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The Right Products at the Right Pricepoint with Ramit Sethi

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Pat: This is the Smart Passive Income Podcast with Pat Flynn, session number two hundred and twenty-two. Let's do this.

Announcer: Welcome to the Smart Passive Income Podcast where it's all about working hard now so you can sit back and reap the benefits later. Now your host. His middle name is Phillip, because he's Filipino, Pat Flynn.

Pat: What's up, everybody. Thank you so much for joining me today in session two hundred and twenty-two. We have a returning guest with us today, somebody who's been on the show three times before. No, this is not Chris Ducker, although he's been on quite a few times too. This is by far the most requested person to come back on the show. This is Ramit Sethi from Iwillteachyoutoberich.com. A fun fact about Ramit is his blog is actually one of the first blogs that I ever discovered and one that I started to follow. This was back in 2006 I think it was when I first discovered him. That was before I started my online business. I was still in the architecture world, and I was trying to learn from Ramit how to build wealth, how to generate an income, how to get better job positions, and raises, and all that kind of stuff. Since then I've sort of gotten to know him as this incredible marketer now that I'm doing marketing myself. I follow him. I subscribe to all of his email, and I do that because I want to learn from the best, and he is one of the best in terms of email sequences, sales pages, funnels, and all that kind of stuff.

Today we're going to be talking with Ramit about finding the right products to promote to your audience and finding the right price points to sell those products. There's a lot of mindset stuff that goes into this, but there's also a lot of actionable advice too. Ramit pulls from his own experience, his own failures too, to help us better understand these concepts. I promise you that after listening to this episode you're going to take home just some amazing knowledge that's going to help you with the products that you are either selling now and how to better promote them or the products that you're coming out with in the future. Let's get right into it. This is Ramit Sethi from [I Will Teach You to Be Rich](http://IWillTeachYouToBeRich.com) and [Zero to Launch](http://ZeroToLaunch.com). Here we

go. Ramit, dude, welcome back to the show. Thanks for being here again.

Ramit: Great to be back. Thanks for having me.

Pat: Yeah. Absolutely. My audience by far, more than anybody, asks you to come back all the time, so happy to have you back. You always deliver the goods as I'm sure you're going to today. We're going to get into a lot of things, but I just have to thank you publicly here on the show, because we had a private chat not too long ago where you really helped my mind focus on where it needed to focus on. A lot of it was because, even though I've been doing this for eight years, I'm still learning. I'm still struggling. You really helped me out, so I just want to thank you publicly for that. We're going to actually talk about some of those topics today, but I just want to, man, by far you actually are the blog that I've followed the longest, I don't know if you know that, but even before I started blogging myself. It was an article that you wrote where I could save x amount of dollars from my cable company. You had put a script in that blog post, and that's really what helped me become a fan of yours. It was that small, little wind that I got from you really got me hooked on your stuff, so thank you for that.

Ramit: Well, thank you for saying that. I really appreciate that. One of my goals is to raise the entire industry up of people who are creating online businesses. I think you and I would probably both agree there's a lot of hype. There's a lot of people selling these semi snake oil products, and I've just never been interested in that. I've always wanted to honor the education that I went through, the professors, the New York Times journalists who subscribe to my list. I wanted to put something out there that would make my parents proud.

One of the things that I remember hearing, which I've never forgotten, is someone once said, "You never hear anyone on a Mercedes commercial screaming." I thought that was so profound, because if you think about a used car commercial there's a guy in a big hat just yelling and screaming. If you think about a Mercedes

commercial, it is so different. It's pure luxury, automotive excellence. I think all of us can aspire to that with our business. When you do and you treat the people who you're serving just in a really honorable way, you can actually charge very premium prices. You can have revenue that you wouldn't even believe. Best of all, you can actually help people lead a rich life. I'm really happy to hear you say that, and I'm happy to help however I can with your listeners today.

Pat: Yeah. No problem. I think that might surprise some people hearing that I say that. It almost reminds me of when Tiger Woods was still in his prime as a golfer. I was so surprised that he was still getting swinging lessons. I was like, "Why does the top golfer in the world need swinging lessons?" We always need to be educated. I know I'm not perfect. You know, a lot of people ask me, "Well, Pat, who do you look up to? Who do you aspire to be like?" Ramit, you've built an incredible business, have been very honest and authentic along the way, and so I appreciate you and your example. Hopefully we can pay it forward for these people who are listening today.

The one thing that I know, a lot of people who are listening, they've done a really good job of building an audience and building credibility within a certain niche, but now there's at the point where they want to launch a product, and there's obviously a whole spectrum of different products people can create, different price points. A lot of people are hearing, "You've got to create that trip wire, that first four dollar ninety-nine cent, nine dollar ninety-nine cent product, just to get people in the door before you scare them with a four hundred and ninety-seven dollar product." It almost sounds like that starting high isn't always going to be bad. Where does one even start? How does one wrap around their head around what to do first in terms of launching products?

