

The Pricing Cheat Sheet



The businesses, strategies and outcomes set out in the table below are real situations, client confidentiality prevents me from referring to specific business names. If you are unsure as to how to adapt the pricing strategies described to your business, contact me via email, philip@babb.com.au and I would be happy to spend time with you. *Philip Arnfield*

Page 1 of 3

Business Type	Pricing Strategy	Profit Outcome
Accounting practice – mid size	Straight price increase 10%; clients were not there because of price. Reasons why customers choose.	With total sales revenue of \$5.8m the profitability of this 4-partner firm increased by \$580,000. There was no noticeable client defection.
Plumbing contractor – small	Straight price increase 15%; business had more work than it could get done, and had difficulty getting good staff due to skills shortage. Demand exceeds supply.	Total sales were \$650,000. No noticeable client defection, profit increase \$97,500; profit prior to increase \$125,000.
Small Animal Vet / Hospital	Recognised their superior facilities and increased price in the face of strong competition from 2 nearby businesses. Reasons why customers choose.	7% price increase meant profit increase of \$140,000 for this 2-partner firm.
Hairdresser – small	Increased price for all men and seniors but offered discount for those groups during lower demand times of week. Adaptive Capacity Model.	Not able to be exactly determined however all appointment times on Thursday Friday and Saturday were now filled by high profit customer, profit increased estimated to be in the order of \$35,000 per year.
Equipment Hire – small	Introduced a raft of pricing strategies to boost profit: Different price for trade and public; removed price from website so price could vary with season and day of week; removed half day hire; 35% price increase for every item hired at less than \$100 per day; general price rise across all equipment; enforced late return fee. Adaptive Capacity; Reasons why customers choose; Comparison Pricing; Customer Segmentation; Product Segmentation	Profit increase not easily determined, estimated to be more than \$100,000 per annum.

The Pricing Cheat Sheet



Page 2 of 3

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General Medical Practice	Without impacting medical ethics understood reception staff were inadvertently impacting income of practitioners as there was no system surrounding patient booking other than emergency appointments. Moved to restrict number of non-emergency appointments available each week for patients eligible for discount service to increase average income of clinic without impacting quality of patient care. Adaptive Capacity Model.	Estimated to be \$243,000 per year.
Physiotherapy Practice	As for above medical practice. Adaptive Capacity Model.	Estimated profit increase \$65,000
Café / Restaurant	Straight 10% increase across food and beverage menu (other than if pushed price of main course above \$40). Calculated gross profit of all meals and encouraged waiting staff to recommend meals with highest profit; Added one superior priced main course and several superior priced wines just for those patrons wishing to spend a little more, (for all the reasons people love to do so) and to make the balance of the menu appear good value. Comparison Pricing; Offering customers a choice; Reasons customers choose.	No drop off in customers, many positive comments about new choices, estimated profit increase \$135,000 per year.
Oyster Farm	Price takers, that is market determined price not grower. Crazy price for the year was set at the beginning of each season when supply exceeded demand. Worked with grower to change market and differentiate product on basis of quality. Demand & Supply. Product differentiation.	Profit increase was significant but never quantified due to nature of business/industry.

The Pricing Cheat Sheet



Page 3 of 3

Business Type	Pricing Strategy	Profit Outcome
Legal Firm – midsize	Straight out price rise. Reasons customers choose	Profit increase of \$650,000
School Tutor	This highly sought-after Math tutor was restricted in the number of hours he could work as his pupils had to attend class and travel to and from school. We increased price, selected a single geographic area to work (to reduce travel time), left times available in the calendar for the intake of “emergency work” that always materialised later in the academic year – as exams closed in. Of course, this time was charged at a premium. Adaptive Capacity Model; Segmentation; Reasons customers choose; demand and supply.	The result was an increase in profit of \$22,500, less hours worked, and lower stress levels.
Electrical Contractor – small	Charged premium for extreme heat days. Working in a roof space during summer is no fun, and dangerous. On extreme heat days all such work was booked in before sunrise and charged at a premium.	Customers understood and were happy to pay the higher rate.
Farm Stay	From the “Don’t Assume the Obvious Always Happens” file. In outback South Australia a grazier upgraded the old managers house and shearers quarters to make them suitable for farm stay accommodation. Examining his booking sheet I noted certain times of the year coinciding with school holidays and ideal weather were booked out 3 years in advance. When I asked the difference in tariff for peak season I was met with a blank stare! Demand & supply	Profit increase of several thousand dollars per year.