

# Take a three-tier approach to pricing

*It's an easy way to sell better work*

By Mike Jackson

**"H**ow much does a sign cost?" I'll bet you've heard that one before. It's like asking how much a car costs. Depending on whether you want a Geo or Jaguar, there is quite a range and quite a few options in between. If you look out on the highway, you see all the options. In many cases, the final decision on what car to buy was based on a family's budget; in others, the choice was to make a statement of taste and quality.

Roughly 13 years ago, I started selling signs

using a "three tier pricing" method. It really made a difference in our ability to sell better work. It is not a complicated system. In a nutshell, you give the customer a choice of (at least) three different prices for any sign they ask about. Because we can't always know the budget or motivation of a particular customer, the three choices lets them make the decision that fits their requirements. After all the discussion and pricing, most customers realize that there are many variables that make up the final selling price and they have the



Our sample wall showed prospective customers some of the possibilities.

option to adjust the project to fit their needs or budget. There isn't just one way and one price.

Say a customer comes in asking a price for a sign. You have in mind a sign with a quality value of eight on a scale of one to ten, and you price the job at \$1000. "Hmmm," he says, "I'll have to think about that." Next, he goes to another sign shop and they quote \$900 for a sign. He thinks he is getting a deal—even though the competitor only ends up doing a sign that might be a six on the same scale. The customer never knows that they didn't get equal "value" or that you could have done an even better sign than the competitor did for \$900.

In this scenario, I would get the basic information on the project and quote something like this: \$600 for a basic sign, \$1000 for a very nice sign, and \$2500 for a real knock out—or anywhere in between. Lots of things have just happened. First, the customer realizes there is more than one way of doing his project. He has some choices to make. Next, the last number they heard is a fairly high one—usually two to three times the price of the one I think they will buy. This makes the middle price sound like a fairly good value, and it will almost always make the sale. Over our 13 years of selling this way, I would say that 75 percent bought at least our second level. Many bought a version above that.

Most customers feel obligated to get prices from a couple of shops. But if you present yourself correctly and have samples, displays and photos of completed work around, they may save themselves a few hours of running around by just handing you the project—then and there. In many cases, you might even



**Three tier pricing is a great way to get customers to volunteer their budget.**

hear them say, “What can you do for \$1500?”

**Show the possibilities** About the same time as we started selling with the three tier system, we also started making our “R” wall. We ended up making 96 different variations of signs, each with the letter “R” on them. They ranged from very basic painted ones to multi-layered carved, sandblasted and routed panels. We chose 9 by 9 in. as a convenient size. When completed, it was a very impressive addition to our showroom.

It showed that there are many ways of doing any project and that budget can vary based on the complexity, materials and techniques used. We used this wall as justification for the range of prices that we gave. This way the customer won’t think that you will do the same amount of work on a \$1000 sign that you would on a \$1500 sign.

You have to explain the difference not only in cost, but the added benefit to his business or image. In other words, you have a responsibility to deliver a good value no matter which version you end up making.

We always felt that we should be able to sell a sign to anyone who at least met the minimum price. That is one of the keys. The \$600 sign in the above scenario would have been the lowest price that we could do the sign for using the basic parameters set by the customer and still make a good shop profit. If they asked about doing it for less, I would say something like, “Yes, but we need to make it smaller, or use different materials. I can’t make the \$600 one for less.”

Don’t expect every customer that walks in the door to need or want one of your “portfolio pieces.” Once you get past that expectation,

you can start making money. Trying to force a portfolio-quality piece on every customer will cost you sales.

**It works for every type of sign** The process is not magical—it is methodical. Once you understand it, it becomes habit forming. You learn to give at least three prices for everything. Just as in my original analogy, there are many kinds of cars. But there are many kinds of mini-vans, many kinds of pickup trucks, many kinds of mini-trucks. If you want a stereo in one of them, there are several options of stereos. The same goes for tires, wheels, and the list goes on.

If someone needs a nice 4-by-8 sign, you could quote a flat painted one, a flat background with extra cutouts, or a sandblasted one. If the person needs a sandblasted sign, give them a range on the basic sandblasted sign, followed by a more elaborate version, and finally a cut-to-shape, overlaid and gilded one. Let’s say they want a flat painted sign: there is a basic version, one with extra borders and maybe some airbrushing on the main copy, and finally one with a pictorial.

Pictorials can be priced as silhouettes, simple graphics and full blended renderings. Truck doors can be basic, custom, and complex. Window lettering can be basic vinyl, a better version with outlines on the main copy, then one in gold leaf. A gold leaf window can be priced as basic, custom and complex. Use the same concept for showcards, boat lettering, pinstriping, carved signs, bug shields and so forth.

On proposals, we usually offered at least three options complete with descriptions and materials spelled out with a price on each.



Once they picked one of the options, we would write up a final one. In many cases, we had three options of each of four or five signs proposed on a single project. Often they would pick level two or three on the main sign, then pick a lesser priced one for secondary locations. Since you can't really know a person's tastes, we have sold higher priced "level three" signs to people that we didn't think would want more than a basic sign.

When a customer was standing in the office, I usually gave approximate prices that were based on similar projects we had done recently. I'd explain that these prices were just ranges, and I'd have to figure out the actual details on the project once we settled on a budget. At any level, my goal was to give them the most value that I could for their budget.

**A final chance to up-sell** The three tier pricing method is one of the best ways to get customers to volunteer their budget. Once established, I could make the sale almost every time. As I said before, it becomes addictive. Even once I knew the budget and we were writing up a receipt for the sketch deposit which will be applied towards the project, I still tried to leave the door open to add another \$100 to \$200 to the project in the end. Let's say we have agreed on a \$1500 budget for the main sign, and it will be a customized, flat-painted sign with a cutout main copy panel. I would suggest that when I am designing the project, I might see an opportunity to really add a lot to the finished piece that might be only \$100 to \$200 more. "Do you want me to stay at the \$1500 budget, or can I watch for creative opportunities?" I would ask. Often I got the go-ahead to do something a

little extra that would add a lot of interest to the sign.

Say the project is a sign for a teddy bear shop. We had already agreed to put in a painted teddy bear on the sign. When I design it, I might get an idea for cutting a hole through the middle of the sign and cut out a teddy bear that sets in the opening. All things considered, it is about the same work, except to cut the hole and cut out the teddy bear, but the sign would be so much more eye-catching. More than likely, the customer will pay the extra \$200 if given a creative alternative. If he says yes to the idea, I have a \$1700 project that might end up in the portfolio. If they say no, we still have a nice-looking sign. I very seldom go ahead and do the extra work if they don't want to pay for it.

I know sign people who have been worn down by selling over the years and seem to think that all customers only want the cheapest thing they can produce. After a while, they forget to offer anything better and, after a while, their customers begin to think that "basic and cheap" is the only thing they can do. We found it to be exactly the opposite, using the three tier selling technique. Over time we kept "up-selling" our customers. After a while, that was the type of product most of the people who walked through the door expected. We found ourselves having to remind people that we also did plain or basic signs, too! □



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