On Price Setting

A Question for you

Before we dive into today's lecture, I'd like to start with a question:

Are you charging enough?

There's no need to answer this aloud—just consider it for yourself.

Jot down a few thoughts or notes.

A disclaimer

The topic of price setting is vast, and it reaches far beyond the concrete fees we charge for our products or services.

Today, rather than providing answers, I'll pose questions designed to inspire you to explore your own mindset and attitudes toward money: what value do you assign to it, how you value your work, how you earn it, how you spend it, and how you use it—for yourself and in service to others.

What I often hear us say

As educators, we Montessorians often find ourselves saying, "There's not enough…"

- There's not enough time to prepare lessons.

- There's not enough time for self-care.

- We don't have enough staff.

- We don't have enough time for meetings.

- There isn't enough money to pay people fairly, to be paid fairly, or, in some cases, to be paid at all.

- Our Montessori work isn't valued enough.

- Teachers jobs aren't valued enough.

- Montessori schools are underfunded.

Take a few minutes to reflect on how this resonates with your own experience.

We can and we often slip to having what is called "a scarcity mindset".

What is a scarcity mindset?

There are two general types of mindsets: the abundant mindset and the scarcity mindset.

Having an abundance mindset means believing there is enough good in the world that we all can benefit from: money, love, happiness, other resources, all of it.

We all can and deserve to have abundance of these important things.

We all deserve to partake in this good available for everyone.

Scarcity mindset, on the contrary, worries, focuses on limitations and obstacles that limit us.

It focuses on the lack of resources and lack of money. For a scarcity mind, there is never enough of anything.

Scarcity is set on what is not there, whereas abundance mindset is set on all the good that is there.

I used to speak about abundance a lot quite fervently. And also about allowing ourselves to want to have abundance of things in our lives, including money and wealth.

But then I started questioning myself. I feel I am very privileged.

I live in peace, I have a roof over my head, I have a job and a warm dinner on my table every day, I feel safe and loved. I am healthy. I have so many blessings.

Somehow, speaking and teaching about an abundance mindset to people who live and work in much less privileged circumstances started feeling odd and inappropriate.

I started wondering.

Is there an alternative?

Scarcity, abundance, is there a concept that feels more “Montessori”?

And I found out that yes, there is.

It is called a sufficient mindset, or living with enough.

I really like this approach and it resonates with me deeply.

Lynne Twist writes about it in her book called The Soul of Money.

It is a really remarkable and life changing book and if you feel you need to explore your relationship with money, I highly recommend it to you.

Thanks to the book I realized that it can really help us, Montessorians, to think of money as a carrier of our intent, a carrier of our mission.

Money is neither good nor bad. Having an abundance of money is not what makes a happy and a successful life.

It is what we do with money that matters.

The money we earn and we spend needs to carry the energy and the value of our missions.

So when we think about pricing, my conclusion is we should “charge enough”.

Now I am not sure if all this makes a whole lot of sense to you.

But I do hope that these thoughts will be an inspiration to you anyway.

Starting with the right mindset is essential.

How can we bring this mindset into our actual pricing decisions?

Price setting in businesses

Businesses most often use the following pricing formula:

PRICE = COST + PROFIT

The cost includes all that it costs you to provide your service or product. This means a very precise calculation of all costs including your salary!

Also the profit you want to make is calculated in the price.

What businesses do with their profit is their choice (if they are a business).

Business owners can take the profit.

They can also use the profit to develop their services and products, their staff, and anything else they need to pay to lead their company to a place of sustainability and thriving.

Not all business owners do that. It is a matter of values which drive actions and decisions of each business owner.

But we already did agree that we also need to have profit in order to build sustainable organizations. We will use the profit which we include in our price for creating a reserve fund and for growing the strength and sustainability of what we provide.

What are the possible pricing strategies we can use?

For us in Montessori the following are relevant:

Cost plus pricing - the one I described above. The cost plus profit makes your price.

Value pricing - how much are your clients willing to pay.

Competitive pricing - you would charge a little less than your competitors.

