FINANCE I QUICK CARD FI-02

When did you last put your prices up?



Fifteen minutes, one service, and the questions a good coach would ask you.

The practice

Most owners review their prices the way most people review their home insurance: when something forces them to. The rate card was set a few years ago, a "temporary" discount is in its fourth year, and salaries have gone up twice since anyone looked. Nobody decided to cut prices. It just happened.

The practice: find what you really earn after discounts, write-offs and free extras, set it against what your costs have done, and decide prices on purpose. A consultancy with an £800 day rate found it actually earned £680; halving its write-offs alone was worth £70,000 a year.

Your real price for one service

Fees for the service last year
Days or hours spent on it
What you actually earned per day or hour
Your rate card price
The gap, in £ and %
Where it went: discounts, write-offs, free extras, old prices

Research across 2,463 companies found 1% more price, at the same volume, added 11.1% to profit (Marn and Rosiello, 1992).

Try this this week

Work out the real price for your largest service. Then list every discount in force, with the reason it was given and the date it ends. If a discount has no reason or no end date, that is where to start.

THE OTHER SIDE OF THE CARD

Coach yourself

Fill in the front first. Then take fifteen minutes with these, in writing.

1. Look at your gap. Which leak is biggest, and when did you last decide, rather than drift, on it?
2. When did you last raise your prices, and what actually happened?
3. Your people costs have risen since then. Who has been paying for the difference?
4. Which client would you most dread telling about a rise? What do you think they would say?
5. What does your work save or earn that client, roughly? How does that compare with your fee?
6. If you did nothing for another year, what would the gap cost you by next October?

If you catch yourself saying...

You hear yourself say	Try asking instead
"I couldn't ask them for more"	What would you say if you were them?
"Times are hard for clients too"	What happens to your clients if your business struggles?
"I'll do it after the next big win"	What would you need to feel to do it now?

ONE HARDER QUESTION

You are giving away the write-offs in your gap every day. Would you hand that amount over in cash?

Keep it going

Decide who prepares the price review each year, in which month (ahead of most renewals), and who keeps the discount list. Put three dates in the diary: 3, 6 and 12 months from today.

When to get help

Changing the terms of an existing contract, or writing new ones, is for a solicitor. Your accountant can model what a price change does to profit and cash. VAT is always theirs.

What a coach adds

This card gives you the questions. What it cannot do is notice which one you avoided. It is one of the SMARTer practice cards, covering the ten key areas of a business that sells expertise.

> Talk yours through with your SMARTer coach and mentor: book a Discovery Call at smarterentrepreneurs.co.uk

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