

Ep #257: How to Price Your Products and Services Ethically



Full Episode Transcript

With Your Host

Dr. Una

Ep #257: How to Price Your Products and Services Ethically

Hi docs, welcome to *The EntreMD Podcast*, where it's all about helping amazing physicians just like you embrace entrepreneurship so you can have the freedom to live life and practice medicine on your terms. I'm your host, Dr. Una.

Well hello, hello, my friends. Welcome back to another episode of *The EntreMD Podcast*, you know, you know it already that I am super excited, super pumped to be in your ears. And I really love what we're going to talk about today.

For some, it's a little controversial. Not for me, and not if you think about it, right? But I think it's something that's really, really misunderstood, especially in the physician community, and that is ethical pricing. So notice, I didn't say high ticket, I didn't say low ticket, I didn't say any of that, just ethical pricing.

And if you listen to this and you really love it, I also did another episode called *Businesses Is Math*, and we're going to link to it in the show notes. And you want to go listen to that. Even if you've listened to it before, you'll want to listen to it again because not understanding pricing is one of the things that will hurt your business.

It will hurt your profitability. It will hurt your ability to stay in business. It will hurt your ability to build a team. It will hurt your ability to actually take time away from the business. It hurts everything. And so it's something that you want to master, it is something you want to be comfortable doing, it is something you want to be comfortable talking about. You want to be proud of it, you want to be confident in it.

And so I want us to, you know, do sort of a deep dive into it and then we'll all be able to do this, to charge ethically for what we do, okay? So we're going to look at the overarching concept and then we're going to take care of some myths, that's the way we're going to do this.

Ep #257: How to Price Your Products and Services Ethically

And if you struggle here, just remember that a lot of entrepreneurs struggle here and it's really amazing that you have the opportunity to hear this and start working on it and bring changes in your business. This alone can help you meet whatever milestones it is that you've set for your business in this quarter, whatever quarter that is, right?

All right, so let's dig into this. Now, what inspired me to do this is I've had a few conversations with physicians recently, and with what they are charging for their services, so these are mostly coaches, consultants, doctors that are running direct primary care or direct specialty care type of practices. And with what they are charging, I'm like this business cannot become profitable. And if it did, you'd have to run yourself into the ground to pull that off, right?

And so lean in, okay? So the overarching principle here with ethical pricing is that the pricing model must lend itself to profitability, okay? It must lend itself to profitability. And I want you to think about it, what is a business? A business is an entity that serves people, and it gets a thank you note called money, right? You've heard me say that many times.

Then a business is an entity that serves people and it does it in a profitable way. Why profitable? Because if you cannot maintain profit, then the business has to go away. Or what I've seen some people do is then they take a job to pay for the bills of the business, which makes zero sense. Then you should just keep your job and shut down the business, right? It's more profitable to do it that way.

So if there is no profit, there really is no business, right? It takes money to serve clients, it takes money to build a team, it takes money to advertise to get clients on board and all of that stuff. So if there is no profit, there is no business. So if you think about it, if you really, truly want to serve people, then you really, really, really want to build a profitable business because that is the only way you can continue to serve people. Okay?

Ep #257: How to Price Your Products and Services Ethically

When I do my team meetings, say in my private practice, which was the first business that I started, I'm like, if you really love these patients, then you're really going to pay attention to how what you do affects the bottom line because that's the only way we stay in business. That's the only way we continue to serve them, right?

So I just want you to think about it, it is my responsibility as someone who loves my patients, loves my clients, it's my responsibility to make sure that my business is profitable. It's not a dirty word, it's not a thing that you just don't talk about. That's not what it is, okay? That's not what it is. Your profit is like the aorta of your business, all right? If you bleed out, you bleed out. Like if you bleed from there, you're bleeding out.

