



SPI Podcast Session #92 - The Psychology of Selling and How to Price Your Products with Ramit Sethi

show notes at: <http://www.smartpassiveincome.com/session92>

Pat: This is the Smart Passive Income Podcast with Pat Flynn, session #92! Happy Holidays!

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! And now your host--there are seven million one hundred twenty thousand search results for his name in Google--Pat Flynn!

Pat: Hey, what's up everybody? Welcome to session 92 of the Smart Passive Income podcast. Happy holidays to all of you! I know you're probably busy doing stuff for the holidays, so I'm going to go right into the content and introduce our guest--Ramit Sethi from iwillteachyoutoberich.com--probably one of the first blogs that I ever subscribed to and ever started reading. It was that and also GetRichSlowly.org with JD Roth, and it's funny because those two blogs probably couldn't be more opposite in the personal finance space.

But I started reading Ramit because he was sharing some really interesting stuff. He wrote really good content about personal finance, stuff that was different from most of the other things I was reading out there. Very helpful--he actually saved me a lot of money and actually has earned me quite a bit of money. Even when I was working in architecture, he was the one who helped me--not personally, but through his content, actually get a raise, which was awesome.

When I got into online business I started looking toward Ramit for how to run an online business, because he does it really well, and of course, content and his copy is amazing. But I brought him on the show today to talk about something that I know a lot of us struggle with. Two things, one, selling, and two, pricing those products. Especially that second one. How do you price your products? So you've created something--how do you know what to price it?



Such an interesting challenge to figure out how to price your stuff. Something I struggle with, and I definitely struggled with when I first started. I mean, when I first started it was basically throwing darts at a dart board and just trying to see what number it came up with.

There are some very concrete pieces of advice that Ramit shares with us for how to price our products, so I'm just going to go right into the interview so we can get there and talk about a lot of other things, too, that are going to help you. Here we are, with Rami Sethi from iwillteachyoutoberich.com. Enjoy!

Pat: Hey, what's up, Ramit? thank you for coming on the SPI podcast! How are you today?

Ramit: I'm great, thanks for having me!

Pat: Dude, I'm super stoked to have you here. I've been following your blog FOREVER, even before I got into online business. So I want to give you a chance to introduce yourself really quick to the audience. How did you get started and how did you get to the point from where you were in college to iwillteachyoutoberich.com?

Ramit: Sure. Well, I started learning about money when I took my scholarship, my first scholarship check for college, and I invested it in the stock market and I lost half of my money. I was like "Uh-oh, I better learn how this money thing works!"

And at the same time, I was studying social influence and persuasion at Stanford, and I was really learning about human behavior, and I was also studying investing and all kinds of money issues. And I just realized the emperor has no clothes. The so-called techniques that all these experts were telling me to do--like "Stop spending money on lattes, keep a budget"--nobody wanted to listen to that! People, my friends, WANTED to buy lattes! They wanted to go out and buy a round of drinks with their friends. This advice was just these older people lecturing and nagging us as to what we SHOULD'N'T do with our money.

So I ended up trying to teach a class, a very informal class in school, and all my friends said "Oh, that sounds amazing!" and then they would never show up, because who wants to go to a class about money where you're going to get lectured to?

Ultimately, for a year and a half I tried that, didn't work, so I went online and I started a blog. That is what originally took me to iwillteachyoutoberich.com, which has now grown quite a bit.



Pat: Yeah, that's crazy. And I know, since I've been following you for a while, you're very, very strong with your position in this space. You say, you know what? Go ahead and get your lattes, get those small things that you want to get. You shouldn't be frugal. You should instead go for the big wins. What do you mean by that exactly?

Ramit: I think that a lot of the--what I write about is based and rooted in psychology. There are theories, and we create our own psychology as well, by testing it. You have, basically, a secret laboratory behind I Will Teach. When I talk about big wins, what I'm really talking about is a concept called Cognitive Misers.

We're cognitive misers. We have limited attention, limited will power. Wake up in the morning, there's 50 things you could do with your money. You could go out to dinner, not go out to dinner. Increase your student loan payoff, credit card debt, negotiate, and faced with that overwhelming amount of "to dos," we do the same thing we've always done, which is nothing.

Pat: Right.

Ramit: And so, instead of worrying about saving three dollars a day--which really doesn't even add up to that much! And also people don't stop spending money on their lattes! It's the one joy they have in the morning! You want to take that away from me so I can--35 years down the road I have \$10,000 saved up and want to kill myself every day of my life? NO! Instead we say, you know what? Get your 5-10 big wins done, like automate your finances, negotiate your salary, find a dream job, start a business. You do those 5-10 things? you will never have to worry about rinky-dink purchases like \$3 lattes!

