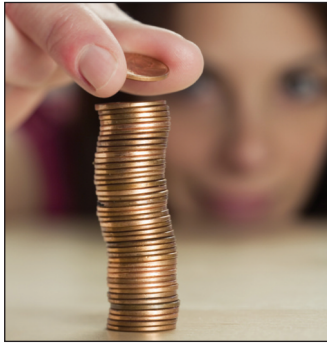


StraightTALKING



Determining prices of services in your salon or Spa must be based on a broad, thoughtful basis. It requires a basic understanding of both your financial and business goals.

The right price should meet the requirement of the buyer and seller. If you hit the right price, your clients will be happy, your profits will be higher and your bottom line will be healthy.

However, setting the right price is one of the most difficult decisions to make when starting a business or introducing a new service. Many salon owners make the mistake of setting up a flawed pricing structure. As a result they find themselves working very hard for so little.

7 tips for setting your prices

1. Keep your prices realistic:

A realistic price is the price you set after taking into consideration various factors:

- The direction of your business;
- Your cost structure and expenses;
- Your resources.

Avoid setting your prices on 'what every other salon is charging'. What is right for

Is your pricing right?

Liz McKeon offers seven tips for higher profits

your competitors may not be right for your salon. Set your prices based on your own situation.

2. Cover all costs

The price of each service should cover the cost associated with it, its contribution to overheads and profit. A successful strategy is one that results in the most euros after all the costs have been met.

3. Check your prices against inflation

Your prices must keep up with inflation. Inflation increases your cost of doing business, with the prices of your materials, overheads and other costs increasing. Once you've established your prices, remember to constantly monitor operating costs to insure profit.

4. Include the value of your time in your pricing

Avoid committing the mistake of not including a salary for yourself - your time is valuable and you need to include it when calculating your prices.

5. Clients are not always looking for the lowest price

Price is not always the topmost concern of clients. Many clients are willing to pay premium prices for quality service,

speedy delivery, helpful and friendly customer service, excellent product knowledge and advice.

6. Price low, but smart

A common pricing strategy for small salon owners, particularly new entrants into the sector, is to price low just to get the work. By pricing low, the aim is to penetrate the market and get as much repeat business.

However, be aware that pricing low can have adverse repercussions on your business. First, a low price may signal a low quality service. Second, it may be difficult to raise prices later once clients are accustomed to your low prices. Third, your start-up business is yet to develop economies of scale that makes it hard to compete on price.

7. Use discounts with care

Offering discounts is a good strategy for encouraging repeat sales, bundling sales and early payment from clients. Just make sure you don't give out the wrong signal or give the impression that your business is in difficulty.

Pricing is important for several reasons - it will determine the profit margins for your salon, and in the end, your own salary!

Liz McKeon is a Business Consultant and Trainer specialising in the beauty industry. For further details telephone **086 386 1243** or visit www.lizmckeon.com

