URL: https://stvp.stanford.edu/clips/clarity-of-business-and-price

Floodgate Co-Founder Mike Maples Jr. explains how a venture's business model is rooted in the uniqueness of its product and a clear understanding of how much customers want it. Establishing those will guide pricing and profit, according to Maples, who adds, "Customers often will pay more money when the price is clear. And they will often resist paying less money when the price is unclear."



## Transcript

Now if you think about it, if you have a product that people love and that only you can deliver, you'd have to be an idiot not to be able to make money with that.. Because you have something people want that only you can deliver.. And so that's why getting the first foundational parts are so important.. If you get proprietary product power nailed, you have a business model.. You just have to discover it, but is there always.. And then increasing margins and pricing power are proof that the first two layers are strong.. It's axiomatic that if your pricing power is going down, the first two layers aren't that strong.. Either that, or you're dumb at pricing.. But it's more likely that you've overestimated how compelling your product is or how strong your competitive advantage is.. I think that this book, Business Model Canvas, I think it's called Business Model Generation, but the framework is The Business Model Canvas by Alex Osterwalder is good to look at for this..

But a lot of what I find about business modeling is it's just intuition.. When you get to know the customer really well and what they value, it just seems to work.. The other thing I've found is that customers often will pay more money when the price is clear.. And they will often resist paying less money when the price is unclear.. And so being clear about the price is very often more important than having a high price versus a low price.. So I would always tend to be biased towards having a clear, high price that the customer understands and relates back to your value...