So profit, it is my responsibility to make sure that my business is profitable, that the numbers work, okay? So when you think about pricing, pricing is not something that you just pick a number you like because you like it. The number has to work, okay? So what that means is you pick your pricing such that whatever you charge, minus whatever it costs to deliver that service leaves you with a profit. Okay? That's the way you think about it.

So whatever I charge, that becomes my income. But it costs me money, whether that's materials, whether that's some subscriptions for some software, whether that's team, right? And all of that costs me stuff to deliver that service. And then I deliver that service or I deliver that product and when I'm done I should have some money left over, okay?

Now, of course when you're first starting out a business, you may start out negative, many people have started out positive. Many people in the EntreMD Business School have started with profitability from day one, there are ways to do that, right? But you may start off a little negative, and that's okay as long as you're clear this is what I'm doing to bring myself to this place where we're positive, okay?

Ep #257: How to Price Your Products and Services Ethically

Now, because I'm talking to physicians who are the most amazing people in the world and love to help people and love to serve and all of this I will talk about your expenses also including your salary. Now, in the beginning you may not pay yourself a salary.

When I started my private practice, that was not the first thing that I did. I want to say I didn't pay myself a salary for this first six months or something like that. And after that, I started paying a little and then just kept upping it till I was at what is considered standard in the industry.

So you may not start with that, right? But you're not building a business like, I'm building this, I can meet my stuff and have a little leftover as long as I don't draw a salary. That's not the model you're building because it may seem nice, until it's not. Because it's not cool to do all of that and not get paid, okay? All right.

So I want you to think about it as including your salary as well, okay? So your a model has to lend to profitability. And so if you say, well, I want to offer this service and people are going to pay 50 bucks a month for it. The question is, if you had 100 clients doing that, that's \$5,000. Okay, how much is it going to cost you to deliver the service? How much is it going to cost you to have a salary? And what is going to be leftover, right?

And so if you look at that and you're like, wow, I would have to see 2,000 patients to get what I want, I totally made up that number, then the question is do you want to see 2,000 patients? So you see, it's an equation, which is $A + B = C$, it's an equation, right? So something has to give somewhere, the price is not just made up. We have to make sure that we're pricing ethically. And what it means is that it's priced in such a way that it lends to profitability, okay?

Now, when you think about that, right, so it must lend to profitability. The other side of it is that ethical pricing means that you are charging less than

Ep #257: How to Price Your Products and Services Ethically

the value, okay? The value of what you deliver. When I say value, I mean the outcome that you offer, okay?

So I want you to think about it, say somebody came into the EntreMD Business School, okay? And they came in, they're already running a business, the business is doing about 500, \$600,000 a year.

And they're like, I've been trying to crack the seven figure code, haven't been able to do it. I really suck at leading a team. I don't even know how to delegate. I'm burning my candle at both ends. My family is suffering because of it. And I just don't know what to do. I need somebody to help me. Okay? My favorite kind of people because this is what I do right?

Now, I want you think about it, then the person comes into the business school, the person is doing the work and all of that. And they come to the end of maybe one year or they've been in school for a year or they've been in the school for 15 months, 18 months, whatever. And they come back and they're like, "Dr. Una, you won't believe it." And I'm like, "Of course I'll believe it, tell me."

And they're like, "Dr. Una, so I've crossed the seven figure mark, seven figures over the last 12 months. And I've built a team. So I did this working less because now I work four days a week. And I've had so much more time with my family. My marriage is actually stronger.

I get to spend time with my kids on Fridays, which is my day off. I get to go to their school and have lunch with them. I take them to school, I bring them back. It's so amazing. I was able to take a four week vacation and I had built this team and so they were able to run the company while I was on vacation." Right?

Think of value, okay? Think of value. And so their yearly income went up by \$400,000 a year and they got their time back. And then they have a team so they're building a company that can run on its own, right? And so when you think about that, if they paid 20 grand, 40 grand to be in the EntreMD

Ep #257: How to Price Your Products and Services Ethically

Business School to pull off that result, you see that the value, right, the value is a lot more than the price, okay?

