HOW TO GRACEFULLY ANNOUNCE YOUR PRICE INCREASE TO YOUR CLIENTS

It doesn't matter if you are a brand new online entrepreneur, or you've been in business a few years, actually supporting yourself. Eventually there comes a time, sooner or later, when you need to raise your prices.

Here's where many work-at-home entrepreneurs stall and get stuck. If you are new, you often don't feel confident enough to announce a price increase. Your biggest fear is that the client or two you've landed will get offended and drop your services.

But guess what? Even more experienced online service providers who ought to know better suffer from these same two problems. They work themselves into the ground for the most modest fees, terrified that they will lose a major client if they hike their prices.

Women traditionally have more problems speaking up and asking for what they are worth. Many because they know it's a sad fact that a majority of clients will accept a price increase from a male service provider, but react with annoyance towards a female.

On top of that, perhaps you've made one or more of the mistakes new entrepreneurs often make. You are left feeling that now you're stuck with the consequences.

This guide will help you navigate your way through these common obstacles—and help you take action gracefully and confidently when it is time to announce a price increase to your clients.

STEP 1: ASSESS YOUR VALUE

You've probably heard both of the following statements. There is a good dollop of truth in each.

- If you price your services too low, you will attract abusive, needy or greedy clients.
- If you price them too high, no one will buy.

What's really important, however, is this question:

- How do you feel about your price structure right now? Today?

Nothing eliminates feelings of guilt, worry or worthlessness more quickly than knowing exactly what to charge, so this is where we are going to start. Understanding what you are worth will quickly tell you whether or not your fee hike is absurd, well-deserved—or long overdue.

Your pricing model

Do you charge by the project or do you work using a strictly dollars-for-hours model?
There are times when trading hours for dollars makes sense, and times when it doesn't. If you charge by the project, you need to be good at estimating how much time it will take and giving a flat fee. You should never knock your fee down just because a client complains. That will only teach him that…

A. He can kick up a fuss every time, to get a discount
B. You are indecisive and can be bullied or persuaded

If a client can't afford your estimated price, you have the choice of letting him go away or negotiating—but never negotiate by dropping your rates. Make like the "Love it or List it" TV show interior designers and say, "Hmm. What can we take off the table?"

Just like those clients on the TV show, yours might say "I really need six graphics. Go ahead and do them" or he might say, "I'll have to find someone else."

If he says the latter, cheerfully wish him luck and congratulate yourself for having dodged a bullet.

You can eliminate many uncomfortable fee situations such as clients asking for unrealistic payment terms by letting them know your payment terms up front. Either put them on your website under a pricing tab, or note them—very visibly, highlighted in some way—right on the estimate.

If you charge by the hour, it is vital to make sure you are getting what you're worth. Having to increase your prices can be intimidating—but when you do a little research and find out what you are really earning hourly, it can help steal your determination to raise your price—and give you more confidence.

STEP 2: COMMON PRICING MISTAKES AND WHAT TO DO ABOUT THEM

Perhaps you made pricing mistakes at the beginning of your online journey—ones that have left you feeling stuck—and seriously undercharging.

You now feel intimidated about raising your prices.

And it is true: If you have allowed people to build their own businesses on your low prices, they are not going to be happy about a change. Some of them may leave you.

But that doesn't mean you have to put up with eking out a barely-sustainable living.

We're going to change that.

Number one: Realize that experienced clients know they are getting the steal of the century. It's not very nice, but some will know this and protest anyway—even get nasty about a price increase—but ones that aren't actually delusional will accept it, once they realize you mean it. In fact, if you are good at what you do, they will be secretly anxious not to lose your services if your rate hike is reasonable.

If they don't accept it, you are much better off without them. Losing a stressful, abusive or selfish client is:

A. Good for your self esteem
B. Opening the door for a better, nicer, more professional and appreciative client to step in

The ones who are not experienced may be simply panicking as well as naïve. (You will know these ones because they say things tell-tale things like "you're going to shut my business down if you raise your rates!")