Ramit: Let's get the mindset right. You're not scaring anyone by charging four hundred and ninety-nine dollars, a thousand dollars, or even five thousand dollars. Okay? You're not scaring anybody. When people think about the word scary what they typically think is that someone's going to scroll down their sales page, and suddenly

see the price, and just go, “Oh, my god. That’s outrageous. That’s ridiculous. I would never ... Maybe if it was four dollars, I would buy it,” but what we need to understand first is that you’re not failing at the sales page. You’ve failed way, way before, and that is in qualifying the right buyer. Many people have heard one of the things that we do in our business is we don’t allow anyone with credit card debt to purchase our flagship courses. That’s a value based decision. That’s the way I want to run my business, my life. That costs us millions of dollars a year. It’s the right thing to do.

It also means that by the time someone comes to even hear about how they can purchase something from us we’ve already qualified them in a lot of different ways. This is really scary for people, because the first thing most people want is to inflate the numbers. I want a huge email list. I want a big funnel. I want all this stuff. We’ve always believed that we would start with quality and have the best products, have the best subscribers. When you do all of those things, you just stack them on top of each other, it is irresistible, and it is undeniable that your business will grow. To answer your question specifically, there are a lot of people who say, “You need a four dollar and ninety-nine cent product.” Okay. If that’s the business model that you want to do, you absolutely can do that, but let me just say that I think that most rules out there are made to be mastered and then broken. We don’t do a four dollar ninety-nine cent product. I would rather not play in the four dollar, twenty dollar, or even fifty dollar sand box. We generate a substantial amount of revenue from a two thousand dollar product. That is for people who are typically millennials. They’re in their thirties.

I would say you don’t need to do what somebody tells you about a four dollar ninety-nine cent product, but what I would say is there are some simple math models that I could give you that would show you how to build a pretty substantial online business. You want to go through a little bit of the math?

Pat:

Yeah. Before that though I want to ask you a question. A lot of people when they hear this they’re going to be like, “Well, I’m leaving out a lot of people who could purchase the product

because of the price.” I think a lot of people feel bad of charging more, because they’re going to leave some people out who could benefit from that product.

Ramit: Okay. Great question. Great, great point. It is so true. Let me say this, you have to get your psychology right when you’re thinking about selling. Let’s spend some time on this, because this is critical. We already talked about scaring people. You’re not scaring the right people. When I offer a product and it is for the right person they’re not scared. You know what they say? “Please take my money. Please. Can I just scroll down, and I don’t even want to read these words, just take my money.”

Pat: Right. I feel like you made this just for me, that kind of thing.

Ramit: Yeah, and we did, because we found the needle in the hay stack that it was a perfect fit for. Now that takes a lot of work and a lot of research, and we can talk about all of that, but you’re not scaring the right person. The wrong person should already be off to something that’s a better fit. If you’re concerned about not serving everyone, I think that’s a valid concern, because we didn’t all start a business just to maximize profits. There’s more to it than that. The approach we took was to say, “Look. We’re going to give away ninety-eight percent of our material for free, and then two percent is going to be very premium.” We’re not really interested in playing in the middle ground. If you have people who say, “You know, that’s too expensive,” then what I would recommend is you point them to your blog posts and say, “Please, use this blog post. It is so good. If you execute on this, you’ll be able to save time, save money, earn money, whatever.”

You’ll typically find two things. You’ll typically find that about eighty-five to ninety percent of the time the people who were complaining about price are not actually complaining about price. They just don’t want to do what you’re offering. It’s all fun, and games, and ponies, and cake until there’s consequences and there’s some skin in the game, which is money. I guarantee this, everyone listening, send the people who complain about price, say, “Look. Totally understand

that this price isn't for everyone. Let me recommend something. Go check out this blog post. Execute on it. Write me back on Monday, and tell me how it goes." Set a little reminder for yourself in Boomerang, or Sandbox, or whatever you use. They won't write you back. I can guarantee you that. Ninety-nine percent of those people will never write you back. Write them back on Tuesday and say, "Hey. How did it go? Tell me specifically what kind of results did you get?" You will find that about seventy percent of those people will never reply to your second email. The ones who do will almost always, almost always be full of excuses and reasons it didn't work. Pat, can you guess what they would say about why they weren't able to execute?

Pat: I just don't have time.

Ramit: Mm-hmm (affirmative). Something came up. Weekend, blah, blah, blah. I'm not trying to be pejorative at all or insult any of these people. What I want you to do is put on a scientist hat and try to understand what is going on. They first complained about price, and if you had simply taken them at face value, you would have lowered your price. They still would have never bought. Instead you played a little experiment. You said, "Hey. Go try to this free blog post, which is going to help you save time, save money, earn money," and you wanted to see if they would actually follow through. If they can't follow through on something free, how are they going to follow through on the challenging work in your course. If what I'm saying is accurate, which I believe it is, because I've tested it with literally thousands of people, then you're going to find out that those people actually were just using price as a decoy to excuse their lack of follow through.

Now you know that is not your market. You could lower your price. You could put a crown on your head. You could do whatever. You could send them a cake. It's not going to change anything. Now you've already had a world changing insight, which is that's not your customer, so let's not even think or concern our self with that, I'd rather reserve my limited concern and limited attention for the people that are actually likely to follow through.

Pat: Is the goal to have a sales page for a product up, and then share that with everybody, and then those who then purchase are likely qualified, and those who don't are not, or are you trying to segment your audience beforehand to make sure that only people who would be interested in that product actually see that offer?

