

16 Considerations When Setting Prices...Especially This Year by Patti Komara

1. I always thought setting prices was easy. I used to just raise prices every fall a dollar or two. But this year, I will definitely raise prices significantly because of the Olympics. I will do it in July, because it's when I have the least number of families I must tell prices are going up. I don't want to get a large number of new students this fall with the parents thinking gymnastics is one price, they put that in their budget, and then in January we raise prices.
2. We know if we don't raise prices *at least* the rate of inflation, we're losing money. It only makes sense. In the last year inflation rose 1.4%. Over the last ten years it has averaged 2.54%. I usually raise prices 2% with some years going as high as a 6% increase.
3. All the years I've been in this business, I have never heard another gym owner say that once they raised prices, they wish they wouldn't have. We usually get such a small resistance if any from parents.
4. Another reason I feel comfortable raising prices is when we invest a lot of money into the building--painting, redecorating, new landscaping, etc. I always make sure we make parents aware of all improvements you make. Show pictures and give details on Facebook, email blasts, and newsletters.
5. A price tag says a lot about a product or service. A high price is a competitive advantage. Price has to be high when quality matters. According to Guerrilla Marketing, during hard times highest and lowest prices usually do the best. It's how you position yourself in the market place that makes the difference. People associate higher prices with higher quality. If that's not true, then why do women buy a blouse at Neiman Marcus for \$149.00 when they can get a very similar one at Target for \$49.00? If you're charging the most in town and your place looks busy, your customers assume you must be of high quality and the price must be fair.
6. Remember, you could raise prices, but give a larger discount for families.
7. Don't raise your registration fee, but raise birthday parties or special events fees.
8. The year we created the largest increase is the year we started offering credit card payment options. If you don't have direct debit from their bank or auto pay from their credit card--offer that. In the past if you've only allowed them to pay for 8-week sessions, this year raise prices even after a large increase, but allow them to pay monthly with auto debit or auto pay. The new price will seem small to them even after a large increase.

9. According to the book, The Price Advantage, the author states, "Pricing is far and away the most powerful profit lever a company can influence." They also say price increases yield the biggest bang for your profit buck. For a 1% increase in price, you yield a 11% in profit. A 1% improvement in variable costs increases operating profit 7.3%. Sales volume increases by 3.7% and fixed costs 2.7%.
10. You've heard we need to charge what the market will bear. So, be sure and call all the gyms in your area or view websites of all your competitors. Compare your tuition fees to theirs. For our preschool program my gym is 7%-28% higher than our competitors. For our school-age program we are 18%-30% higher and our dance is about 8% higher than most other dance schools. Find out where you stand. You have to be perceived as affordable, of higher quality, and your customers must feel they are getting great value for their money.
11. When you get prospects on the phone who say they are checking around, encourage that! Invite them to do a trial class at your gym where they just pay for that class. Then encourage them to go see other gyms.
12. I'm not a fan of giving a discount for enrolling in multiple sessions. I just feel if they are that confident they will stay, they probably will. Then why would you want them to give you less money even if you get it upfront.
13. Never justify price. If you begin the conversation on how all the expenses have gone up, etc, you'll create price shoppers. They will be the first to go when you *do* raise prices.
14. Price consultant Reed Holden says, "The percentage of customers who buy strictly on price is no more than 15%-35% in any market." When you do raise prices, have a few things jotted down in a script for all the staff to say if they get a question about the higher prices. When someone asks about price, ask them, "How important is it that you have safety certified instructors? Or, that you can reach someone here by phone 12 hours a day?" You get the idea. Sell what it is that you do differently than your competition.
15. We can't expect the Olympics to come through for us every four years with hundreds of new students. So much of the Olympic bump is based on whether our teams do well and if the television airing times for gymnastics coverage are at times when younger children can watch it. I remember the huge increases we had after the Games in 1972 (Olga), 1976 (Nadia), 1984 (Mary Lou), and 1996 (the women's team). And, yes, 2012 was good for us. Nothing is saying we'll be that lucky again. But, I do remember 1988 and the Seoul Olympics. The television airing times were bad and we saw almost no interest after those Games. Be careful. *Be very careful* with this pricing decision.
16. Being in this business for 47 years I can tell you one thing that hasn't changed since 1969. That no matter what the economy is doing, if a child REALLY wants to take classes, a parent will find the money. Charging what you're worth is always hard to figure. Good luck!

Patti Komara has owned a gymnastics school in Dyer, Indiana since 1969 offering gymnastics and has been named “Best of the Region” Gymnastics School by their local newspaper every year since its inception in 1994. Patti has been a speaker for USA Gymnastics at national conventions every year since 1981, and she has led hundreds of training workshops. Patti’s Tumblebear Connection has produced more than 100 instructional DVDs and has written books on yearly lesson plans for the internationally known Tumblebear Gym Program, School-age Gymnastics, Dancing GymBears, YogaBears, CheerBears, Gym-N-Learn, and Swim. Products can be viewed at www.tumblebear.com. Patti currently has over 8000 subscribers to her “In the Loop Monthly E-Newsletter”. You can sign up for it at tumblebear.com. Check out her weekly blog, “Behind the Cartwheel”.