

# ready to make more money?

how to know when it's  
time to raise your prices

by Margie Melaniphy

**I**t's hard to know when and how to increase your service prices. But it really boils down to two distinct scenarios. Raise your prices ...

## 1... if your services are undervalued.

This is a mistake many new skin care practitioners make. You establish your prices without really understanding your expenses. "Most people ask other salons in their area what they're charging and then follow suit," says Steve Gomez, business coach with Salon Training International and Your Beauty Network in San Diego. "But when you consider the fact that 74 percent of salons and spas in the industry are not making a profit, you know there is something fundamentally wrong with this thinking."

According to Gomez, the first step in figuring out whether you are charging what you should is to understand your own financial picture, both personal and professional. Consider the following example of what one technician's monthly expenses might look like:

### Stacey's Monthly Expenses

Personal (all living expenses): \$2,000

Professional (business rent, product expenses, insurance, advanced education, marketing, etc.): \$1,000

Total: \$3,000

Add in a 10-percent profit margin (\$300), which Gomez recommends as a minimum, and Stacey should be striving to bring in at least \$3,300 a month in total revenue. Knowing this, and knowing how many clients she averages per month (for example, let's say it's 75), she can calculate



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what her minimum average service price should be: \$3,300 divided by 75 clients is \$44 per ticket.

"If Stacey is actually charging \$35, she now realizes she's losing \$9 on every client she sees," Gomez says. "If her price is actually at \$50, then she should be aware of where that extra money is going. Is she saving anything or investing in her future?"

## 2... when you are 75- to 80-percent booked.

It's every skin therapist's dream to be fully booked, with a revolving door of clients lined up and waiting for your attention. But once you've realized that dream, it doesn't take long to see you've reached a plateau in your earning power. This is another time to consider raising prices.

Keep track of your available hours and be aware when 75 to 80 percent of them are booked. "At this point you don't really have the time to provide outstanding service," Gomez says. "You are running from client to client, unable to take any extra time to upsell a service or recommend a new product."

Gomez estimates you may lose an average of 10 percent of your clientele when you raise your prices, but he points out that you will still earn more money in the end. "If you're doing 80 clients a month with a basic facial price of \$40, that's \$3,200 a month," he explains. "If you raise your price to \$45 and lose eight clients (or 10 percent), you think you've lost \$340 that month. But you now have 72 clients left who are spending \$45, and you make \$3,240 that month—more money with fewer clients. And you have more time to spend with each person in your room."

A common fear is that these clients—the ones you worked for months to attract and retain, and who you feel so lucky to have—will vanish if you raise your price even by a dollar. Experts say that kind of attrition is actually a good thing. "Not every client is your best client," says Bryan Durocher, a business consultant and success coach in Coral Gables, Florida. "Moving out the bottom 10 to 15 percent of your clientele makes room for your more ideal clients who will pay the prices you ultimately want to charge. You have to understand who these ideal clients are—how often do they come and see you, how much do they make, what type of people are they? Answer these questions and then target that market."

"It's good to remember that life is not a popularity contest, and you're not going to be able to please everybody," Durocher adds. "But if you take care of your business first, you'll be better able to take better care of your clients in the long term." ■

## price points

### Still afraid of your clients' reactions when you tell them you are going to raise your prices?

Here are some additional tips to ease the process:

- Give clients at least six weeks notice that your service fees are increasing. This gives them time to adjust to the idea and to decide whether your new prices fit into their budgets.
- Prepare an explanation for why your prices are going up. Success coach Bryan Durocher recommends stressing your desire to continue your education so you can provide the best possible service.
- Not everybody will be comfortable with an increase. Business coach Steve Gomez suggests referring those clients to a less experienced colleague whose fees are a bit lower than yours.

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89%

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