Ramit: The answer is yes. Yes and yes. A lot of times when we come up with these two options, should I eat healthier or should I work out at the gym? The answer is yes. Okay? You want to be qualifying people along the way. When you get really sophisticated there's a lot of different ways you can qualify and segment people, but there's always going to be people who are just like, "Hey. I like reading your emails," or, "I like your videos," and they go check out the sales page. Now here's where it's really a pivotal moment. When I go to a store if I see a shirt that I can't afford or that just doesn't look good to me, what do I do? I put it back on the rack, and I walk out. I go to another place, right? I don't hold it up and then complain to the manager, "This is too expensive. Maybe if you lowered the price by ninety-eight percent, maybe I would consider it." Yet ironically in the internet world people do that, which is completely absurd. Then worst of all, the entrepreneur, actually listen.

What you need to do is step back and say, "Hey. The market is telling me something, but I'm not sure what it's telling me. Is the price truly too high, or is it that this person is probably not qualified?" Now, how do you find out? Like I said, run the experiment. Do the free thing. You can even say, "What's the price that would be fair to you?" I guarantee you if you're selling at a hundred dollars, they'll say something like twenty bucks. Say, "Okay. Just for one person, I'm going to give it to you for twenty bucks." Watch and see what percentage of those people actually take you up on it and follow through without refunding. You're going to quickly discover that price, it's like a beacon. If you've truly convinced the right audience, then as we say, "Price is a mere triviality," because people will pay a substantial amount if you're actually solving a problem that's important to them and that they believe you can solve it. Those two keys, let me say those again. If you are solving a problem that's important to people, and if you

have the credibility so that they believe you can solve it, if you do those two things, price is a mere triviality. I'll stop there.

Pat: That begs the questions, well, how do we find the most important problems to solve?

Ramit: Okay. You've talked a lot about this in doing your research. I think a lot about when we tackled some of the projects that we did. I'll tell you an example of something that worked really well, and I'll tell you an example of something that totally flopped. We have a product now that's called Zero to Launch. This is for people who want to create an online business, everything from doing the research, to what price should you choose for your product, and down to the level of what packaging? Should it be a video course? Should it be four weeks, eight weeks, all the split tests and stuff that we've run. There's a bunch of stuff in there. That is a huge success. People love it, and the students who go through it are building awesome online businesses. Okay. That's a big demand. People want to start an online business, and they want to learn it from someone they trust, like I Will Teach.

On the other hand we created a health insurance product. Now, when I was younger I needed to find health insurance, and I mean I was so frustrated I thought to myself, "I'm an educated guy, and I can't figure this out. If I can't figure this out, there's a lot of people who can't," so I asked people on my list. I said, "Are you guys frustrated with health insurance?" A bunch of people are like, "Yeah," so we actually went off and built a health insurance product. We had certain things designed. It was getting close to being done. We decided to do a little bit of testing. What we discovered is all the people who had said it was frustrating, it was one of those things they just wanted to complain about, but they didn't actually want to pay to solve the problem. It turns out health insurance is just one of the things you complain at the lunchtime cafeteria about, but you don't actually do anything about it. If we had done our research better, and I can show you exactly what we would have done, we would have saved over fifty thousand dollars and months and months of work. We never released that product. We locked it up in

our vault. It will never see the light of day, because although people may complain about it they don't actually care.

Pat: Then how do you understand if a problem that people have is something that they would actually pay money to have solved, or if it's just something they want to talk about?

Ramit: The first thing you want to do is you want to go to them and ask open ended questions, not questions relating to the product idea you have in mind. Nobody cares about your product at this stage. In fact, if you ask about a product, they're going to unintentionally lie to you. A lot of people, the common mistake that they make is they go and say, "Hey. How's health insurance? Is that frustrating?" "Yeah." If there was a guide, step by step, that would walk you through that product and tell you exactly what to do, would you be interested in it?" "Yeah. I'd love that." Then you go, "Oh. Okay. If it was like fifty bucks, would that be reasonable?" "I could see some people paying for that." Right there you've made three critical mistakes out of three questions.

Number one, you went and you asked him a yes or no question. "Is health insurance a problem to you?" People are just going to say yes, because they don't want to really disappoint you. Then you asked them, "If I put together a guide ...?" Now you're talking about a product. Now you've shifted them into, "I don't want to disappoint my friend. I'm going to say yes again." Then you give them a price, and did you notice the answer? "Yeah. I can see how some people would be interested in that." It's like asking someone if they're in love with you. If the answer is not, "Yes. I love you," if the answer is anything else, it's a no. "Oh, yeah. I could see us one day falling in love," that's a no.

The questions you want to ask instead. You want to start off by saying, "Tell me about your day," like really broad. When we were asking about online business someone of the research we did was like, "Tell us about your day. What is it currently, and then in your dream world what would that day look like?" Some of those people said, "One day I would love to wake up, sip some jasmine tea, and

work from the beach.” We’re like, “Okay. What would you be doing on the beach?” They’re like, “I’d have an online business.” “What kind of online business?” Then they would tell us all these things, and we would dig in further and further. Notice that we’re not asking any questions about what price point would they pay, what kind of product? Should it be a video course or an eBook? You’re not even at that stage. You want to understand the problem first.