You wanna buy extra dessert? GO FOR IT! You want to buy a round of drinks for your friends? DO IT. Let me show you how! And, in fact, I even go more, because I know what kind of people my readers are because I'm very similar. Like, I don't judge people for wanting to buy \$300 shoes or fly to Vegas for the weekend. If you want to do that, if that's what a rich life is to you, I will show you how to earn enough to do that!

And if you actually want to save a ton of money, put some money aside for your children's education, or donate to charity, I'm going to show you how to do that as well. But it's a very different approach than nagging people and telling them all the things they can't do.

Pat: Right, right. And I love that. And actually, you have an app that you came out with and I didn't tell you that I was going to talk about this, but I want to share it here. I want people to get it, because it can help you get those big wins. Those are so important, like, for instance I remember you talking about this and it's in your app, the



exact script for calling your--I used your script to call Time Warner Cable and just reduce the price of how much I was paying for TV and internet just within 15 minutes. And that was SO awesome to get that. So what is the name of the app and where can we get it?

Ramit: It's funny you mention that. I didn't even know you were going to talk about it, and actually we can talk about the app because it has not been one of our biggest successes, so I can talk about some things that have succeeded for us and some things that have not, but the app, I think it's good, I think it's called Negotiate It.

You basically just sit around on your phone, you say "oh, I want to cut the price that I'm paying for cable or internet" or "I want to negotiate a late fee." And you just--it has the phone numbers of the companies you work with, and then on the screen you just read off the words, almost like karaoke, and your fees get evaporated. They get waived.

I think the larger point for the people listening here, is I Will Teach You To Be Rich has become very famous for its scripts. Word for word scripts that tells you how to negotiate, how to get higher rates, how to get a higher salary, and stuff like that. And we can talk about the principle beyond there, because I think a lot of your readers might be interested in how they can help their readers find more success.

Like, Pat, if you were able to negotiate \$500 off your cable, that's awesome. But even more importantly, if someone's able to use my scripts to negotiate a \$20,000 raise--which happens all the time--they're going to be with me for life. And I think if we can talk about how your listeners and how your readers can help their fans get those kind of results, that's where you really get a massive, life-long business.

Pat: Right. Absolutely. That's how you gain lifelong fans, when you can actually teach someone to do something, they do it, and they see the results--they're going to--"wow, I gotta follow this guy forever and I'm going to share the heck out of them."

I know that's on the surface level. What's going on, cognitively, when that's the case, so we can better understand this process?

Ramit: You mean when they want to stick with you forever?

Pat: Yeah.

Ramit: Well...alright, look. When you first pick up a personal finance book, it's pretty interesting. We did a lot of research before we wrote the book, and the first chapter in virtually every single personal finance book is "Okay, let's figure out how much money



you're spending!" And you know what people do? They quietly close the book and put it right back on the shelf.

Because nobody wants to go through all that psychological trauma of "Where are all my accounts? How much do I even have in debt, because I don't even know, and now I have to put it down on paper and feel bad about myself? No thanks. I think I'm going to go watch a movie."

So instead, what we did was we said "Okay, what's something that everyone has, and everyone hates?" Credit cards! And we happen to know some big wins against credit cards. So, use these word-for-word scripts, which we tested with 1000s of people, call up your credit card company--by the way, here's the phone number--and just read it off.

And what happens is? People are like "Ahh, this is kind of weird, this Indian dude seems like a little weirdo. I'm going to try it." They try it because it's not that hard. The phone number is right there. The words are literally on the page. And they get a \$37 late fee waived.

And at that moment, GOTCHA. They want, they trust me, because they know it works, and it was what we call a quick win, right? So then they're like "All right, I'm going to get this book." They read it, they get big results, all in a short period of time, and at that point you've progressively gotten them to trust you more.

This is very different than what a lot of people do, which is like "Okay, you want to lose weight? All right, first let's make a big plan!" People don't plan. That's not how they work. So when you're working with your fans and your readers and your listeners, you really want to be careful to say what is the quickest win I can get them, and what's the biggest win I can get them?

Don't just do one without the other. If you do quick wins, you just become a tactician. But if you only do big wins, most people are not psychologically prepared for big wins. They need a quick win to at least grease the skids and get the open to it.