Here's how people commonly get caught when they are starting out as a service provider:

Action taken:	Mistakes:
Offering an introductory "special" at seriously discounted rates	• Not putting a limit on the number of units at that price • Not putting a time limit (ending date) to the special
Offering a creative service that is subjective (e.g. creating a graphic; writing an article)	• Not specifying the number of revisions • Not preventing scope creep by setting other conditions too
Being apologetic or tentative about a price increase	• You are sending a message that: ○ You don't value the worth of your own services ○ The fee or price increase is negotiable ○ You are not professional ○ You can be bullied
Omitting to track your time	• If you don't track your time, you will never realize exactly how much money you are losing per hour

STEP 3: DEALING WITH DIFFICULT CLIENTS

But what if you've already made one or more of these mistakes? You didn't set a limit on your introductory special. You offered "open-ended" creative services. You were too anxious to land ANY client and ended up with a bully, a greedy client or an inexperienced client.

What do you do about it—and how can you do it gracefully?

First, examine what "being graceful" really means. If we're honest, most of us really mean "not having the client get annoyed with us." If you're nodding your head at that, the problem is not the client (or not just the client). It's your mindset.

But yes, there are tactics you can use that can make both you and your client feel better about an increase. And we'll get to that in a few moments. But if you have made any of the pricing mistakes we've just outlined, we need to deal with likely scenarios.

- **The Abusive Client:**

  This is the client who threatens to take his business elsewhere. Even if he says nothing else and just states it as a plain fact without abusive language, threatening to drop you for the sole reason of a price increase is intimidation.

  With this sort of client, it doesn't matter how professionally or gracefully you announce your price increase or how much advance notice you give them, they won't care: They want what they want. And what they want most is for you to keep continuing to work at a sub-industry rate so they can make maximum profit off you. (To be fair, there is nothing wrong with making a profit from outsourcing—that's why clients outsource—but not when you are taking advantage of someone else by forcing them to work for rates that are far below industry standard.)

  If you have a client who threatens to take his business elsewhere, it is better to cut him loose before he drains away any more of your self-esteem.

  If you handled your announcement in an inexperienced manner, you may have caught your client by surprise: If this is the case—and if you are really providing great services—he will most likely be back. What just happened here was that your price hike was too abrupt.

  (If he says he needs to take his business elsewhere because he can no longer afford you and you know that to be true, there are alternatives which we'll discuss in Step Six: Asking for the Raise.)

  The second type of problem client is…

- **The Newbie Client:**

  This type of client is actually more trouble than out-and-out bullies or selfish clients. Their own inexperience (especially when combined with yours) can be disastrous. In fact, they can be more energy-draining and time-gobbling than abusive clients.

Newbie clients often fall into the trap of wanting you to go way above and beyond, either out of over-enthusiasm or to fill the gaps of their own inexperience. And they may not even realize they are doing this (which should not make it more acceptable!)

They may give you the vaguest of instructions and tell you to “use your own judgment.” If you suspect this is happening to you, when you give them your finished graphic or article watch out for the tell-tale phrase: “What if…”

As in: “What if we tried this in pink?” or “What if we added a section on all the social media platforms?”

When you have specified in writing that only one revision is allowed, it is easy to cheerfully point back to your contract or email and remind your over-enthusiastic client there will be an extra charge for any more revisions (and state matter-of-factly again exactly what that charge is).

That puts the onus on the client to decide whether or not he wants to continue playing around with a finished product.

It is also a question of value: If it will take you two seconds of adjusting your Adobe Photoshop color settings and hue, by all means “try it in pink”—but don’t be tempted to just be obliging and let it go. DO remind your client that your contract specifies [X] revisions and “fortunately this is an easy tweak” but that the “next revision will cost $XX.00.”

If you don’t, your client won’t see the difference between a revision that takes two seconds and one that takes six hours. Running unscheduled hours over your calculated time for the project is what is called “scope creep” in projects where you have pre-agreed on a fixed price.

