



26 Increasing prices at the right time

If you increase your prices you can increase your profit margins. The question is can you do that? People do not buy on price alone and if you raised your prices what impact could it have on the business that you do?

If you raised your prices you may be able to afford to do some of the things that would add value to your service and make you stand out from the crowd.

Raising prices might result in you losing the bottom end of your customer base. You may want to lose this bottom end because it contains low-priced jobs that take time and effort to service. It may be preferable to go up-market and do less for more. Increasing prices may only affect some of the business that you have; others may not even notice. Think about your local restaurant, if they raised the price of your favourite main course dish from £10.50 to £11.75 would you stop ordering it?

Why is timing important?

If you are going to raise your prices, doing it in the right way at the right time is important. Your loyal regular customers will need advance warning of any price rises ensuring that they are not taken by surprise.

You will also need to consider the impact of financial year ends to make sure that any price increases happen before budgeting periods. It is best to make it as easy as possible for your existing customers to adapt to those price increases.

How and when you raise your prices will depend on the type of business you are in. A retail business for example could raise its prices any time, whereas a trade or manufacturing business which supplies products for resale would need to plan ahead and choose the right time for their customers.

New year or at the start of your financial year can be a good time to move forward with price increases. Following a sale, introducing new stock, a refurbishment or a move to new premises can be triggers to raise prices. If you can show your customers that you have raised your game as well as your prices and are now offering more value than you were before, it will make it easier for any changes to be accepted.

What is the right increase to make?

This will depend on a number of important factors.

- What you want to achieve with your price increase.
- How much will or will not influence business.
- What additional value you are able to offer to justify the price.
- Market conditions.
- What your competitors are doing.

SHOULD YOU INCREASE YOUR PRICES – SPECIAL RESPONSE CHECKLIST

- ▶ Could you increase your prices?
- ▶ What would you want to achieve by it?
- ▶ What impact would raising your prices by 10% have on your business?
- ▶ When would be the best time to do this?
- ▶ What additional value could you offer to justify the price increase?
- ▶ How would you communicate this to your customers?

How to use this information

People don't usually buy on price and if they do they don't always get the value they anticipated. Many people don't even notice the price. Consider where you could charge more for what you offer and try it. Enjoy the positive impact it has on you and your business.

Think price increase and increase profit