Again, I’m going to give you one more example. If you’re talking about creating a style product for women, I would go to women ... By the way, if your question is, “Hey. Where do I go to find these women?”, my answer is, “If you can’t find them during research, how are you going to find them during sales?” You’ve got to be able to find them, whether it’s through a subreddit, whether it’s through a forum, whether it’s just through asking your friends to chat with you or talk to you on the phone. You know five women. You go and talk to them and you say, “Hey. Tell me about your clothes. Tell me about your outfit today. How did you think about that?” They’re like, “Oh. I just put this thing together. Banana Republic, I love it.” “Oh. Okay. On a day to day basis when you wake up and you look at your closet what do you feel?” Pat, you’re married. What do you think a typical women is going to say when you ask that question?

Pat: Oh, god. You’re setting me up here, dude.

Ramit: Come one.

Pat: How do you feel? I feel like I wear the same thing every single day.

Ramit: Awesome. “I have all these clothes in my closet, and I ended up pulling out the same five outfits every day.” Okay. You say, “Tell me more about that. Why?” She’s going to say, “Well, I have these things, but I’m not sure how to put them together. Sometimes I wear these things, but I don’t want to look too fancy or too casual.” Okay. You’re really getting into it, and you’re hearing certain things on research, so now I might ask them like, “What have you tried to solve this problem?” Now this is a key question.

Pat: Love that question.

Ramit: If people say, “Nothing really,” now you have a serious problem. That’s telling you that perhaps this is not really a severe of a pain point as you thought. People always are like, “Ramit ...” They’re always pitching me these cockamamie ideas. “Hey, Ramit. Have you considered learning how to change the color of your wood table?” I’m like, “No. I don’t give a ... about that. I don’t care about changing ... Why would I care about that?” Their whole business that they had concocted in their head was, “Let me show people how to change the color of their wood table,” or something equivalent. Well, what you want to hear is people saying, “You know what? I tried to go to Banana Republic. I worked with a personal shopper, but I didn’t really like it. Then I looked on YouTube, which is really cool, and it helped me a little bit, but it just feels so overwhelming.”

That’s money. That’s gold. Now I’m like, “Really? Okay. Walk me through it. What product did you try? Show me the before and after.” Now we’re really starting to understand the contours of the problem. I love hearing when people have tried some thing and it didn’t work. That’s a double whammy on the positive side, because number one, it means that this is a biggest enough problem for people to actually try something to solve it. That’s big. The fact that it didn’t work is awesome, because I have confidence in myself, and I know that I can come up with something better than what’s out there. That means if I can just understand the weaknesses of that product and other products, I can probably come up with something better.

Pat: Love it. Hey, quick question. Before you talk to these people are you saying anything is terms of, “Okay. I’m about to ask you questions, because I’m doing business research of something like that.” I just don’t want people to feel like they’re kind of being weird about it.

Ramit: Good question. As any guy knows every guy’s a weirdo when you’re in your early teens. You don’t know how to talk to girls, or guys, or whoever. As the former king of being weird I actually

believe in being totally honest. You don't have to be a nut job about it. You can be super honest. You can say something like this, say, "Kate, I noticed that you seem to just have a knack for style. I'd love to talk to you a little bit about how you do it. I'm thinking about creating something around style. I don't know if it's going to work or not, so I would just love to talk to you and get your feedback. That's it. I'm not selling anything or anything like that." Boom. Now, let me point one thing out, Pat, because that's important for people to hear. You're not selling anything. You don't even have a product in mind yet. You're just doing research. There's literally no way for you to sell them anything. That should shape the contours of your discussion, which is purely research. It is not sales.

Pat: The product comes out of the research. It sounds so obvious, but every time I talk to entrepreneurs who have built blogs they are working on these products, and they have these ideas, and they're spending money on them, and they haven't even had conversations with their prospects yet. It's really scary.

Ramit: The greatest tragedy in the world for an entrepreneur is spending months or years and thousands or hundreds of thousands of dollars building something only to find out that nobody wants it.

Pat: Yeah. I've gone through that. We see it on Shark Tank all the time. It's definitely a tragedy. That's for sure. I want to go back to pricing a bit, because that's just, again, another topic that keeps coming up over, and over, and over again.

Ramit: We talked about pricing for like twenty hours.

Pat: Yeah. We did. We have a whole 'nother podcast about that. I think that was episode ninety-two, the first time you were on.

Ramit: Hold on. Do you memorize every podcast episode?

Pat: I do. It's really interesting.

Ramit: What?

Pat: Yeah. You were on ninety-two, one twenty, and one seventy. I think. I think.

Ramit: For everyone listening, I mean, Pat, you're like a savant. This is amazing.

Pat: You might think it's kind of crazy, but I've heard of stories of poker players who remember specific hands just because they're in them, and they're so deep into that moment that they can't not remember that. I think as a podcast-er, somebody who is involved with talking to people like yourself, and putting them out there, and then promoting them later, I can't help but remember them.

Ramit: Amazing.

Pat: Like Collins, seventy-eight. Shane and Jocelyn Sams, one twenty-two. I mean, I could go through the whole list. Anyway, thank you for that though. I appreciate that. That also kind of reminds me though, one thing I love about you, and what you do, and why I highly respect you is because you just have, and I think people can understand now that they've listened to you for twenty minutes, minus the other podcasts if they have, you always have these amazing stories to share your ideas and to really get the point across. I've heard you talk about this thing called the story bank.