Pat: Yeah. that's huge. Just going back really quick--sort of the step-by-step process, you understand what the pains are, you found one that you could address and you actually know a solution for it. You tested it with thousands of people to make sure it works. You validated that idea. then you made it incredibly easy to use, and it developed a quick win, which then gives you an opportunity to earn trust from people,



which then you can provide bigger wins to, and they just become super fans at that point.

Ramit: That's exactly right. And our motto that we use, and this is based, again, in social psychology, is behavior first, then attitude. This is very counter intuitive. Most of education in America and behavioral change is actually about changing attitudes, so you'll see in the personal finance world, people are like "Okay, if these poor people just had another compound interest chart, then they would really understand the power of investing."

Hey, everyone knows what those compound interest charts are, they don't change behavior at all. Or when it comes to dieting, or weight loss--"If people really understood how bad carbs are, if we just wrote another paper on it, then they would change." WRONG! If they change their behavior first, then their attitude will follow.

So in this case, we do whatever it takes to get them to change their behavior, for just one microsecond. Like "Here's the phone number, here's what to say." And they do it and they're like "Whoa! I AM the kind of person that could actually get control of my money! I'm going to read on to chapter 2." And we found a lot of success using that principle.

Pat: So behavior first, and that just gets people to actually do something that they're going to get results from, and that's when they realize that they will have to change their attitude.

Ramit: Exactly. Awesome. Love it.

Pat: That they can. Okay, so you mentioned your app, and before we get into your products and pricing strategies and things like that, which I know everybody's interested--you mentioned really quick you were having some issues with app, or not really issues, it's just not--um, you know, your biggest sort of impact item. Why do you say that?

Ramit: You're talking about my app?

Pat: Your app, yeah.

Ramit: Oh, man. Alright. So I'll talk about this all day long. You know how there's a joke that Microsoft doesn't even roll over in bed for any business less than a hundred



million dollars? Like, basically as you get larger, you necessarily have to look at bigger and bigger wins, right?

For example, if you're making \$25,000, then an extra thousand dollars is a big deal, right? That's a big deal. If you're making \$110,000, \$1000 is not that big of a deal to you, relatively, right?

What we found was, we did the app, and we didn't get the kind of sales we wanted, nor did we get the kind of lead gen that we wanted. And if you think about it, the app still sells for a competitive price for an app, but it's less than \$5. One of my courses is many hundreds of times that. So it's very difficult to break even on that, and I think the larger principle that we've learned over time is so many people that I see in this space play with small items, hoping that they can get massive, massive scale.

And that's true, some people can. Like McDonald's sells, over a billion hamburgers served, etc. That's very difficult for most people to do, and so we are very conscious on working on high impact items rather than low-impact items that seem like they're going to generate a ton of impact.

Put another way, you could ask yourself--we have one product that we created, and it wasn't really optimized. There were a lot of things we could do. And I had a couple of team-members say "Hey, let's spend a couple of days and optimize this." I called it the 5x Principle, because even if we 5x sales, it would make no material impact. It wouldn't even move the needle!

So I think a lot of people, I would challenge them to say if you even 5x the results of what you're doing with this thing, would it even make that big of a difference? And if not, why even waste any time at all?

Pat: Right. That's a great test you can ask yourself.

I want to talk about the history of the products that you've sold and have created for your audience at iwillteachyoutoberich.com. I was there since the beginning, I remember your very first product, and then I heard you speak later on, maybe two or three years later about that process and how you felt internally.

Just take us through the history of the products that you've created. When did you decide, or why did you decide to create a product and what was that product and how did that go?



Ramit: I started the site in 2004 and all of my friends were like "You've got to monetize this site! Put some Google Ads on there!" I was like "Why do I care about Google Ads?"

Back then, my dream was--if it doesn't pay my rent then I don't care. I had such a dim dream, only covering my rent was my dream. And the truth is, I didn't start the site to make money. It was truly something, it was a labor of love. I didn't charge anything, I didn't do sponsorships or anything.

I did that for a couple of years, and finally I was like "Okay, I want to try some different things. I'm going to try ads, I'm going to try sponsorships, I'm going to try speaking." I just wanted to--I treated it like a puzzle, and I wanted to crack the code.

One of the things I did was I created a very simple eBook, and I wanted to see if people would actually pay for content. This is in 2006, around December, and I launched it for a grand total of \$4.95. WHOOOA! It was SO much! Which is hilarious in retrospect because one of my recent courses sold for \$12,000.

\$4.95, I have to tell you, I was absolutely petrified. It was the first time I had charged for anything, content. I had been writing my site for two years. I had a decent readership, but they were used to getting free stuff, and I was petrified that they would say "You're a sell-out" and all this stuff. Actually? All of that happened.

