



Pricing Strategies for Service Businesses

Negotiation to get the perfect pricing for our goods and services can be challenging. This has never been more true than over the past several years. Potential customers try harder to squeeze the last drop of blood from the rocks we call our businesses. We want to be fair, but we also want our value recognized, and certainly want to be fairly compensated for our efforts.



A young woman I met as an interior design student is learning these lessons today. Like many young professionals, she graduated into an environment where jobs for entry level designers are scarce. During the transition from student to emerging professional, she married and now has a two-year old son. Anyone with children knows the challenges to find quality, affordable daycare for their most valued treasures. Options are many, few are affordable. Many amount to little more than parents paying someone to plunk their child in front of TV all day. Nothing is provided to stimulate or educate these young sponges who are so eager to learn.

My friend, Charli, decided on a professional detour. Moving away from design for the time being, and taking care of quality daycare needs for their son, she started an in home day care center. Building Blocks Early Learning Center LLC is an in-home childcare center focused on education. Taking on a limited number of children provides controlled peer socialization and one-on-one education experiences. Not a typical service, fees are set for premium offerings. Like any budding entrepreneur, as Charli attempts to enroll her first group of children, she finds parents thrilled at the services she will provide, but questioning higher fees for her exemplary product. The conundrum: hold the line on fees, or discount them to get customers to sign on the line? After rejecting several families for various reasons, and interviewing others who want premium services, but at low fees, she began reconsidering her strategy.

Fighting frustration and questioning her business plan, Charli decided to amend her pricing strategy. Rather than make drastic cuts to her fee schedule, she amended the wording in her contract. **Instead** of a 'fee only' approach, she now uses a lower fee schedule, and specifies extra costs. Parents now agree, in addition to paying a slightly lower fee, to provide snacks and other items needed to run Building Blocks. This strategic change netted her three families in a just a week. Her fees are the same, just laid out in a manner that parents are more willing to accept.



If need be, rethink your strategies. If things are not going according to plan, don't buckle or question yourself. At the first sign of hesitancy over your terms or pricing, consider other options. Is there another way to generate the same revenue, but in a different format? Consider breaking a project or sale into phases, or bill in phases. Before reducing pricing, think about what services you can remove as well. Simply reducing charges without reducing services at the same time is a poor strategic choice. We all deserve fair compensation and should never devalue our worth.

Remember: not everyone is your customer. Some we just need to let go and move to others who will see, and pay for, our value.

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