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**TACKLING THE PSYCHOLOGY OF PRICING**

Walker & Sutcliffe, the chartered accountancy practice based in Huddersfield, is encouraging businesses to think differently about pricing.

Practice Partner, Nick Ledgard, provides advice around the psychology of pricing and why companies should not feel guilty about putting their fees up during challenging economic times.

He comments: “It’s never easy to increase prices and there is always a worry and reluctance around how customers will react. The real question is whether businesses can afford not to put their costs up when they themselves are incurring additional fees from third parties.

“The reality being that if you miss an opportunity to incrementally increase your prices in a considered way, you could end up with no choice but to hike them up out of necessity at a later date.

**Evaluating the real cost**

“People often put prices up in percentages, so if you miss the chance to put your prices up by three percent now, then next year you are faced with an even harder decision. Do you increase your costs by 3% and accept the decision of the previous year not to do so, or do you increase by 6%, which could be a bitter pill for customers to swallow.

“We need to remember that we are not alone, everyone’s costs are going up. So, while we know it’s uncomfortable and a difficult subject to have, many customers are expecting changes.

“The reality is that making money is good – it allows us to employ people, to invest in taxes and to support the economic infrastructure of the country.

**The barriers to a price increase**

“The barriers to pricing often start with an uncomfortable conversation. It isn’t easy, so people will hide behind excuses and convince themselves that a price increase wouldn’t work, when in fact they have never approached the subject with their customers.

“We encourage our customers to have honest discussions explaining the rationale for a price increase, while also providing enough time for the information to be accepted and a plan put in place.

“Furthermore, if you explain that because of the changes you can continue to deliver the same quality and service that the client has come to know and expect, they are more likely to welcome a rise.

“Another way to look at pricing would be to provide a narrative, such as the cost of a service each week is approximately the same as a cup of coffee. With the association and comparison in place, this makes an increase feel less painful than it needs to be.

**Price doesn’t exist**

“In theory price doesn’t exist. The only thing that does is value.

“What we need to do is to understand that in theory everyone has their own price, as everyone’s value perception is different. In business we must consider how people interpret the value you are giving them.

“If you can evidence the added value you are offering to your customers, they will recognize the need for costs to increase for them to continue to access the products and services that benefit their business.

**Testing the market**

“You must ask questions within your different markets to find the drivers to purchase that will give you the chance to make necessary changes to the cost of the products and services you are selling.

“The metrics to track what is happening are also important. You don’t have to increase pricing across the board. You could try it in one part of the market and see what happens. Consider what your customers value most and how you can add to that without incurring additional costs to provide a rationale for a price increase.

“We have increased our prices by 20 per cent in the last two years. It wasn’t easy but we explained to our clients that we had to do it. Not all customers liked it, but once we had communicated the rationale and value they would be getting they understood.

**Summary**

“Fundamentally the message remains the same. Increasing costs is essential to sustain a business, it’s how you do that and how you communicate it to your customers that will make all the difference to the resistance you will receive.

“I don’t believe that you can sell anything to anyone, you can only allow them to purchase. As such, giving them the knowledge to see the cost versus return on investment in a context that will resonate with them and will have more impact than focusing exclusively on the price.”

Walker & Sutcliffe is a chartered accountancy practice based in Huddersfield. Working with a national portfolio of clients, it provides businesses and individuals with the support and advice they need to meet their professional and personal objectives.

For further information about the practice, please visit: <https://www.walker-sutcliffe.co.uk/>

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