People came out with pitchforks, and they said "You're a sell out! You've jumped the shark! Oh, it's I will teach YOU, Ramit, to be rich, not I will teach your readers to be rich!" They were just marauding gangsters, okay?

But at the same time, people actually bought. In fact, I had projected such low sales that I didn't even set up any kind of fulfillment. I was just going to wait for the payment through PayPal and then email it to them manually.

Pat: [laughs]

Ramit: I'm not kidding! I had such low self-esteem about it that I thought I would have less than 50 sales. That is the truth.

Pat: How many readers on your site at this time?



Ramit: Uhh, probably around 50,000 a month?

Pat: Okay, okay.

Ramit: And I really just had very low self-esteem, and I was petrified. But I also said "This is something I have to do. I just want to see what's going to happen."

My sales letter, if you can call it that, it's a blog post, it's still up online, you can Google it and find it. It's the worst copy you've ever seen. It's full of fear and cowardice. I literally say "Why does this cost money? I know you could find similar things for free on Google, BUT" dot dot dot. I mean, it's like...anyway, what that did was, the people with pitchforks came out, but also what I realized was they were a small, vocal minority, and people were buying. In fact, I sold over 1,000 of that book.

That really opened my eyes! Over the next three years, it was a gut-wrenching transition to creating different courses and learning how to master monetization. I wanted to become world class, but really what I discovered was the biggest problem was my own internal psychology.

Pat: Yeah. I find that to be the case for anyone, especially when they have been providing content for free for such a long time, similar to what I was doing. I want to know, from your point of view, why do we listen to that one percent that speaks up and that just sort of...you know, we see sales coming in and there's a few outspoken people, they just seem to have this overwhelming ability to change how we behave and act and think. I know some people--and this was me in the past, when I would get negative criticisms for something I would think about it for DAYS. It would just kill me, and I learned--

Ramit: I saw it on your site, and in fact I sent you a note saying 'listen you just started charging for something, here's what's going to happen--' I read every comment on your post where you announced a paid product, and some of them were vicious. You know what? I've seen it all. In fact, I'm going to share a URL right now.

My pet hobby is cataloging the excuses of what I call freeloaders. Let me give you a URL, it's delicious.com/rimitsethi/freeloaders. And now I've actually turned it into a game, because I've cataloged--there's about twenty excuses they all use, and they'll use something like 'OH my GOD! \$100? That's outrageous! Maybe if it was \$8.32, MAYBE I would pay!'"



And you're like "You'll never pay." I know for a fact because I tested it. People would write in and I was like "Okay, it'll be \$8.33." And they'd be like "Oh well, um, the thing is, like, I'm really busy until next month, so, uh, I'll have to come back."

Like, "Oh, okay. Well, it was a pleasure talking to you."

You know how the internet says that you shouldn't engage with trolls? I actually love doing it, because, I'm like, really? Would you go to a comedy show and heckle the comedian? NO! First of all, he has the mic, and second of all, he's way better at it than you, so you're going to come and try to do that to me, when I've seen every conceivable excuse under the sun? Please, be my guest.

Okay, what were we talking about? Sorry, I get a little riled up with these--

Pat: No, it's okay, it just reminds me of, even when I launched my book on Amazon for \$2.99, I had one person say "You know, maybe if it was \$1.99, I feel like it'd be worth \$1.99 but not \$2.99." ONE--one dollar.

Ramit: You know what I tell people? People say that to me now, and I have courses that are quite expensive, and I'm unapologetic about it because my courses are the best. I don't just say that to be arrogant. I spend millions of dollars to build them, test them, refine them, iterate them, and just make them amazingly effective.

Pat: You shouldn't promote them unless they are the best.

Ramit: Exactly! That's exactly right. and so what I tell people is, 98% of my material is free, and 2% is paid. I tell people--and this is true--my free material, my goal is to make it better than anyone else's paid stuff, and my paid material is absolutely world class.

So someone says to me "Hey, Ramit, that's a little expensive, \$2000. Maybe if it was \$47."

And you know what I say? "Why would I play in a \$47 sandbox?" I'd rather give away my material for free than play in the \$7 sandbox. You would never walk in to a Rolls Royce dealership and ask "What can I get for 10 grand in here?" They'd give you two donuts and shoo you out the door, okay? You do not walk in there, because that's not the right place for you.



So when people come to me, they don't come because they're looking for the cheapest, they come because they're looking for the best. Maybe they've bought a \$17 eBook and it hasn't worked, right? Maybe they've tried something else and they're like, "Oh, this doesn't work. I'm ready for what I believe is the best."

