear. The bigger problem is underpricing, because then really hard time getting that price up over time. If you Papa bear the price and find out you're wrong, it's easier to go down and fix going down than it is to go up. You can also use some structures, like introductory pricing. Are the first 50 clients that sign up, or for the rest of 2025 here's our pricing, right? You can use some like promotional strategies, even in B2B, to get people to try out this thing that they don't know yet, and then, if sales are gangbusters, great. You have only 50 clients are paying that low price for the rest of the year now, everybody else is paying because it's so powerful and valuable, great. Or if sales are very, very, very slow, then maybe you've got to quietly make your promotional price your permanent price or you further cut it. So I would say that the bigger sin is under pricing on innovation, not over pricing. And usually the biggest gap is making sure they understand the value of it and educate the customer on the value. Because fixing lack of education and understanding of value with discounts is a mistake.

S

Steve Divitkos 1:08:59

I'm so glad that you talked about not just the price that we charge, but like, on what basis are we even charging a price? Because I remember when we released a new product back in the day, we're trying to figure out again, on what basis do we price it? Is it per user? Is it per transaction? Is it a flat fee per month? And I asked a friend of mine who was also running a software company at the time, and he gave me advice that it sounds like you agree with, but correct me if I'm wrong. He basically said, base the price on the variable that increases the value received by your customer, the higher that variable gets. And the example he gave me was like email automation software, they base their pricing based on the number of contacts that you store in their system. Because the more context you have in their system, the more valuable the software is to you. So I guess in your experience, is this like you know, closer to wisdom to live by? Or is it closer to just like a dangerous oversimplification?

C

Casey Brown 1:09:53

Oh, no, 100% and I said, and I might have flown past it too quickly to be clear, but unitive measure. Always scale with value. It should scale with value. The degree to which more of this happens, they get more valuable than that's where you anchor your pricing to that. And by the way, that's not just in software. That also applies in services and in other businesses that that there is a how do we make sure that the more they value they get, that our pricing ties to that in some way?

S

Steve Divitkos 1:10:25

So, you know, it sounds like, if we were to gather 100 mistakes or regrets, the regrets are more likely to be under pricing versus over pricing. And it seems like the regrets are more likely to be, well, I charged per user per month, because that's what I feel like a software company ought to do.

C

Casey Brown 1:10:42

Yeah. We have rules of thumb, or we get an autopilot, or we get in ruts. I mean, you mentioned some founder led companies that you, you know, see that haven't done price increases or in years, maybe forever. We see this all the time, and it's like we are so busy we have our heads down, just working hard, grinding to make an incredible product or service, and we're grinding to sell it. So we're sell serve, sell serve, sell serve. We're on this hamster wheel of sell serve, sell serve, sell serve. And the thing that gets the least focus and attention is, are we getting paid well for this, you know? And we're never getting off the hamster wheel. You've been a small business owner and leader, and I have as well, and you're going to always be super focused on selling more stuff and being excellent at the stuff you sell. But we should be a well paid hamster. Let's not be a skinny, bedrigo hungry hamster. Let's get paid. So I think it's about interrupting our patterns, interrupting our autopilot, challenging conventional wisdom and tribal knowledge. Like this is the way it's done in software. This is the way it's done in construction. This is the way, like this is the way we've always done it requires a really hard look to interrogate our own habits and inspect our own beliefs. And then one is a kind of a joke, but not really like when people say, Well, how much price increase, do you think I should do? I'll ask you, what do you what do you think you should do? Whatever number. Like, terrify yourself a little bit, not so much that you wouldn't be able to sleep at night, but terrify yourself just a little bit like, Oh, that's a really high number. I'm scared. And then I always add, like, you know, if they said, you know, 8% I'm like, oh, then you should probably go 10. Like, I always push them a little further, because they get afraid before they should. But it's their business. They're the ones that have to live with it. They're the ones that have to live and die by what happens to them. It's not my business. But yeah, I've universally seen underpriced too little, too late, not too fast, too much.

S

Steve Divitkos 1:12:29

Yeah, as we inch our way towards a conclusion, I want to ask about the merits, or, I guess, just the idea of simplicity in a pricing model, and I asked this underneath the umbrella of a software specific question, because, at least in my experience, the most convoluted, difficult to understand pricing models tend to be offered by software companies. Maybe it's because they're often founded by engineers, and engineers, at the risk of painting with too broad of a brush over engineer, their pricing just becomes this one size fits all, monstrosity of like, a 30 tab Excel model, just to figure out what price we offer to our customers. So I guess the question for you is, just at a high level, like, to what extent should we value and weight simplicity among the million other variables that we have to be considering when we set a price or a pricing structure for our products?

