

IDEAS IN ACTION

Babysitter Knows Best

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You are What You Charge For

Figuring it out

In the world of commerce, there is a perplexing problem unique to those in the business of providing services (as opposed to tangible goods) to customers: how to value the specific service you offer. It's tricky, because the temptation is to try to compete with similar providers on the basis of price, subscribing to the age-old adage "may the lowest bidder win." While this might feel good to the customer (at least temporarily), it has the opposite effect on the provider. Most of what I hear from provider's amounts to seller's remorse: "I gave it away to get the business." As a result, the service provider typically feels cheapened and compromised.

BABYSITTER KNOWS BEST

For a moment, let's visit a specific service provider that those of us with young children need from time-to-time: the babysitter.

Many of us recall as children those special occasions when time was spent with a babysitter while our parents went out for the evening. A generation later, my wife and I are probably even more dependent on this specific service to give us a few hours of much needed "R and R" away from our posts. As the person responsible for paying for this service upon our return, what typically happens next is a stroke of service provider genius: When I ask a new babysitter, "how much do we owe you?", my question is answered by a shy glance to the kitchen floor and a gentle, "oh, whatever you think is appropriate."

This vignette illustrates several aspects about defining value for services. The sitter doesn't want to undervalue her services and therefore allows the customer to decide (an interesting strategy, indeed!). Mom and Dad are painfully aware of the difficulty in finding a trustworthy person to be with the kids (note to my mother-in-law: this only happens when Gram and Papa aren't available). We don't want to offend this precious resource, so we pay more than the going rate, especially if we sense it's been a fun experience for our kids. We are also investing in futures, wanting to be at the top of this sitter's client list when we will again need her sitting services.

YOU ARE WHAT YOU CHARGE FOR

So, what value do you place on your services?

The answer to this question lies in the maxim offered by authors Pine and Gilmore in their book *The Experience Economy*: "You are what you charge for." The fees you establish for your services are a direct reflection of what you believe those services that you provide are worth. A shrink (a.k.a. psychiatrist) might further interpret that those fees are an "indication of self" -- self-worth, self-esteem, or self-loathing -- but I'm not going there.

In a recent lecture, LASIK surgeon Steven Dell challenged colleagues on their pricing for refractive surgery: "Do you know what plastic surgeons charge for a 'buttock lift'?" Curious to find out, I have learned that surgeon fees for this procedure average \$3,700. If you add in the hospital fees, the cost to a consumer for having their derriere put back in place exceeds that of having their unaided vision restored.

You heard it right: we (meaning the entire marketplace) place greater value on the appearance of our backside than on our ability to see the world without corrective lenses. If you the cosmetic aspects of both procedures, one can sum it up as this: people are willing to pay more for how they sit than how they see. In my humble opinion, something's wrong with that equation!

FIGURING IT OUT

It can be tough work to re-evaluate how you determined your fees in the first place, but that's where the solution to this problem resides. Observe the world around you and you may notice what I've found to be true: It's not about the money unless you make it about the money. The more common and generic your offering, the easier it is to compare on the basis of price alone. Conversely, the more unique and customized your offering, the harder it is to compare and the more valuable it becomes.

For a good example of this, check out the January 2007 issue of *Cataract and Refractive Surgery Today* and my column called *The Secret Success of Starbucks*. (hint: it's not about the coffee).

Until next time, Happy Holidays! And enjoy that peppermint mocha!

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