Ramit: Yeah. Story tool box.

Pat: I think it's one of the most helpful social tools that anybody could ever have. Could you speak on that real quick, because I think it helps with everything.

Ramit: Yeah. All right. As I said, former king of being a weirdo. This is a technique I use, because I wanted to be able to walk into a room and just be more approachable and more relatable. I watched people do this, like masters, friends of mine, they can just own the room, and people at work who are just incredible. One of the things that the very, very best in the world do is they always have a story for something. The best example of this is watching people on the

Tonight Show or any late night show or morning show. They're just amazing at making these stories so engaging. A simple technique that you can use is to think about some of your best stories. Really you can start with about three to five of them. I find that if you think about being in a group of your close friends, those stories come much more naturally versus when you're standing at some awkward cocktail party and your mind is just blank. You're like, "How's the weather? I love this olive." Nobody cares. When I'm around my friends I'm so much more natural.

I basically wrote down a list of three to five stories, and I put them in what I call a story tool box. It could be a simple word document, text document, Excel document, it doesn't matter. Now you know when you're at any kind of event and you're talking to somebody you've got these stories in your back pocket. You can also go deeper with this. When you're in an interview you've got your three to five stories about how you drove higher revenue, how you worked with a problem co-worker, how you handled an integrity issue, and you can just pull those out and use those stories just seamlessly. If you guys are interested, I think actually our most watched YouTube video ever, which is totally free, is called Improve Your Social Skills in Under Thirty Minutes. It's on YouTube. It has over a million views. There's a whole bunch of little techniques you can use like this, either for when you're doing research calls, when you're at an interview, or even when you're just hanging with your friends. Man, there's so much we can learn about social skills that they help us in every part of life. I'm glad you brought it up, Pat. I hope people take a look at that video.

Pat:

Yeah. I mean, the story tool box is something that I found that now that I've done x number of presentations overtime, and within each of those presentations I have points that are supported with stories. Now that I've sort of done them in a formal way they often come up just naturally in conversation, and because they're from presentations they're presented in these casual conversations in just great ways. People are often blown away like, "Wow." I get people coming up to me later like, "Wow. You told that story really well. I was in tears," or, "I was laughing my --- off because it was so

funny.” Thank you for that. Anyway, I wanted to go back to pricing. We talked about not playing in the small sand box, but also how to not remove other people from ... just all that stuff that we talked about. I still feel like we haven’t really nailed down how to find the perfect price. I know that’s sort of a loaded question, but it is?

Ramit: A couple of things. First of all, go listen to the pricing episode that we did. We go into super detail, but I want to give you some new stuff here today, because I’ve been monitoring what’s going on with a lot of entrepreneurs. It makes me want to vomit. Is that a good way to start off a pricing segment?

Pat: Yeah. Right? I mean, now you have everybody’s attention, but why are you throwing up here?

Ramit: Because most entrepreneurs who are launching their first product or fourth, fifth product the way that they think about pricing, they don’t even just lick their finger and put it up in the air and just see which way the wind is. They don’t even do that. It’s actually worse. They look at their competitors, and they see what they’re doing, and they either match it or go ten percent lower. There’s only one big problem with that. Their competitors are in the bargain basement section of Walmart. Okay? They’re picking competitors who have no clue what they’re doing. You have no clue what you’re doing, and then you’re being guided by someone who has even less of a clue what they’re doing. You need to step out of that paradigm of looking at your neighbor who makes ten percent more than you. Step out. They’re not your competitor. You’re going to surpass them very soon if you use things like Zero to Launch and you learn how to do this stuff.

You need to be looking at competitors making five times, ten times, fifty times more than you. There is so much value in knowing what the number one person in your market does. The number one person in your market, they don’t just know two times more than the number two person. They know ten times or a hundred times more. It’s like the difference between Michael Jordan and the next guy in the NBA. If you look at some great pricing from businesses that

are doing really well ... I'll tell you about how we think about pricing. First of all, we understand what our competitors are charging, but that does not guide our decision making. Why? People say, "Well, that's crazy, Ramit. You can't just charge whatever you want, because you have to respond to competitive pressures." Well, maybe, but if you've made the right decision early on to choose the right people, the right people means they are not price driven, but instead they're value driven, then you actually have a lot more flexibility in your pricing.

I'll give you an example that we have. Zero to Launch is a simple example. There's a lot of people out there charging a hundred dollars or two, three hundred dollars for an online business product. We have zero desire to play in that. I don't even want to build a product that is only two hundred bucks to create an online business. How much value can I really add? What I wanted to do instead was create something that was so good that people would be willing to pay twenty times or even a hundred times what they have paid, so we went up market on that. Now, let me bring it down to Earth. You may not be creating a two thousand dollar your first time. In fact, you shouldn't do that, but you may be looking at your competitors who are charging twenty bucks or fifty bucks, and you may say, "You know what? I'm going to charge fifty to a hundred dollars," or, "I'm going to decide to create a four hundred ninety-seven dollar products, but what do I need to put in that product to make it worth, three, four, five, ten times that?"