The wrong way to estimate: “This graphic should take six hours to create.”
The right way to estimate: “This graphic will take six hours to create, plus four hours for one revision, plus two hours for computer glitches.”

Here's the reality of scope creep:

Project fee	Number of hours estimated and worked:		Your actual hourly rate:
	Estimated	*Worked*	
$300	12 hours	12 hours	$25.00 per hour
$300	12 hours	26 hours	$11.50 per hour
$300	12 hours	42 hours	$7.15 per hour
$300	12 hours	67 hours	$4.47 per hour

The more inexperienced the client, the greater the scope creep is likely to be. That is why, when you are charging per project, it is vital to (a) set limits and (b) accurately estimate the amount of time the project will take.

And you can only estimate accurately if you set the limits!

STEP 4: ASSESSING YOUR TRUE WORTH

Realize that most of the time the objections start in your own head. If you are not used to raising your prices, you will feel defensive, apologetic and/or stressed about announcing a price increase—no matter how well-deserved or overdue it may be.

Tracking your time not only gives you a realistic appraisal of how much per hour you are actually working for, it also:

- Helps you understand your price raise is both justifiable and well-deserved
- Assess your true value to your client
- See exactly how much time was billable—and how much wasn't
- Know exactly how much you need to raise your rates
- Gives you the confidence to increase your prices

And because you know the raise is well-deserved, you are less likely to give off signals of nervousness or uncertainty or—worse—awkwardness to your client.

Billable Time vs. Non-Billable time

You can only charge your client for billable time. That is, time spent directly working on her task or project.

Non-billable time encompasses things like:

- Fixing a computer glitch

- Taking breaks
- Checking your email
- Taking the dog out
- Reorganizing your office
- Looking for project supplies that you've mislaid
- Answering the telephone

And so forth.

When you charge per project, you can build in certain things that fall within a grey area. For example, one service provider may decide not to bill the client directly for taking a specific number of minutes for breaks. Another might decide that the complexity or stress of a particular project warrants breaks as an essential part to productivity.

The real considerations, when pricing, are:

- How much is fair—to you and your client
- How much your competitors charge for the same services
- How much competition there is
- What benefits you add that your competitors don't
- What benefits your competitors add that you are not able to
- How much a project of that particular type typically costs in the industry
- How valuable getting that task or project done is to your client
- How quickly you perform projects

You should not be punished because you perform tasks twice as fast as your competitors—you should rejoice, because you will make more profit. The client is paying for the finished results—and the skill and expertise you bring to them.

On the opposite end of the scale, your client should not be punished because you are having a learning curve or because you procrastinated for five hours. It is all about value.
If the client is receiving exceptional value from your services, she may not like price increases, but unless your raise your rates too high or right out of her budget, she will accept them: Sometimes even happily!

And remember also that if your competitor provides free graphics with a copywritten eBook and you don't, your client might say: "Ah, what the heck: If she's going to charge as much as [competitor with graphics], I might as well try [competitor with graphics] out."

And then again, the client might not care less about extra graphics, because she prefers to avoid lawsuits and commission her own.

We said it was about value, but understand that value is actually perceived value: How much your client needs and appreciates your services and how easy it is for her to replace you.

Here's an example of perceived value:

- Betty adores seafood—particularly shellfish.

  The caterers at a wedding banquet offer Crab Conquistador or Steak Béarnaise.

  Gasping with delight, Betty quickly chooses Crab Conquistador.

- Veronica is allergic to crabmeat.

  The caterers at a wedding banquet offer Crab Conquistador or Steak Béarnaise.

  Turning pale, Veronica hastily declines the crab and specifies the Steak Béarnaise.

Betty would eagerly pay top dollar for Crab Conquistador, if this was a restaurant, where as Veronica wouldn't touch the dish if you paid her a thousand dollars. Therefore, the perceived value of Crab Conquistador is extremely high to Betty—and worse than worthless to Veronica.

