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Increasing fees during the economic slump



Cheryl D. Ajamu, Southfield, Mich.

I own an advertising media sales representation firm. How do I raise my fees to cover increased expenses at a time when my clients are experiencing lower advertising revenues?

What do you recommend? Leave a comment with your answer.

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Your Answers



From Brad Farris, Chicago, IL

Your current clients, the ones who made this success possible, have put a value on your services – the value that you initially set for them. So, if you raise your prices by 20 to 40 percent, your customers may think, "Wow, that's expensive!" But, if you don't raise prices, you may end up with nothing for yourself.

The problem with low prices

When you price yourself considerably lower than your competitors, your services are viewed as being "cheap," regardless of their true value. This leads to three significant problems:

Customers often equate a discounted service with low quality.

You're unable to invest money in your business (i.e., administrative staff, equipment, new services) that would provide new services and more value to your customers. You may miss out on highly profitable clients.

How can low prices drive clients away? If you need surgery, would you look for the cheapest surgeon? Probably not. But, to get the best level of service, you pay the high-end of the range. In a professional service business, you're sought after because of your knowledge or talent in a certain area. Your prices should, and must, reflect that talent at the outset of every relationship with each client.

Here are some things to consider when setting your prices, be it now or from the beginning.

Do your research. Check out your competition, especially those who are most successful. What do they charge and why are you different? Be prepared to answer that question for your customers and potential customers.

Know your costs. You need to set prices in such a way that you make the profit you want and need. Proper pricing can help you ensure the long-term health of your business.

Don't discount. If the value of your services is \$5,000, why would you offer it for \$4,000? Is it less valuable to this client than it is to others? If so, let's find more of those clients who find it more valuable. After all, you're a professional, not a discount shop.

Don't bill by the hour. There are few professions in which hours provide a good measure of value. Additionally, with hourly billing the more experienced you become, the more efficient you are, the less money you make! The client doesn't care if it took you 50 hours or 50 minutes to design their marketing piece. As long as they receive a terrific design, it holds the same value to them.

How to raise prices

At first, leave your current clients alone. Instead, resolve not to accept any new business below your newly established higher price. Publish new contracts, price sheets or rate cards and stick to them. Once you start receiving business at your new price level, you will feel your service is worth the higher value that these new clients have assigned to it.

Once you establish the new pricing with your new clients, then return to your old clients. Have a face-to-face meeting with them, preferably, and review with them the value of the services you deliver. Let them know that you have researched your competitors and found that you are offering more value for less money. Also, let them know you are billing new clients at the higher price level. Then, raise their prices with an effective date two to four months in the future. This gives you a chance to finish current projects or services at the present price while allowing them time to adjust their expectations and budgeting for future projects or services. If it's worthwhile to you offer them the chance to pre-pay now for future projects or services at their current low rate. This gives you the certainty of their future business as well as cash in your pocket today!

Setting your prices at true market value will secure client loyalty and respect, allow you to invest in and grow your business, and improve your profit margins. If you, as the business owner, don't value your own products or services, you can't expect your clients to value them either.

Posted by [Vistage](#) Member Brad Farris Principal of [Anchor Advisors](#).

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