So I want you to think about what you do and the value. I'm going to show you some ways not to look at it, but think about it in those terms. Now, you may do something, you may say, "Look, Dr. Una, that's easy because what you do in this business is easy to measure in numbers." So let me use something else in the business school that's not numbers, okay?

So let's say somebody came into the business school and their thing was, I know there has to be more. I don't even think I have a business idea. But I know there has to be more, this is not all I can do. This right here is not the dream. This is not the dream I had when I went into medical school.

Again, my favorite kind of people. And I'm like, of course there's more I agree with you. I remember thinking that, that same thought 14, 15 years ago. So now, that person then comes into the school, takes the time, uncovers a profitable business idea. Maybe they decide I'm going to be a speaker, and they start speaking and then they start getting paid speaking gigs, and they start getting paid to do courses, and they start being paid to be on panels and all of these things.

Have they hit seven figures yet? At this point no. But they now have a business idea, they have a profitable business idea, they're now showing up confidently, they are confident speakers. And they're bringing in extra revenue in their business, right? They've discovered, it's like they've seen something they can't see, right? And they're building a name, establishing themselves as an expert in the community, right?

So are they at a point where they can say, oh yeah, I brought in seven figures? No. But is that value, right, is that value higher than the 20 grand? And the answer is yes. Do you see what I'm saying? And so it may not be numbers that you can measure, but it needs to be a before and after

Ep #257: How to Price Your Products and Services Ethically

picture that you can look at and you're like, oh my goodness, that is amazing, okay?

So in ethical pricing you're charging less than the value you bring, okay? And notice I said less, I didn't say a lot, lot, lot, lot, lot, lot, lot less, right? You're charging less. So it may seem high, but high as it is, if it's less than the value, you're creating a win/win situation.

And that's what you want to do with your business, right? We don't manipulate people and take their money and do all of those things. We create win/win situations. I have the service that will bring you so much value and I charge for my services, okay?

So ethical means it must lend itself to profitability, otherwise, you don't have a business and you're going to have to shut it down and help no one. And then, two, it is less than the value, okay? So I'm not talking about it being super, super duper low. It should be high enough that it lends to profitability. And no matter how high you want to make it, that's on you, but however high it is, it must be less than the value, okay?

And so this is why some people will charge \$100,000 a year for coaching, a million dollars a year, believe it or not this is true for coaching. And people happily pay, why? Because the value is higher than whatever they paid, right? I have spent a ton of money on coaching, for instance, and to me it's all free because the value I have gained from it is so much higher than whatever I was charged.

So that's why we call it an investment, not a cost. And this is not just for coaching, okay? I'm just using that example because I was using my story as an example. But the same goes for your DPC model, the same goes for your concierge medicine model, the same goes for a product, the same goes for consulting, and all of that, okay?

Ep #257: How to Price Your Products and Services Ethically

So you want to charge in a way that is profitable, including you getting paid, okay? You can charge as high as you want, as long as it's less than the value you offer, okay?

All right, so I want to paint a few pictures here because these are things that I hear come up a lot amongst physicians, and one of them is, you know, I really want to help everybody, right? I want to help everybody, I want to help people who are underserved. I want to help everybody and so that is the reason why I put my service at a really low price, so it can help everybody, okay? All right.

So there are a few thoughts here. One is businesses math, and so what that means is if you want to charge a really low price, then you're going to have to serve a really large volume of people. But you can't say I want to charge really low, but I only want to work two days a week and for three hours at a time. That's not going to work because if you do the math, the math does not work and business is math, okay?

And so if you decide, no, what I really want to do is offer really low prices, great, but you're going to have to do large volume in order for that price to be ethical, meaning that it lends itself to profitability, okay? And if you don't do that, then you're not helping anybody. But your plan was to help everybody, but you're not helping anybody because you had to shut down, okay?