C**Casey Brown 1:12:37**

It's a great question, and I'll lead by saying, by disclosing that I am, in fact, an engineer myself. How do I put this succinctly, pricing should always be as standard as possible and as custom as necessary, as standard as possible and as custom as necessary. Does that help answer the question? Not particularly but I think it's good framing. We can make pricing very, very, very simple. We can say everybody gets everybody pays 10 bucks per user per month, done right? But it almost always will sacrifice our profitability when we go overly simple, because, as I said before, the more homogeneous we are, the less money we make, because those decisions will always be made about the most price sensitive customers and services and products. So granularity is key to success, so standard as possible, but as custom as necessary, and necessary means as much as we need to to be as profitable as possible. So that can mean a lot of things, I think it's critical for success in business that pricing needs to your product or service needs to be easy to sell and easy to buy. Should be easy to sell and easy to buy. If it is hard to sell or hard to buy, it will introduce friction in the process, and you will struggle. So if your sales people cannot explain it, or cannot explain the pricing, simply, it will your sales will suffer if your customers cannot understand what's being explained to them, because it's so convoluted and uncomplicated, you will struggle. So what is communicated between sales person and buyer should be very straightforward. That does not mean that the model that got us to here, that got us to the point that the person says it costs you, you know, \$8,200 per month. That model needn't be overly simplistic. We just have to have it, so I don't have a problem with a 30 tab Excel spreadsheet, if I can quickly go through it and say, Okay, I'm selling to a manufacturing company on the west coast that buys between one and \$3 million a year in this and they have 400 employees. I can fill out four or five or six or 10 pieces of data, and then out pops the pricing according to that thing. Like in other words, if the if the black box that makes the pricing decision has a lot of complexity in it, I don't really mind that, as long as it's right, as long as I can quickly put something in the front of that black box and get the right pricing out, and then I can easily explain it to my customer. The challenge with a really complex model is it's hard to keep up to date. So there's another kind of I'll put the thumb on the scale, on the side of simplicity. So somewhere between everybody pays the same price all the time because it's super easy, and everybody pays a completely different price because we recognize, everybody, has different price sensitivity, and we build this insanely complex model. That's not a very specific answer, but those are the kinds of things I ask people to think through as they're weighing that in deciding where on the spectrum from super simple to super complex. They should land, and it's usually somewhere in the middle.

S**Steve Divitkos 1:16:27**

Concluding question for you, at the risk of putting you on the spot, so I'll ask for forgiveness in advance. I'm curious what is the most meaningful lesson that you've learned over the past 12 months? And it can be anything. It can be related to pricing. It could be related to running your company. It could be managing your family. Managing your family. It could be spiritual, anything. What stands out as the most meaningful lesson you've learned over the past year?

C

Casey Brown 1:16:48

Great question, and the the obvious answer that leaps straight to my mind, is that I'm a mother. I've two daughters and two stepsons, and my daughter is a senior in high school, and my younger daughter is a sophomore, and my stepsons did not live with us. So this is my first time experiencing this idea of a baby bird flying the coop. And about a year ago, as she was finishing up her junior year, I said, this is a, you know, I'm nearing the end of my time with my daughter, and I want to be really intentional about creating opportunity, creating space. If she wants to spend time together, I say yes to it. I move everything else around. She also was going through some health problems at the time, and so just, it was just a really intense, difficult time in a lot of ways. And this year, I have done exactly that. I've canceled work things or move them around. I've sacrificed revenue generating opportunities to spend more time with my daughter, and we were talking about it the other day, and I said, you know, it's getting so close. She's moving out in a couple months. And I said, I know that I'm going to look back at this time and really miss this and miss you, but I'm not going to look back at this time and regret that I didn't know how important it was. And she got kind of teared up, and I got kind of tear I'm almost getting teared up telling you the story. And we hugged, and she said, I love you so much, mom. And I said, I love you too. And and I just like, it's not necessarily a new lesson, because I know what matters the most to me. I've always known it, but this has been a very visceral incarnation of that lesson, just spending that time with her and seeing how meaningful it is, not just for me, but for her.

S

Steve Divitkos 1:18:24

Yeah, what a great answer. I really appreciate you sharing that. Given all the expertise that you shared with us today, and given how pervasive and common all these questions are, I wouldn't be surprised if you had a few knocks on your door after we publish this episode. So where can listeners best find you, and what is the best way for them to reach out to great?

C

Casey Brown 1:18:49

Yeah, so we do, because as I shared in my opening pricing for me is mission driven work. We put out a lot of free resources. I write blogs and make videos, and so we have the blogs available on our website, which is boost pricing.com. That we have a YouTube channel and just look for boost pricing. I also put a lot on LinkedIn. That's where I'm most active. So you can find me at Casey Brown, Boost. So lots of free stuff. I also mentioned earlier that I have a book available on Amazon, in hardcover, paperback, Kindle and audiobook, all the ways. And then we do work at Boost with companies to train sales teams, to expose customer tactics, and then arm sellers with the methods and tools and messaging to be more successful. And so you can fill out a contact form on our website, Boost Pricing, or you can shoot us an email @info@boostpricing.com.



Steve Divitkos 1:19:39

Case, you're an all star. Thank you for joining us today.



Casey Brown 1:19:43

Thanks so much, Steve.