Should John's Seafood Palace take crab off the menu because Veronica announces she can't stand the smell of the seafood, and won't be back? Of course not. What John's Seafood Palace should do is serve the most amazing seafood dishes possible—and put all their effort into attracting and retaining customers who adore seafood.

That is why bending over backwards for clients who don't appreciate your services and want them at ridiculously low prices—or waiting for your client to "appreciate" you and voluntarily give you a raise—are not good strategies!

Give the best value you can give—to the right client who appreciates it.

STEP 5: KNOWING WHEN IT'S TIME TO RAISE YOUR PRICES

There's nothing complicated about knowing when it's time to raise your prices. You'll know you should start thinking about doing so if:

- Your client roster is full
- Demand has gone up for your particular type of service—and especially for your personal attention to projects
- You have a waiting list
- The cost of living has increased dramatically
- The cost of your own services, resources or outsource contractors has increased
- You haven't raised your prices for more than a year
- You have added value to your services
- Your cost of doing business has increased (usually because you have added valuable features to your business)

If one or more of these conditions exist and you choose not to raise your prices, that's fine. There is no law to say you should. But you do need to be sure you have a clear rationale for keeping prices the same. For example: "My lower rates are why I am cornering my market right now. Low prices are my only competitive advantage" or: "She's such a great client, she saves me time and this benefit of working with her make it possible for me to keep her rates down."

What you should not hear yourself say is: "She might go somewhere else if I raise my rates."

That is pure insecurity talking.

STEP 6: ASKING FOR THE RAISE

And now here is the biggie you've been waiting for: How to make a price increase painless for your clients—and you.

Find the strategy that will work best for your particular business model.

Make sure it is also the strategy that appeals to you on a gut level. You should feel happy—even excited—about it (or at least confident and optimistic).

1. **Warn long-term clients that you will be raising your rates.**

   People do get used to the status quo, and it is only natural to be thrown off balance by change. When you send your client an invoice or email and not that you will be raising your rates shortly, it gives them a chance to:

   - Get over the initial surprise or frustration
   - Evaluate how they will respond
   - Get used to the idea that they will have to pay more

   Of course, it also gives them a chance to look around for another service provider. That's okay. They may look—and realize they have actually been underpaying you, when they receive quotes from your competitors (particularly if you have actually been under-charging).

   They may even leave for a while. In which case there is a ninety per cent chance they'll be back. (If they don't return, they are most likely the sort of client you are relieved to discard.)

2. **Repeat your warning**

   Not so much in a personal letter; simply repeat it across all your communication platforms, so that she can't come back to you and say "you never told me you were raising your prices" or "well, you know I never look at the bottom of an email invoice!"

   If you have your rates printed on your website, announce that you will be raising your rates. In fact, you can turn it into a sales advantage that converts prospects who have been dithering about signing up for your coaching, for example, into clients—by letting them know "if you sign up before [date of your choosing] you will be grandfathered in at my current rate."

   And even if you don't offer to grandfather (i.e. keep your rate the same for a long term client) if existing clients see the new fees in black-and-white on your website, they are far more likely to accept the increase, rather than complain.

3. **Be straightforward.**

   Here's where it is absolutely vital that you know your own worth. If you have been tracking your time, evaluating competitors, acknowledging your own skills and experience, you will have a much easier time simply asking for that fee hike—won't you?

   Not necessarily. Old tapes take a while to stop playing with your emotions. But do it anyway. And resist the temptation to explain or apologize.

   Even if you are still having problems asking, understand your fear has nothing to do with your value and everything to do with:

   - Old habits
   - Old tapes
   - The way your clients treat you
   - Your baggage

   No matter what you feel, decide on one of these strategies and ask for the raise. Then remove any phrases or words that are (a) negative (b) hesitant.

   Here's how it should—and should not—look:

Right	Wrong
"Please note that my rates will go up January 1st to $60.00 per hour."	*"I am so sorry, but January first I'd like raise my rates to $60.00/hr. I hate to do this but it's been six years since I raised them. I hope you will understand and agree that this is okay."*

Don't apologize, don't explain: Just state the facts.