I'll give you an example. If you're creating a hundred dollar product, you can't effectively teach people how to start an online business. It's just too complicated. Right? It just doesn't pass the sniff test, but what could you teach them for a hundred dollars that could be amazing? You could teach them how to do customer research. You could teach them a specific course about how to package your product up, et cetera, et cetera. What we have done is we looked at the competition. We said, "Okay. We understand what the market is doing. Let's decide where we want to play, and then let's figure out how to offer tons and tons of value in there to justify that price, instead of what most entrepreneurs do, which is, "Oh, my god. I

need to cut my price down to fifty dollars to match the competition.”

Pat: Yeah. That’s fantastic advice. I think too many people are just trying to ... I don’t know. Lowering the price, think about what that does to your product. The perceived value is not going to be there.

Ramit: Perceived or real. Okay. I cannot justify calling every single customer who joins Zero to Launch at a hundred dollars, but when you join Zero to Launch you get a call from a real, live, trained rep. That’s very sophisticated. Not saying you need to do that for your first product, but what I’m saying is I can justify doing more, because I’m charging more to the right customers. Here’s another example. We have a copy writing course. Okay. What do most copy writing courses do? They show you a few sales pages. They show you some words. Oh. Okay. Write like this, and write it by hand. I flew students in from around the country into our studio and did live copy writing tear downs. There. That’s a very expensive proposition. Accordingly we’re not going to charge a hundred dollars for that product. It just doesn’t make sense. Same thing for other people. Stop thinking about cutting your price, and instead think about how you can add value. You would be surprised. Most people who are serious about whatever niche you’re in, they’re not looking at price as the first criteria for buying. Pat, you and I know that’s true, and everyone listening knows that’s true too. Think about something in your life where you really value it and price is not the first thing. If you have a pet, question number one, why do you have a pet? You know I’m not a big fan of pets, Pat.

Pat: I know.

Ramit: I’m sorry for all the haters who are going to write me, “I love dogs.” My sisters used to want a dog, and we couldn’t get one for fifteen years, because my dad’s allergic. We found out, guess what? He’s not allergic. He actually just doesn’t like dogs. He lied. I was like, “That is the best thing I’ve ever heard my dad do in my life.” I can’t wait to do that one day. The point is if you have a pet you probably buy some really cool organic dog food or you buy something to put the dog in when it rains. Who knows, right? You’re certainly not

getting the cheapest thing ever. If you have kids, I can guarantee you're not buying the cheapest, most generic food, or lunch box, or whatever. You got to put yourself in the mindset of knowing that the right audience is not merely price driven. They actually want value.

Pat: Mm-hmm (affirmative). Love it. In terms of what is in the course and the type of course it is, a video course or any of these other things, do you have on any tips on how do you best deliver this valuable content to the people who are going through your course?

Ramit: Okay. Yeah. Absolutely. We have a whole bunch of packaging specific instructions in Zero to Launch. Some suggestions I want to make for people that are a bit counter intuitive, many people know about this idea of adding video, but they don't understand why. Why am I going to add video? They just blindly ...

Pat: Everybody else is doing it.

Ramit: Yeah. Everyone else is doing it. You need to understand the psychology and the theory behind it. Otherwise, you're going to be sitting here in tactical hell saying, "What kind of microphone should I get, and how long should my videos be? One of the reasons that people offer video is that it allows what's called pricing confusion. If you're trying to sell an eBook for a hundred dollars people are like, "Go screw yourself. The eBooks on Amazon cost four dollars and ninety-nine cents." Well, if you are adding video, it's hard to compare apples to oranges. Everyone stop and just notice that I'm not saying you're only adding video to confuse people so you can charge them more. That is not what I'm saying at all. The video has to add major value beyond text. Think about how video can add value. When we do video, one, it allows me to tell these stories that I can't easily tell on a PowerPoint slide or in an HTML page. It allows people to trust you more. It allows you to be more engaging, because they're actually watching you on screen as opposed to just reading words.

The video, it serves a very real purpose. Now you're asking specifically how much should you put in for different price points.

Well, let's talk about it. For a fifty dollar product as a general recommendation you can have a fairly copy heavy product with a little bit of video. Anywhere between fifty to a hundred dollars, that's fine. Typically we'll see people do an eBook with a few videos. That's perfectly fine. You can have a great product that actually generates tens of thousands of dollars per year if you price it between fifty and a hundred dollars and you have eBook plus some video. We actually have products like that. At five hundred bucks you want to start defaulting towards a little more video driven. That's just a general frame work right now. Again, as I said, rules are meant to be mastered, then broken, but just master it first. Some amount of video, which could be seven days, fourteen days, thirty days, et cetera.

Once you get up into the one thousand and two thousand dollar price points you're really talking about more sophisticated video. You're talking about better video quality. You're talking about video that may not just be focused on your face, but also integrating PowerPoint slides or even more, like external shots. At the price points that we target, which is two thousand dollars plus, we will add a rich amount of vault material. We call it vault. It's basically supplemental material that is really, really crunchy and valuable. For example, fifteen split tests that we've run in our business, or how we quadrupled our email list. All of those things are in Zero to Launch. Those are in the vault. Those are supplementary materials that are just super crunchy and valuable, and you can use those today, right now, and get amazing results.