So, I want to help everybody so it's low prices, that's okay as long as you want to do high volume. If you don't want to do high volume, then you don't really want to charge low prices. And then people are like, no, but I really want to help the underserved. And so this is the way I look at it, okay, you can have a business or you can have a charity. And they're two different things. And they're both good, they're both great, they both serve people. But they're two different things and they work in two different ways.

Ep #257: How to Price Your Products and Services Ethically

A charity is about being in a position to raise funds to help people who cannot pay for services themselves, okay? So they cannot help themselves, you're helping them, okay? That's a charity. Now, a business is about serving somebody in a profitable way, okay?

So for instance, one of the things that your ideal clients must have is the ability to pay for your services, otherwise they're not really your ideal client. Do you see what I'm saying? And so they are two different things. They're two completely different things. So there's a nonprofit, and there's a profit, they are completely different.

And if you want to help everybody, that's great, you can have a business and a charity. You can help people in a profitable way in your business model, and then take your profits and fund a charity. But you can't mix the two together, they're two completely different things. There's a business and there's a charity, they're not the same. They are not the same.

A nonprofit can function, a charity can function without making any money and just serving people and not worrying about the numbers in the sense that they're raising money because they won't have to worry about that, right? But a business does not function that way.

So if you have the heart that I really want to help people, then you build a business, you make it really profitable. And then you can take the profits and you can put it in a charity. You can put it in your own charity, you can make your own charity, right? Which is perfect, but you cannot mix the two, they're two completely different things.

And I know I've said it and said it, and the reason why I'm saying it is once we get that right, then we can do our business and we can decide X percent of my profits go towards this charity, they're doing exactly what I want to do, X, Y, Z, right? But you cannot mix them, okay? So I hope you got that because that right there will save you a lot of pain and suffering.

Ep #257: How to Price Your Products and Services Ethically

For instance, we do a lot, a lot, a lot of philanthropy through our businesses because I love helping people, okay? And I'm very clear that my businesses help people, okay? But my business has help the people who can afford to pay, all right? And then for the people who cannot afford to pay, we have the philanthropy angle that takes care of that. But they're two different things, you cannot mix them.

Your ideal client is a person who has a problem you solve, they're willing to pay for it, they're able to pay for it, okay? So the people who cannot, they're not quite your ideal client. It doesn't mean you can't help them, but it's not in that context, okay?

And when I say charity, think of it this way, so maybe you have a private practice and you're like, yeah, but I still want to help people who are underserved, you can decide, and of course this is dependent on state laws and all this other regulations and stuff. But you can decide that these number of people that I'm going to have are the equivalent of a scholarship, okay, so they can still get this service even though they can afford to pay what I charge for it, right?

And they can still get that and you can cap the number, you can decide this is the number that my business will pay for and things like that. There's so many creative ways of doing it, but do not mix the two, okay? A business is a business a charity is a charity. You can do both, but you cannot combine the two and make them one, okay? Okay.

The other thing I hear is like, well, it doesn't take me that much time to do it so I don't need to charge a lot. And I'm going to challenge that and ask you, how come it doesn't take you a lot of time to do it, right? Like as a pediatrician I can stand at the door, I haven't even said hi to the parent yet and I can look at the kid's scalp across the room and say, "Oh my goodness, that's tinea. That kid has ringworm in his scalp." Like, oh, man, this is what we're going to give him as a prescription and all that.

Ep #257: How to Price Your Products and Services Ethically

I can do that without stepping a foot into the room. But is it because it's that easy? Is it because it's not worth me being paid for? No, it's because of my decade of training, right? It's because of the amount of hours, and days, and months, and years that I've spent doing the same things over and over and over and learning and doing my continuing education and doing all of that.

That's why I can stand at the door and spot it without even coming into the room, without even getting a history, without touching the patient, right? So the fact that you can do something so quickly and so effortlessly does not mean that it's not worth a lot. It doesn't mean it's not worth a lot.

