



**CAPRICORN**

*...it's just easier!*

Other resources in step 6a:

- No resources available

# When was the last time you reviewed your prices?

In this competitive age, too many businesses fear consumer backlash if they put up their prices. The decision to raise prices is never an easy or comfortable one for most workshop owners.

But your main concern is protecting your bottom line. So how can you do that without upsetting your customers.

Workshops share a universal belief that they are all worth more than they charge.

The decision to raise prices is not that hard. The hard bit is how to implement the new charges.

If two workshops in the same area decide to raise their labour charges by the same amount at the same time the results may be very different depending on how they implement the price increases.

Raising prices requires careful attention to timing. You need to know how to improve your customers' perception of the value in your labour and you must learn to predict their reactions when you look them in the eye.

The first decision is 'how much increase'.

Some workshop owners believe that one meaningful rise is the best way – get the pain over quickly.

Others will increase prices when they've experienced major increases in the price of a key cost, like the wages. Then there are others that, when they are really going flat out, see a labour cost increase as a means of reducing demand to a manageable level – experience shows that this doesn't happen and work levels stay the same.

The most common and effective price increases are those done in stages, the theory being that customers become accustomed to higher prices over time. A series of smaller increases will most likely not even be noticed by customers who might otherwise be put off by a single big increase.

The services offered by workshops vary greatly, from a basic service to a complex diagnostic procedure to fix a problem on a late model electronic system.

You might consider raising labour charges on some types of repairs, while leaving the others the same. Some customers are sensitive to the slightest price hikes for a particular item but seem to ignore other increases.

When is the right time?

Once the decision is made to increase prices, the timing must be right and should be at a time when the business will encounter the least resistance.

The choice of timing will hinge on the seasonality of the business, the growth stage of the business and the sales cycle.

A favourite time for many is during the run into the Christmas season, when everyone is in a hurry and are in spending mood.

Others in country areas may do it at harvest time or when a good drop of rain has arrived which has lifted everyone spirits.

Some workshop owners may be tempted to put off increasing prices until after the busy season. The theory here is that a higher work volume may compensate for lower per-hour revenues.

Gouging should never be part of any price-raising strategy. But the time to raise prices is when your services are in high demand.

Labour charges are supported by the value the customer perceives in the service from the workshop and its staff.

Thinking about price and value in this way makes it clear that this is at least a two-dimensional situation.

You can change the pricing and leave the level of service alone. But better still, you can change both the level of service and the pricing at the same time.

Most workshops get the best long-term results from increasing price and value simultaneously.

Others find that they can cut costs while increasing value and thereby offer an almost irresistible proposition to customers which is a powerful recipe for growth.

Back to the main question – when was the last time you increased labour prices?

Is now the time to review labour costs and prices? Absolutely.

So here's the challenge. In the next four weeks, give yourself a target to review your prices and put in place a time frame for introducing price increases, and devising a program to educate your customers about the value of your services.

The place to start is [www.tatbiz.net.au/capricorn](http://www.tatbiz.net.au/capricorn)

*Just go for it!*