Pat: Now, what about access to you in, for example, office hours or access to a community? I mean, those are things that obviously drive up the value, but at what point should those be placed in?

Ramit: Great question. Everyone listen to what Pat just said. That's a really, really great way you worded it, Pat, because you don't have to offer community for a fifty dollar product. You absolutely do not have to. In fact, you should think really carefully about where you offer these things, just like a car company would not offer leather seats for a Honda Accord DX or whatever the lowest model is, or

LX. They reserve the leather seats for the EX, the high end version. You don't need to offer everything just because. You should be very selective. To answer your question I think that what we have found is that community is increasingly important. We would offer community generally for ... We wouldn't offer it for less than five hundred dollars. As a general guideline, again, there's exceptions, but five hundred to a thousand we would start thinking about it. Two thousand we would definitely offer some kind of community product. That could be a Facebook group. It could be whatever it is you want, a forum.

Access to the creator, now that is another tricky question. A lot of people believe that they have to do it. Why? Because their dumpy neighbor did the same thing. Stop focusing on your neighbor who makes eight percent revenue more than you, and you can surpass them next month. Stop. Just stop. Access to you should be privileged and treasured. I have courses I've created that are eight thousand dollars that do not include access to me. Okay? The content of that material is amazing. You do not need to offer access always. You also don't need to offer access forever. Here's a nice way you can consider doing it. When we created a thousand dollar product we offered an additional tier, which was a master level tier. People got access to me where they could ask Q&A questions once a week for eight weeks. We recorded those, and we put them into the master tier as recorded calls. I did it for eight weeks, and I've never done it again. Those continue to sell very well. That's my example to show you you don't need to offer access always, and in that case you don't need to offer access forever.

Pat: Awesome. What about the other kind of content that people are putting out there product-wise, and that is a membership site with recurring payments to stay in monthly? Typically it also includes a forum and vault content. Then there's new content uploaded every single month.

Ramit: Yup. What's the question?

Pat: My question is I've never seen you do anything like that. Why?

- Ramit: What do you mean? We've generated millions of dollars doing that.
- Pat: Oh. Have you?
- Ramit: Yeah. We have a product called Brain Trust. We've actually had multiple products that we've tried.
- Pat: Oh. That's right.
- Ramit: We've done it.
- Pat: I haven't gotten those emails I guess.
- Ramit: Yes. We've done that, and we understand the subscription business, but we have more to learn. I would say that I don't want anyone to walk away thinking, "Ramit is so full of himself," or, "They know everything," because that's not true. We're learning just like everyone else. Despite the fact that we have products that have generated millions of dollars on a subscription basis, I really think that we have a long way to go in understanding the subscription model. I'll share a couple of insights that we've learned along the way. Subscription business is like you mentioned. People typically do these things. They'll charge often between twenty-five and ninety-nine dollars a month. These subscription businesses, they'll typically offer some new content in the communities, very straight forward business model. What most people don't talk about are the things that really kill you as the entrepreneur.

The first part that kills you is churn. Most people don't even think about that number, know what it is, or know how to track it. Churn is basically how many people are cancelling every month. Your churn number needs to be pretty low. It turns out churn is a pretty complex beast to tackle. Many people who are running a subscription business don't even know that they are basically breaking even, or maybe even losing money. It's pretty hard to find out, because the analytics are very tricky with cohort tracking and things like that. What can I tell you about that? I can say that it's very important that you get people to stay at least six months, and really

some of the best ones people are staying for twenty-four months or even longer. Okay? That's number one.

Number two is creating content. It's pretty hard to create high quality content every month regularly. You need to really think about what are you going to create that's going to get people to stay and want to stay every single month. There's a lot that you can do with subscription models. In fact, it can be highly, highly profitable. People who stay every month are some of your most motivated readers, or students, or customers, but you really need to think carefully about what that subscription product looks like today, tomorrow, and three years from now.

Pat: The most successful ones I've seen make sense for them to be subscription models where every month you get access to to, for example, new stock charts and stuff that updates every single month that you wouldn't get access to if you weren't involved. I've been a part of many membership sites that fail, because just the content. It just doesn't make sense to stay in any more. It just seems like it's forced.

Ramit: Great point. You know why those entrepreneurs did it? They were like, "You know what? I need a recurring revenue base, and I think it's really good to make a lot of money." If you start by saying, "I want to just make a bunch of money," without really thinking about, "What does my customer have in mind?", it's basically missing the soul. Why are these people going to want to stay and pay you every single month? You've got think about what kind of value you're delivering. You think about a great program like Weight Watchers, amazing program. That makes perfect sense to be recurring every single month, because you're getting ongoing accountability. I think it's a great example that you gave of don't force it. Find something that is a natural fit.

Pat: Great. The last thing I want to touch on ... and again, thank you for your time today, Ramit. This has been fantastic, as always. A lot of people struggle when they come out whether a course, whether it's a membership site or not, is it going to be open for good and

evergreen, or are you going to open and close the cart throughout the year? How do you pick and choose which one is best for you?

Ramit: What do you think my answer's going to be?

Pat: Well, I think it's going to be the closed cart situation, because of scarcity.