High end pricing - the price reflects that you are offering a premium service to some of your clients, for example my mastermind program.

Economy pricing - low price and large amount of sales.

Bundle pricing - bundling up a package of services or products.

Dynamic pricing - people who have more money pay more, people with less income pay less.

It is obvious that setting the right price for your service is an art.

It is deeply connected with your relationship with money and with the value you assign to yourself as a person and consequently to your service.

My recommendation is to focus on inner work related to money and mindset in connection with your pricing decisions.

What will be your price model

Eventually you will or you already had to decide about this.

The bottom line is that your price must always cover your costs and your profit.

If your price does not cover your profit, you are building an unsustainable business.

A reminder: your salary is a cost from day one.

When setting the price, keep between the following extremes:

The minimum price: covers only your costs.

The maximum price: the maximum extent price that your customers are willing to pay.

You will need to test your price.

You will need to increase your price.

The steps to coming up with your price

- Calculate all your costs: direct and indirect
- Calculate your break even point: the amount of sales or enrollment you need to have to pay your costs and be at zero
- Check what price customers are willing to pay in other places
- Decide on your own price.

The psychology of setting your price

The psychology of setting the price is a whole science.

Pricing is one of the most important aspects of your business.

It can make or break your business.

It affects the demand for your service.

It influences your customer's perception of the value of your service.

There are other important factors you need to consider

Research your competitors, what services they offer and what it is they charge. This will give you an idea on the price range for similar services to yours.

The price you decide for should reflect the value of your service to your clients. You have to consider how much what you offer is worth to them. This is called perceived value.

Consider that the price you will charge for your services will in a way attract its own target market. If you serve affluent clients, you cannot charge low, they will not buy from you. If you serve middle income families, the price also has to reflect that.

If you serve clients who cannot pay, you still need to know the value of your service to find the right donors or grant funders. They will want to know this also.

Last and not least, the price you charge also needs to reflect the value you yourself assign to your service. Be sure not to underestimate yourself. Be fair to yourself and tell yourself how much you value your service.

Your price matters not only because it will ultimately have an effect on your outcomes.

Your price also matters because:

It will shape your reputation on the market

It speaks about your quality

And it will affect the loyalty of your clients.

Tips on pricing from my practice

We charge a flat monthly school fee for 5 full days a week. We do not allow children to come for less days or for shorter periods.

We do not refund money if children do not come due to illness.

This is a policy set for the stability of our programs and if clients are not happy about it, we do not welcome them.

If you provide payment plans - in our training center we do - make sure that the whole fee is payable before half of the program has been delivered.

There has to be a contract for any kind of service signed in writing. You can use Docusign.

Think through your discount policy. It has to be transparent and available to all to access.

Be careful about handing out employee discounts. It is hard to have employees as parents in your school or employees as clients.

Discounts cost money. When you award discounts, you should think about how many new clients you will gain thanks to it, but also the value - the cost of the discount you will lose. We forget about this perspective.

When you think about setting the price for today (this school year), always remember that there are new school years coming and what will be your next strategy.

Build a diverse funding portfolio

Depending on one stream of income is tricky, and this goes for non-profit organizations, schools, but also businesses.

The single most important success factor for Montessori Institute Prague is that we have a diverse portfolio of services and a diverse portfolio of income:

We have a non-profit organization and a business which mutually support each other over time

We always plan our activities and services with the impact and income formula in mind.

- ➢ Whatever we do, it has to pay for itself
- ➢ It has to lead to development for us
- ➢ It has to create a positive impact on our community and lead to achieving our goals

We have income from

- ➢ Our services - courses and trainings
- ➢ Grants - Erasmus and other
- ➢ School fees
- ➢ State subsidies for the school
- ➢ Fundraisers we organized
- ➢ Crowdfunding
- ➢ Events

- Membership program
- Merchandise sales (books, furniture, t-shirts)

You always need to think about your overall and partial business models and how to combine them. It does not matter if you are a non-profit, a school, a program or a business.

You need to know how you will make money or where you will get money for the service you want to provide.

You need to think about how you will reach financial sustainability.