Okay, so there is a story, I think it's Brian Tracy that told this story. It wasn't about him, about a company that was having a problem in their plant, in their engineering plant. And they tried to fix it, they couldn't and so they hired this consultant to come in and take a look at it.

So the consultant flies in and then he's walking through the place with his little notepad and looking at different things and all of that, examining the different equipment and all of that. And then when he's done, you know, and the foreman is looking at him like, well, this guy is just ridiculous, he's not doing anything, he's just looking, right?

And then he got to one place and he marked an X, and he's like, "Fix that and then the plant will start running the way it's supposed to run. I'm saying this from memory, so don't quote me, but this is the story in essence, just not word for word. And then he puts the X.

And then a few weeks later he gets an invoice in the mail and the invoice was for \$10,000. And the owner of the company is like, I mean, come on, this man just walked around the plant, he didn't do anything. And he just put an X there, I want an itemized invoice. This \$10,000, what is it for?

So they tell the consultant, this is what the boss said and all of that. So he sends a new invoice, right? And he says, walking around the plant and all

Ep #257: How to Price Your Products and Services Ethically

of that stuff \$1, knowing where to put the X, \$9,999, right? It is the expertise, right? It's the expertise. It's not whether it took you a lot or it took you a little or whatever, that's not the point, it's the expertise.

And so don't discount yourself because it's something that comes easily to you. You ask yourself, why is this easy? Why is this easy for me, okay? So that is the next thing. So think about the expertise and the value that it creates, right? Not the time. We don't bill based on time, right? We bill based on value. What are we bringing to the table? What transformation are we bringing? What change are we bringing?

Now the last scenario want to talk about is I don't want to charge a lot because I don't want to be perceived as greedy. I don't want people to think that I'm greedy. Now, I want to say it this way, there are a lot of holy books, right? And I am a Christian and I study the Bible, okay?

And in a book that is full of talk of character, of living right, of not being greedy because greed is a sin, right? There is a verse in the book of Proverbs that says that a good man leaves an inheritance for his children's children. A good man leaves an inheritance for his children's children.

So that means his kids get some, that means his grandkids get some, right? And so when I think about it, I'm like, isn't that fascinating, that the same book that talks about not being greedy also talks about you leaving inheritance for your children and their children, right?

And it makes me go, like when you talk about greed, okay, so let's talk about greed for a second. If you look at the dictionary, the dictionary definition of greed is an intense and selfish desire for something, especially wealth, power, or food. So an intense desire for something, okay? And that means that if you have a desire, right, like we desire food, that's not greed. But an intense and selfish desire, that's greed, right?

We have a desire to provide for ourselves and provide for our family, and that is not bad, right? An intense and selfish desire that drives you to do

Ep #257: How to Price Your Products and Services Ethically

crazy things, well, yes, that's greed, okay? And so for me, when I think about it, I think about wow, if the intention is for me to leave stuff for my children's children, that's not some excessive greedy thing. That is just a thing that parents do, right? Like I put away stuff for my kids, I put away stuff for my grandkids and that means it's going to take me some resources to do that, okay?

So if you think about that, you wanting to make more is not a greedy thing. If you're overtaken by the desire to do that, then that is. But you wanting to be able to provide for yourself, provide for your children, provide for their children, that is not greed, okay?

That's on one side, on the other side I want you to think about it, okay? Greed comes in when all you think about is yourself. And that doesn't mean you shouldn't think about yourself at all, but you shouldn't be the only person you think about. And if you start thinking about what problems can I solve for others, you find out that it's actually pretty difficult to make more money than you'll know what to do with, right?

Because think about the things that you could do. Think about the people who are not going to college because they have nobody to support them financially, you could do that. Think about, you know, someone like me, human trafficking really hurts my heart. But we're not going to fix that with talk, we're going to fix that with money, right? But how much do you think you can really throw at that?