At that point it's up to me to show them why I think my material is the best to give them an ironclad guarantee, but I will never compete on price. That's just not my game. We could talk more about pricing strategy as well.

Pat: Yeah, I mean, just to go back to the Breakthrough Blog, when I launched that and I got those negative comments, and that point I had learned over time through releasing other products on my other sites that that's just going to happen, that negative blowback, and it's going to be a very small percentage. If you know what you're creating, what you're promoting, is something worth the value that you're selling it for, if not more, then you can just sort of laugh at those comments.

Ramit: Yeah, and that's exactly right. So over time, I do the exact same thing, they're amusing. But I have to say, when you first do it, for anyone who's starting to first create a paid course or product or transition from free to paid or even raise your rates, it's going to be brutal.

I have a great example. I have a friend of mine who's a very sophisticated marketer and he did some consulting work for an 8-figure business. He doubled their conversion rates. Doubled it. That's effectively pure profit in the millions of dollars.

And guess what they said? They said--let's call him 'Ben'--"Ben, we really appreciate what you did, we're very happy with the conversion lift, you know, we are a little hesitant to use it because a couple people in our office mentioned that the copy is really aggressive, so we're going to be doing some evaluations to get this to the route we want it at."

Now think about that. This guy made them millions of dollars in profit and what happened? A couple people were uncomfortable with it, and they pulled back. What's the lesson? For me the lesson is it's very difficult to be bold in business. In fact, most people, they get a couple of negative comments and they quickly retreat and they say "Okay okay okay, I'm going to give you a 50% deal." How many people, Pat, do we know that launch a product and they say "For the first three days, 50% off!"



50% off? If you're truly creating the best material in the world, why on earth would you discount it 50%? Makes no sense at all! So when I see that I instantly know they're not the best, and in fact it takes a lot of courage to move up the value chain, and I can talk about moving from \$4.99 to \$12,000--it is one of the most psychologically difficult things I've ever had to do, because at every step, \$4.95, \$47, \$97, \$500, \$1000, etc., you really have to learn a new set and a new skill of messaging.

But just to put a fine point on it, when I first created one of my courses for \$500, I got hundreds of comments about how angry they were, oh it's too much, can I discount it, this and that. My \$12,000 course? Over a million people saw that course, meaning a million people saw the launch, I got less than 5 complaints about price. Less than 5.

Why? Better filtering, better messaging, and I was more confident with myself. So there's a way to move up market, but it's a slow gradual process and it's filled with pain. It's really hard. But I feel for everyone who goes through it, and it would be-- personally I want to help more people create better material, and better material typically comes with a higher price tag because it's more expensive to make. So that's why I encourage people to create the best, not just another commodity, \$17 eBook.

Pat: Right, right. Okay so going back, you have this book, this eBook. It did a lot better than you thought it was going to do. What--did that excite you to create something bigger and more expensive, or, how soon until your next product and what was that?

Ramit: I'm kind of slow, so it was like...two years until my next product. I actually spent the subsequent two years writing a book, so that took me about two years to write and what happened next was before the book came out there was basically the crash of 2008, and nobody cared about investing or any of that stuff that I was talking about at that point. They wanted to just save money.

Pat: They just wanted to survive.

Ramit: Yeah. And so I had this idea, I created this free 30 day series, "Save a Thousand Dollars in 30 Days." And it was one of my most popular series ever, and on day three I had record traffic. I was getting just massive--and I realized I could create something off of this, but I was overwhelmed with all these options. How do I create a continuity product, what website should I use? I didn't know what to do. So I went to my friend and I mentioned this to her and she was like "Dude, just strip it down. Just create a simple email autoresponder, no website, and if they pay they get on the special email list."



I was like "Nah, but they need a website and what about wishlist" and all this stuff.

She's like "You don't have time for that. Just do this."

And so I did it, and I still was not very sophisticated about pricing. I charged \$8 a month because the lowest price that I could charge was \$7.95. That was literally my pricing strategy. "What's the lowest they allow? Oh, I'll profit by \$0.05! I'm so sophisticated!" I was such an idiot.

So I launched it and actually I got something like 300 new subscribers the first day that I launched. It was called Spoon Strategy. What I did was one tip a week and my goal was to save you more than the cost of the course with every tip. That was it.

Now, ultimately I ended up having a decent amount of subscribers and for a simple savings product it did relatively well, but compared to the things that came later, I mean, it didn't even care. And I learned something else from this--I learned that your market matters more than almost anything else.

