



Universal Law #1 Pricing

Module Seven: The Impact of Price Increases

Many contractors still won't raise their prices out of fear.

Here's a real life example that gives you a glimpse of what you too might be missing out on by letting fear keep you from pricing right.

The Example of Joe

Joe was petrified by fear. He was convinced that if he raised his prices to the level where they needed to be for him to be profitable that he would lose all of his clients. He couldn't make the leap.

But Joe didn't have to get to his target pricing rate overnight.

Joe's 10% Step Plan

At the beginning of this process, his labor rate was at \$75 an hour. From there, he agreed to raise his rates 10% which brought him up to \$82.50.

Old Labor Rate	\$75
New Labor Rate	$\$75 + 7.50 = \82.50

Six months later:

6 Months	$\$82.50 + 8.25 = \90.75
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Six months later (12 months from the start)

12 Months	$\$90.75 + 9.08 = \99.83
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Six months later (18 months from the start)

18 Months	$\$99.83 + 10.00 = \109.83
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In 18 months, he had increased his prices 46%, and the majority of his clients were still delighted with his level of service.

Joe's Results

	Old	Today	6 Months	12 Months	18 Months
Net Profit	-\$29,697	\$8,560	\$55,210	\$106,330	\$162,432
Profit %	-7.08%	1.87%	10.97%	19.19%	26.63%
Difference	NA	\$38,257	\$84,907	\$136,027	\$192,129

What could you do with an extra \$200,000 in profits?

"But what if my customers leave me?"

Since your level of service wouldn't go down if you raised your prices, complete the following statements for your company.

- I would lose _____% of my customers if I increased my price 10%.
- I would lose _____% of my customers if I increased my price 15%.
- I would lose _____% of my customers if I increased my price 25%.
- I would lose _____% of my customers if I increased my price 35%.

Price Increase	Customer % Can Lose
0%	0.00%
3%	2.91%
5%	4.76%
10%	9.09%
15%	13.04%
20%	16.67%
25%	20.00%
30%	23.08%
35%	25.93%
40%	28.57%
45%	31.03%
50%	33.33%
55%	35.48%
60%	37.50%
65%	39.39%
70%	41.18%
75%	42.86%
80%	44.44%
85%	45.95%
90%	47.37%
95%	48.72%
100%	50.00%

Even if you do lose a small percentage of customers, your team would be running fewer calls while bringing in more revenue. Those fewer calls mean fewer direct costs, and that means even more profits.

Here's an illustration of how this idea would impact a company that runs 2,604 calls a year with an average ticket of \$250 today:

2604 calls
 250 Average Ticket
 51% Gross Margin % of Revenue
 49% Operating Costs
 \$ 122.50 Direct Costs Per Customer