Maybe you had family members who are homeless, or you had a time in your life where things were really tight and you could have been homeless, and you see all these moms and you're like, man, I wish I could build them a safe place, help them get skills and all of that stuff. How much do you think it costs to do that?

You're like a pediatrician and you're like, oh my goodness, all these kids who are overweight and all this, they don't have any safe parks. Do you

Ep #257: How to Price Your Products and Services Ethically

know humans build parks? You could be doing that. And once you start thinking about what problem can I fix, then you realize that there's no place for greed because you're going to need stuff to make all these changes. And we have one lifetime to do it, right?

And so once you start looking outside of yourself, now I'm not saying there's anything wrong with looking at yourself, you should be able to provide for yourself, you should be able to create financial freedom for yourself and for your family and stuff like that.

But once you start looking outside yourself and you start seeing yourself as a channel, as opposed to seeing yourself as the end. Start seeing yourself as a channel, then you realize there is no amount of money that's really too much because it takes money to solve problems. And there are so many problems, there's nothing but problems, right?

So if you start thinking in those ways, then you can step away from this whole if I want more it means I'm greedy, I have enough for myself. It's not about us, it's not about you, it's not about me, there's so much more. If we have the earning capacity, then what would be better than being great stewards of our earning capacity using that in the service of others? And when you start thinking that way, there's nothing that's too much. There really isn't, right?

So I said all of this to say this, take a look at your pricing. Is your pricing ethical? Do the math, if you charge what you charge and you pay yourself, would your business still be profitable? Think about it. Think about the value that you offer. Have you been discounting yourself because you don't even know the value you offer?

Think about the transformation that your business brings in people's lives, right? And so that you can offer what you offer, and confidently and boldly offer it at the price that you offer it at because you're like, oh my goodness,

Ep #257: How to Price Your Products and Services Ethically

but if you knew the value, if you knew the return on investment, whether it's a number or not, right?

So I want you to think about that. I want you to look at your pricing. If you need to tweak it, then go ahead and tweak it. Go ahead and change it. Go ahead and charge what your services are worth, okay? Notice I did not say what you are worth because you are priceless, that is not open for discussion.

But the value you bring, charge what you're worth and don't feel bad and think that that means you're greedy. Don't feel bad to say but it didn't cost me any time, because this is about expertise. Don't think that means I'm not really helping, I just want to help people, you are helping people. You are helping people, okay?

So do that exercise, take this, you can go back, listen to this over again and over again. Have your notebook, have your pen and really workshop it and then come up with those prices, okay?

And if this is something that is such a struggle for you around money, around pricing, around selling and all of that stuff, listen, there is a place for physicians to master these things, okay? Because I'm telling you, we are going to be the people building the most innovative, most profitable, most impactful businesses.

So you might as well jump on the train, okay? And come join us in the EntreMD Business School. This is what we work on, okay? We work on this until you get comfortable doing it, get comfortable raising your prices. So many people come into the Facebook group, oh my goodness, I did it. I was nauseous. I thought I was going to throw up, but it was great. And the people didn't bat an eye, they were like, of course you're totally worth it. See?

So if you've been thinking about it, and you're like, I just need the help to do this, then come join us, entremd.com/business it is application only. And so

Ep #257: How to Price Your Products and Services Ethically

you can apply, we'll reach out to you, and of course if it's a great fit, we'll be happy to welcome you in.

So do this and I am looking forward to the time when you will be charging ethically for what you do and because of that you're in a position to continue to serve people. You're in a position to pay yourself. You're in a position to get a really great team. And so you can create financial freedom and time freedom for yourself, okay?

So do this, I would love to know how this helped you. You can always reach out to me on Facebook, send me a DM @drunachukwu, let me know how this helped you. If this was really beneficial, take a screenshot of this and share the most valuable lesson you learned from it on social media. Tag us #entremd and I'll look forward to shouting out, okay? So share this episode and I will see you on the next episode of *The EntreMD Podcast*.

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