But what if it's a huge rate hike?

Let's admit it: A huge hike is going to be more difficult to "sell." If you've been working for $5 an hour and you've only just noticed that every other service professional in your field charges $100 an hour, any client is going to balk at an increase of this disparity.

In a situation like this, announce to any long-term clients that you are going to be raising your rate to $100 an hour for new clients. Before your long-term client has an actual heart attack, soften it a little by letting her know you will make an exception for her, based on your long history and the fact you work well together and you value her business.

The “exception” shouldn’t be continuing to work for $5 an hour. There should be some raise that makes a difference to you.

Only “grandfather” the client in at an existing rate if:

- The disparity is absorbable (E.g. you are making just under market standard—not $5 per hour—and you are instituting a modest raise)
- Her projects are so easy you make serious money on them—even at a low rate
- Her project makes up less than ten percent of your monthly income (or whatever percentage works for your budget)

But whatever you choose to do, make sure the solution feels right to you.

4. **Offer choices**

   If your price hike is going to be a stiff one or simply if you really value a star client, work with her to make sure she can still afford you. Offer her choices that you think will genuinely make the transition to your new fee structure easier for her.

   For example, offer to chop small projects and keep her monthly rate the same. Point out that rather than paying you $50 a post to write her blog posts, she will be free to outsource these to writers who charge less and keep her costs down that way.

   Or if she is a coaching client, offer payment plans or an “Express” package with less sessions, if it is a client you value or really want to work with.
   And give her more than one alternative. Always make it a choice versus a choice. Don’t leave her feeling it was “my way or the highway”.

5. **Create new packages.**

   If you know a client is going to have trouble affording the increased price of your existing packages, create a new one that works for you—and will fit her budget.

   (This is an ideal way to cut your workload down from one client, leaving room for a new client happy to pay your increased prices.)

6. **Take—and Give**

   Use the old tactic of taking away something—and simultaneously giving something better.

   For example: Announcing you will be raising your rates $X per project or per 100 words or per graphic, or whatever unit makes sense to you—and also announcing that from that date onwards you will also include something of extra value. Or even that you will be including several items.

These items should:

- Really be a benefit to your client—not something she doesn't want
- Be easy and cost-effective for you to produce

Whatever your solution, your aim should be to make your client feel she is going to receive even greater value. Keep the focus on her and her business—not on your needs.

There are times you do need to point out the benefits of your rate-increased services—but keep this mostly for your sales pages or when you are pointing out new benefits she'll gain.

If you do decide you need to explain why your services warrant a price hike, do so in as positive and straightforward a manner as possible. Don't focus on the "incredible value" they'll be getting (that's talking about you): Focus instead on the results you can help them acquire. (That's talking about them.)

STEP 7: WHEN IT'S TIME TO CHANGE YOUR BUSINESS MODEL

There's one other time to raise prices: When you have taken a serious look at your business and consider changing your business model completely.

The changes should have built-in advantages that will naturally endow you with higher income for less work (or at least, significantly higher income). For example, you shift from writing blog posts for other people to opening your own PLR site. In which case you can encourage your client to buy your PLR or help her transition to another writer.

Another example: If you are shifting gears upwards. Instead of being a sole proprietor, writing sales letters in your kitchen-nook office, you have converted your entire basement into an office and hired staff. When this type of restructuring happens, it will be your client who is anxious to retain you, if you have done a great job and she is seeing benefits from your work.

Let's sum up the essentials:

- Be straightforward
- Never apologize for a price hike
- Assess and know your true value
- Give advance warning
- "Explain" only if there is a real sales advantage
- If you do explain, only explain how it will benefit your client

Whatever your solutions, these should leave neither you nor your client feeling taken advantage of. Knowing your true value will give you the confidence to make raising your rates a painless process—and align your value with your ideal paying client, at the best market rate.