Guess what the main problem with selling a course to people who want to save money is?

Pat: They're not going to want to shell out that money.

Ramit: Yeah, they don't want to spend money. Pretty blindingly obvious in retrospect, and yet there are literally tens of thousands of bloggers and writers who try to do this only to realize years later that it doesn't work.

Understanding who your market is and their ability and willingness to pay--we can talk about how we do that. That made a big difference for us in our subsequent products.

Pat: Okay, so what was--tell us about some of your most successful products. Who are they targeted at? What's the pricing strategy behind them? And things like that.

Ramit: We have one course, after I went on book tour, I went to all these cities--I went to Minnesota and I went to Salt Lake City, and I asked my readers, some of my biggest fans, I said "What do you wish I wrote more about?"

Almost all of them said "I want to know how to earn more money."



I was like "Really? That sounds kind of scammy, dude."

And they were like "I don't care! I want to know how to earn more money!"

I was like "Okay." So I went back home and I had a small team at that time and I put together what I call a cloud research initiative. Basically, what are the major clouds or area of earning money? So there's passive income, there's getting a higher salary, there's freelancing, etc. And we identified an area which we thought was underserved and we were really good at serving.

This is, this became our most sophisticated product at the time. We collected over a hundred thousand data points, we really tested this program, spent a lot of money to fly people in, video tape, etc. and we worked on the positioning carefully. People who want to earn more money have very specific things about why they want to earn money and why they haven't already done that, and we captured this. Our secret sauce really is our customer research, and when we launched it we launched it at a \$497 price point. And I told people "Look, I'm going to raise the price soon."

People actually didn't believe me. They were like "That's just a marketing gimmick, Ramit! What other gimmicks do you have up your sleeve?" And then the day I closed it I double the price, and I never went down.

You know the craziest thing of all? I have one of my students--this is one of my favorite stories--she bought the course during when it was \$497, she refunded it and later she came back and bought it again. I looked up her records and she actually had to buy it at the higher price. Do you know how happy that made me? Not because I made the extra \$500, I couldn't care less, but the fact is, it's important to set consequences for your customers.

You'll see that in my material. I don't allow you to join any of my courses directly from the page, I forbid anyone with credit card debt from joining my flagship courses--that decision alone cost me over two million dollars a year. And basically, if you don't--if you miss one of my webcasts, they're never recorded. I'm sorry. You fell asleep? Too bad. It's important to have consequences, otherwise customers will just run over you and the truth is we want to be respected but we want people to respect us too.

Out of respect for all the work I put in, I'm not going to let you just show up late and get a recorded webinar. I'm not going to do it. People actually respect that, they're like



"Whoa, I better follow the guidelines if I want to have access to this material" and I think that's a psychological principle we learned because we respect what we do, so we teach our readers how to revere our work as well.

Pat: That's interesting. Let's talk about each of those things really quick, things--the consequences. You said people can't get the product unless--directly from the page. What does that mean exactly?

Ramit: You cannot go to my site and buy any of my courses. I don't know which test we're running right now, but in general you cannot buy anything directly from my site, you have to be on my email list to even have a chance of joining one of my courses.

Why do I do that? First of all, I believe that I want--I need to educate the consumer as to why my material is the best. You don't--you might make an impulse purchase of, like, Pez for \$2.99 at the grocery store. You're not making an impulse purchase of \$2999. It's not going to happen.

You need to learn "Who is this weird dude? What is his philosophy, does it actually work?" And I can't do that in one page. More importantly, I want to prove myself to you. I want a relationship with you. I couldn't care less about making a quick buck. Yeah, maybe I'm losing out on a--like, \$2000 here or \$5000 there. The numbers add up. But I would rather have you on an email engagement so I can build a relationship with you get you on--whether you're on Instagram or Facebook or Twitter, let me build a relationship with you so over time you can be like "Wow, I really like what this guy has to say" or "This guy is not for me, I'm going to unsubscribe, peace!"

If you stay, then we can have a relationship, which I'll emphasize is way more important than just any initial sale. That's why we do that.

Pat: Right. I love how you are so strong and strict with your positioning, because if you mixed it up a little bit, that's just going to send mixed messages to your audience. And like you said, some people might not resonate with it and they might leave, and I'm guessing your answer would be "Good, that's not part of my audience."

Ramit: I call myself their surrogate Asian father, and I tell them that, like, I'm the father who demands more of you than you even knew was possible. "Oh, you got an A-? What went wrong?" And having been raised by immigrant Indian parents, I actually know exactly how that is. And the truth is, it's not done out of hatred or disappointment, it's actually done out of love.



