Let's Talk About...

Raising Your Coaching Fees

COACHING BEST PRACTICES

A delicate balance exists between the prices you want to charge for your products and services and what your clients are willing to pay. As your business costs increase, there comes a time when you must raise your rates to remain profitable.

As your skills, knowledge, and experience develop, you become increasingly valuable to your clients and can request higher fees.

By communicating effectively with clients, you should be able to raise your fees with ease.

1. Don't let fear and limiting beliefs prevent you from raising your fees. If you find yourself making excuses that you know aren't true, your fears and limiting beliefs are resurfacing. Some examples include, "My clients will be angry and leave if I raise my rates," or "I'm not worth the new rate."
Consider: What makes me uncomfortable about raising my fees? What is holding me back from taking the leap?

2. Have a clear understanding of your break-even point for profitability. Start with the bottom line: how much do you need to earn to achieve your revenue goals? However, it's not only about what you need to earn; it's also about what you want to earn.

Every business owner has two revenue goals: 1. the amount of money you want to invest in your personal life from your business, and 2. the cash flow you require to support new opportunities. Think big; don't scale down your goals just because you feel uneasy about large numbers.

3. Determine your fees based on the value of the results that your client receives. For example, by enhancing someone's effectiveness at work, I help individuals secure employment and increase their income. This creates significant overall value, and my fees reflect that. If you can tackle their challenges and those challenges are substantial enough, they'll be willing to pay a fair fee for your solution. (Hint: it's not just about your ability to solve their problems and help them achieve their goals — the experience they gain from collaborating with you is valuable as well.)

4. Set your service fees according to your level of expertise. If your expertise is advanced, having invested many years in study and experience, you can command higher fees compared to someone who is just starting. Therefore, you may want to consider increasing your fees annually as your skills develop.

5. Examine your competitors. Are there others with your skill level charging more than you? Are they overcharging, or are you underpricing? If your clients often see rates for similar services and products that exceed yours, they might wonder why your fees are so low. Many people associate price with quality.

6. Do they see your product or service as a "commodity?" A commodity is a product or service that remains the same, no matter who offers it. For example, if you're selling a gallon of milk, it's just like the gallon of milk your competitors sell. In commodity pricing, there's no space for differentiation in the customer's mind, and they will look for the lowest price. So, if you have a class called "Copywriting 101" and your competitor offers a class named "Introduction to Copywriting," your customers will perceive these two classes as equal — a commodity — making price the only factor that stands out. However, if your class is unique, better, or different from theirs, or if your expertise is more extensive, or if you can make learning enjoyable and engaging, then you can charge more. (You'd likely pay more for Oprah Winfrey to teach you how to create your own TV show empire than for someone you've never heard of, right?) Discounted prices often deter potential customers because they view your product or service as a commodity that can be found anywhere. Employ smart marketing, branding, and copywriting to distinguish yourself from your competitors.

7. Decide in advance whether to increase fees for everyone or just for new customers. You may have existing clients for whom you cannot raise fees until their contracts expire. You might choose to raise rates for new clients starting today and establish a future deadline for existing clients when their rates will increase. Make a strategic decision about when and for whom to raise your fees.

8. If you are raising your fees for existing customers, it's a good idea to call them or send an email explaining that the fees will increase to the new rate. Provide them with a date when this change will start. I recommend giving at least two months' notice. Will you lose some customers who aren't willing to pay the higher rate? Yes. But if you do, you need to ask yourself, "Why hasn't this customer found value in what I'm offering that would make the new rate acceptable to them?" (When contacting existing clients, remind them of the work you've done together and the results they've achieved.)

9. Conduct the 80/20 evaluation. Identify the 20% of your customers (or customer segments) who generate the least profit, and either increase their rates or part ways with them. This may sound harsh, but you're in business to make a profit, and you can't support an unprofitable customer just because you have a personal liking for them. Refer them to someone who can assist them at a rate the customer is willing to pay. Focus on the 80% of customers who provide the most profit (and whom you enjoy serving the most) and ask yourself: How can I attract more customers like this, who are willing to pay my fees and want to collaborate with someone like me?

10. Set your fees based on access to you. Private one-on-one clients pay the highest rate. Individuals enrolling in live classes you teach, or mastermind groups you facilitate are charged the next highest rate. Smaller self-study programs without access to you are priced at a lower rate.

The beginning of the year is the ideal time to evaluate your pricing model and implement changes. Spend a few hours determining your new fee structure, transition dates, and communication channels.