Price Increase	Customer % I Can Lose	Average ticket after Increase	Direct Costs	Direct Cost %	Revenue Remains the Same	Gross Margin After Increase	Net Profit	Profit Dollars
0%	0.00%	\$ 250.00	\$ 318,990.00	49%	\$ 651,000.00	51%	2.00%	\$ 13,020.00
3%	2.91%	\$ 257.50	\$ 309,699.03	48%	\$ 651,000.00	52%	3.43%	\$ 22,310.97
5%	4.76%	\$ 262.50	\$ 303,800.00	47%	\$ 651,000.00	53%	4.33%	\$ 28,210.00
10%	9.09%	\$ 275.00	\$ 289,990.91	45%	\$ 651,000.00	55%	6.45%	\$ 42,019.09
15%	13.04%	\$ 287.50	\$ 277,382.61	43%	\$ 651,000.00	57%	8.39%	\$ 54,627.39
20%	16.67%	\$ 300.00	\$ 265,825.00	41%	\$ 651,000.00	59%	10.17%	\$ 66,185.00
25%	20.00%	\$ 312.50	\$ 255,192.00	39%	\$ 651,000.00	61%	11.80%	\$ 76,818.00
30%	23.08%	\$ 325.00	\$ 245,376.92	38%	\$ 651,000.00	62%	13.31%	\$ 86,633.08
35%	25.93%	\$ 337.50	\$ 236,288.89	36%	\$ 651,000.00	64%	14.70%	\$ 95,721.11
40%	28.57%	\$ 350.00	\$ 227,850.00	35%	\$ 651,000.00	65%	16.00%	\$ 104,160.00
45%	31.03%	\$ 362.50	\$ 219,993.10	34%	\$ 651,000.00	66%	17.21%	\$ 112,016.90
50%	33.33%	\$ 375.00	\$ 212,660.00	33%	\$ 651,000.00	67%	18.33%	\$ 119,350.00
55%	35.48%	\$ 387.50	\$ 205,800.00	32%	\$ 651,000.00	68%	19.39%	\$ 126,210.00
60%	37.50%	\$ 400.00	\$ 199,368.75	31%	\$ 651,000.00	69%	20.38%	\$ 132,641.25
65%	39.39%	\$ 412.50	\$ 193,327.27	30%	\$ 651,000.00	70%	21.30%	\$ 138,682.73
70%	41.18%	\$ 425.00	\$ 187,641.18	29%	\$ 651,000.00	71%	22.18%	\$ 144,368.82
75%	42.86%	\$ 437.50	\$ 182,280.00	28%	\$ 651,000.00	72%	23.00%	\$ 149,730.00
80%	44.44%	\$ 450.00	\$ 177,216.67	27%	\$ 651,000.00	73%	23.78%	\$ 154,793.33
85%	45.95%	\$ 462.50	\$ 172,427.03	26%	\$ 651,000.00	74%	24.51%	\$ 159,582.97
90%	47.37%	\$ 475.00	\$ 167,889.47	26%	\$ 651,000.00	74%	25.21%	\$ 164,120.53
95%	48.72%	\$ 487.50	\$ 163,584.62	25%	\$ 651,000.00	75%	25.87%	\$ 168,425.38
100%	50.00%	\$ 500.00	\$ 159,495.00	25%	\$ 651,000.00	76%	26.50%	\$ 172,515.00

Higher prices allow you to earn the _____ level of revenue on _____ calls while earning even _____ profit dollars due to the decrease in direct costs.

Just think of what those additional profits could allow you to do.

- You could provide a _____ level of service
- You could pay _____ more
- You could pay _____ more
- You can stay in business
- You can _____ profits into growing your company
- You could pay off debt, increase your marketing, and much much more!

How do you measure the impact of your increased prices?

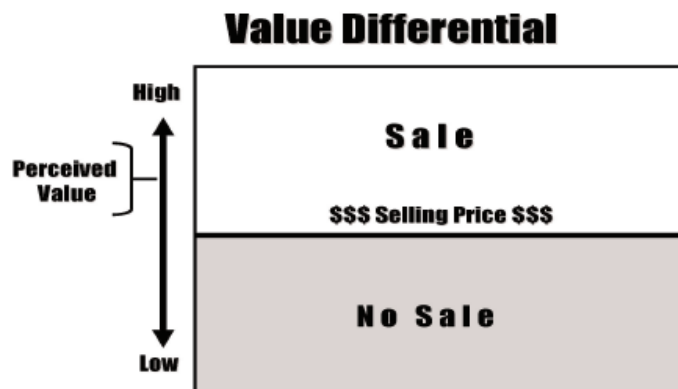
- Your Call _____ Percentage

- Monitor any price _____

- Monitor your customer comment _____ & internet feedback

An Important Reminder about Price Complaints

No matter what prices you decide to charge in your company, there is only one way to ensure clients are happy. You need to provide them with _____ that is commensurate with your _____.



Two elements that allow you to support your prices in the market:

- The _____ you offer
- The _____ you operate your business on

A company that provides a great value to customers but isn't ethical won't survive.

For that reason, no matter what prices you charge, you must embody superior business ethics on EVERY call, in EVERY home, and in EVERY action your company takes EVERY DAY. .

Other Guidelines

By Brand or Trade

By department