I have a personal trainer. He expects more from me than I think I can do for myself. And I LOVE it! Most of us are craving to be held to high standards and have higher expectations set for us and nobody does it. No one says "You know what? Honestly, Mike? I think you did an OK job, but I think you're capable of much more."

For most of us, the last time someone said that was maybe elementary school, and if there is someone who could see much more in you and then can lovingly show you how to do it, here's the tactic, here's the strategy, here are 5 other people just like you who did it, now let's do it together--that is a very powerful combination. So I think you're right, I am strict, but it's not just strict like capriciously, it's not just strict for the sake of being strict, it's really to say "Look, if you're not ready to--"

Like, I have people who say "I can't make that webcast, I'm in the UK, that's 2am." You know what my answer is? Sorry. There are a hundred and fifty other people who are staying awake in the UK because they know this will be worth it. And if that's not worth it for you, that's totally cool. You don't have to. Use my free material. Please enjoy it! But this is for the people who are willing to do whatever it takes to show up on time, and that's the price of getting access to this free and powerful material.

Pat: Love it, love it. Now, closing up here, I really want to get into pricing a little bit because this is something that's so mysterious to people, it's so mysterious to me. I remember when I priced my first eBook at GreenExamAcademy.com, I like you was like "Okay, what's the rest of the market doing? They're doing \$80-\$90 for physical books. I'm doing an electronic book and I want to just blow people away with how cheap this is, so I'm going to price it at \$19.99."

And I actually had one of my customers who owned an architecture firm who purchased the study guide and passed the test as a result, he emailed me and he was like "Pat, I used your material, it was great. Let me do you a favor now--you have to raise your price, because you are--it seems like you're selling something that's really cheap when it's actually is very valuable." And that was sort of my first lesson in pricing, but even then I know a lot of things I can learn and a lot of things that are just still mysterious out there.

I mean, I feel like a lot of people just throw darts to figure out what those prices should be. How do we determine what the right price is for our products?



Ramit: Okay. We spend a lot of time doing this, and we do a combination of qualitative and quantitative research. At a basic point, here's my philosophy--I want to price on value, not on cost, that's very obvious. So, like, anyone who's an engineer listening, I'm sorry, but you are typically the worst people in the world at doing pricing.

I don't care, I'm sorry, I'm tired of hearing people say "Well, my server costs are this and that, so total it's \$795 so why don't we charge \$850 and call it a day?" I'm like "What on earth are you talking about?!" So, price on value not on cost.

For example, if you take someone who has thinning hair, okay? Or curly hair. They think about that every day of their lives. And what would they pay to have the thinning hair taken care of and look full again? I mean, to them it would be probably one of their biggest purchases and they would pay on a reoccurring basis, and they would be happy to pay! That was something that psychologically, I had to get over which is--it's actually not, it doesn't have to be adversarial. Like, I pay a lot of different people a lot of different money, and I'm happy because I get the value from it, okay?

You're not going to trick people. You might trick them for one month, you'll never trick them forever. They're very smart. So pay price on value, not on cost. But how do you do that? So one thing we do is just start looking at the market. What is the market charging?

Let's say you're creating something on, you know, how to lose a certain amount of weight after having a child, okay? Post-pregnancy, lose weight, whatever it may be. What does the market charge for this? What are the different formats?

There's taxonomies of pricing, so typically you have eBooks, which you can charge up to \$47-97. You have mini video courses, which you can charge typically \$97-497, and above that you get into full video courses, \$597-997 and above that you have to be very sophisticated to charge over \$1000 for an online information product.

We use these guidelines and we study what other people are doing. Are they--what is the range of pricing, and what kind of offering are they making? So, for example, there's typically these things where people just tell you what to do, and those are lower priced. Higher prices, they tell you HOW to do it, and then the highest prices they just do it for you. Okay? These are the kind of models we look at.

I'll give you a specific example. Let's say that you discover your market is charging between \$100-\$200 for a bottle. Typically what I would do is I would say "alright, what



can I do to be at the absolute top of that range?" So, \$200. I think this is intimidating but also important for people. If other people are creating an eBook and three videos, what I might do is create an eBook, you know, five hours of amazing videos, throw in a recipe book--go all out! Not to just overwhelm them with content but to say "What could I do to solve all of their problems?"

Going back to my book, it's not just telling people "Hey, you should negotiate. Here's the full numbers, and the actual words to use." If you're helping them lose weight, you don't need to just tell them workout programs. They need much more than that!