Ramit: Okay. This is another great, amazing, perfect example of where people do what their neighbors do without understanding the why. Now, again, we teach this in Zero to Launch. I'll tell you some of the insights here. Scarcity is a very powerful lever. In fact, it's one of the most powerful levers, but there are multiple types of scarcity, and there are other levers as well. If you think about all the different levers, let's just play out some of them. There's price. Pat, what do you think? What are some other levers?

Pat: Price, bonuses, limited amount of spots available.

Ramit: That's scarcity. Good. What else?

Pat: Time, of course, and just it disappearing and never being available again.

Ramit: All right. I would say that some of the other ones that we should think about would be the promise. This is really important. What are you actually getting? Zero to Launch, you're going to launch your product. In fact, we're going to show you how to get it to millions of dollars. Find Your Dream Job, another product we have. What are you going to get? You're going to find your dream job. I could just say, "Create a great resume." That's sort of an impotent promise compared to find your dream job. That is really important. That's a lever that you should be thinking about, and of course you've done your research that we teach you, so you know what a great promise is. The scarcity lever is one that most people just default to. They tend to default to two levers. One is scarcity, which could be limiting the number of seats, how often is it open, et cetera.

The second one that everybody defaults to is discounting. My policy on discounting, which we talked about on the other podcast on pricing, is in general if you're truly creating amazing material, you've done your research, you've validated stuff works, you have success stories, why on Earth would you discount it twenty, thirty, fifty percent? The only reason that you would discount it is that number one, your product isn't very good, so you're trying to scrape the bottom of the barrel, or two, you genuinely believe that price is the number one criteria for your buyer. As you can expect, we don't discount. I don't think you need to discount, because the right buyers don't need a discount to buy.

Back to scarcity. Should you do evergreen, aka it's always open, or should you do scarcity? Well, if you guys were looking for just a simple, tidy answer, I mean, you're not going to find it on this one. This is a very complex question. In general the higher priced and higher value your product is the more levers you're going to have to pull to sell. Why? Because it's really hard to get someone to buy a two thousand dollar product versus picking up a pack of Wrigley's gum for a dollar at the grocery store. That's one way to look at it, the most expensive the more levers you're going to need to pull.

The other thing is does it make sense to close it? If you genuinely only have only fifteen seats available, because you, Pat Flynn, are doing specific one-on-one work with people, then of course you're going to use scarcity. Right? Really it's the middle ground where you've got this one hundred, four hundred, thousand dollar product and you need to think about whether or not you want to close it or not. Part of it is you can test it if you have enough traffic to get some measurable results. Part of it is sometimes you just make the decision and you say, "You know what? This is going to be a scarcity product," or, "This is going to be an evergreen product." Then you can monitor it over six months to a year. If it's not working, you can change it.

Pat:

Love it. I think that's the big lesson there. As long as you're being conscious about what you're doing and seeing what the results are like you can always make changes and adjust. Dude, Ramit, thank

you again for coming on the show. Man, it's always a pleasure to have you on. Where can people find out more information about what you have going on?

Ramit: One of the things that we like to do is we like to create our free material that's better than anyone else's paid stuff. I have something I think listeners are going to like. It's at growthlab.com/spi. It's a sixty-one page PDF called The Ultimate Guide to Starting an Online Business. This is everything from the psychology of pricing to understanding your mindset when it comes to the packaging of your product, and even specific marketing strategies that you can use right now. Again, that URL, growthlab.com/spi.

Pat: Awesome, man. Thanks so much. We appreciate you, and I'm sure that guide is going to be amazing. Thank you.

Ramit: Thanks a lot, everybody.

Pat: All right. I hope you enjoyed that interview with Ramit. As always, Ramit, I know you're listening to this, it's such a pleasure to have you on the show. I'm sure you'll come on again at some point in the future. I highly recommend everybody check out that guide that he talked about. It's The Ultimate Guide to Starting an Online Business, all of his best stuff in one easy to download PDF at growthlab.com/spi. Again, that's growthlab.com/spi. Like I said at the beginning of the show, that'll put you into his email sequence, which is seriously one of the best in the world. You can learn from him just by following along there. Go ahead and check that out. Again, that's growthlab.com/spi.

I also want to thank today's sponsor, which is Insightly, I-n-s-i-g-h-t-l-y. Let me tell you a bit about them. Insightly is a customer relationship management application, or a CRM, used by companies to help them run their business better. If you're not familiar with the CRM, a CRM helps you keep on top of all the things you need to run a business, like your tasks, your meetings, all your contacts, your leads, your sales, and key information about your customers, partners, or if you have them, suppliers. Insightly's mobile apps

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Thanks so much. I appreciate you, and I look forward to next weeks episode. I had mentioned the word ignite there just a second ago, and that's sort of hint at what's coming next week. For some of you who know John Lee Dumas you know exactly what I mean. We're going to be talking with John, not about podcasting, but about his recent successful Kickstarter campaign for the Freedom Journal, and how he just made nearly a half million dollars on Kickstarter, some of the things he learned, wish he'd done better, things that a lot of other people who are running Kickstarter campaigns are not doing that he did, and more. I look forward to serving you in that episode. Until then, keep pushing forward, keep moving that needle, keeping working on one thing at a time. I appreciate you guys. Again, that free download that Ramit mentioned is at growthlab.com/spi. Cheers, take care, and see you next time. Bye.

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