What is it? Are you going to text them every morning to remind them to get up and go to the gym? Think multi-dimensionally. When you do that, our general philosophy is to find out what the range is in the market and figure out what it takes to be at the top of that range.

Let me pause there because I just gave you a lot.

Pat: Okay.

Ramit: Does that make sense?

Pat: Yeah, no no no, it does. I know my audience, it's still going to be a little overwhelming. I know that they would want to hear--they want a formula, you know? And I don't think it exists. But you have to get a feel for the market, like you said. And also experiment. Do you do testing with your pricing for specific products?

Ramit: Of course! That's the quantitative side of it. But honestly, if you--the quantitative testing is much more sophisticated, and that's much later down the line.

If you're still like--"should I charge \$57 or \$97?" you don't need to do quantitative testing. You need to just pick one and roll with it. And typically what's happening here--it's interesting what you just said Pat, because most of us are looking for some magic bullet when the truth is, I hate to sound like "whoop whoop" and I'm not like a life coach, alright? But the truth when it comes to pricing for most beginning entrepreneurs is actually inside of you. It's about your self-confidence.

Are you confident enough to charge at the top of the market? And if you're not, maybe your product really isn't that good. Maybe you should go and spend time. I'll give you



an example--I had a friend of mine, he had a lot of traffic on his blog and he goes "Hey, Ramit, I need help to build an online course."

And I go "Okay, let me help you." And he goes "All right, look, I just want to make quick money right now because I need some quick money." And I'm like "Oh, god...."

It's like the worst kind of people on earth. So I go "Look dude, let me just show you," and I showed him two charts. I was like "This course took me six months to build, and these are the revenues I got. This course took me twelve months and these are the revenues." It took two times the time, I was making ten times the revenue.

I was like "Take the time, make it world class, you will get disproportionate rewards. It might take you two times as long, you'll get ten times the revenue." It was very hard for him to wrap his mind around not just jotting off a quick eBook and selling it because he just wanted quick cash.

I don't deal with these people. I'm not really here to help them on earth. That's not my place on earth. What I would say is being the best always gets you disproportional rewards. So if you have the best product, the best course, the best testimonials, you can charge what the top of the market charges and in fact you can charge way more than the top of the market charges!

I hope that helps.

Pat: Yeah, it does. I think that's a great way to close up the show. I feel like for me I could just tap your brain for so much more stuff. I'm going to have to invite you back on the show sometime soon, if you don't mind.

Ramit: I would love to do it.

Pat: Cool, man. Thank you so much for being on the show. Ramit, if people want to find out more about you and get in contact with you, where should they go?

Ramit: Okay, I set up a special page where I'm giving away certain times based on what we talked about today, so stuff on testing and stuff on testing your own life as well as your business. They can go to iwillteachyoutoberich.com/pat. I put together a bunch of stuff to show you guys some of the testing mindsets that we use, so I hope it will be useful and I would love to send you some more material as well, so if you think it's interesting, come on over and check it out.



Pat: That's awesome, thank you. I'm definite going to check it out. That's one of the things I love about what you're doing, Ramit. You have an incredible knack for getting really deep into the data and understanding everything that's going on, and you know the numbers don't lie.

Ramit: Exactly. Well, thank you for having me, Pat.

Pat: Thanks Ramit, appreciate it.

All right, I hope you enjoyed that interview with Ramit Sethi from iwillteachyoutoberich.com. If you go to his website, slash Pat, you'll go to a landing page where you can get access to other cool stuff. He calls it his secret testing lab, and actually I had access to this stuff in the past, it's really cool stuff, I really enjoyed his 15 little life experiments, this little report with some little life hacks in it.

You will have you send your email address in order to get access to that and you will join his list, but I will say when I first started doing online business back in 2008, I subscribed to over 30 different email lists, Ramit's included, so that I could learn from these people who have been doing this for a while, and I've since unsubscribed to all but three of them and Ramit's is one that I continue to be a part of and continue to enjoy getting his newsletters because he does it in the right way and I actually have learned a lot just reading his copy, because he's such a good copywriter.

And so join his list, get access to his stuff and learn from him at the same time. He's really, really good with all of this stuff and I hope you enjoyed the interview. I will say, the last thing I want to say is just happy holidays to all of you, please stay safe! Stay healthy, even though I know you're going to be eating some crazy stuff this holiday, and I look forward to seeing you in the next episode! I appreciate it and just have an awesome, awesome day. Thank you for joining me. I really, really appreciate it. Take care! Bye.

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