Setting Fees

How often are you wondering: “What should I charge?” There are several ways to look at that.

1.) You can compare yourself to a farrier and what he charges for a barefoot trim. Depending on the area you live in, you will then set your fees somewhere between US$15.00 and US$40.00*

2.) You can compare yourself to other barefoot trimmers. Your fees will then vary between US$30.00 and US$75.00

3.) You can compare yourself to a very skilled farrier in your area and charge what he would charge for putting 4 shoes on. Now that needs a little more exploration: Let’s say named farrier would charge US$200.00 for 4 shoes. It takes him about 45 minutes every 6 weeks. So you don’t have to supply the shoes. You trim every 3 weeks. Subtract US$20.00 for the shoes and nails. Divide US$180.00 by two (because you trim every three weeks) and you should be able to charge US$90.00/trim. Not only do you keep the horse as sound as a farrier does for the moment, but you help him heal and help him live a long life.

Naturally, you can only charge what the market will bear. But I think we have to start projecting a different image here: We are highly skilled hoof care providers with a lot of education and should be paid accordingly.

UNO ALLA VOLTA — ONE AT A TIME

Now: Setting Fees from a different perspective

How important is it and how do you do it?

If you generally feel that you’d like to make more money and you’d like to have more time, these are symptoms that indicate that your services are undervalued.

In other words, your fees are too low. There is no single management activity that will have greater impact upon profitability than setting appropriate fees for your business. If your fees are too low or undervalued, 100% of the amount of the difference between what they should be set at and what they are set at is foregone profit to your business.

There is no additional cost to establishing your fees at the appropriate levels. Some skeptics to establishing appropriate fees would say, “but if I raise my fees, I’ll lose clients or business.”

Unless your services are established solely on the basis of being the low cost provider of a generic service obtainable anywhere, similar to a commodity, like sand, then the relationships between you and your clients will be preserved in most cases even with fee increases.

For example, if your business maintains a 40% gross margin {mark-up on the cost of services / (cost of the service + mark-up on the cost of services)} and you raise your fees 10%, then you can lose 20% of your current revenues and still maintain the same gross profit ($) as you did prior to raising fees. In most cases, businesses will lose very little or no business from reasonable fee increases.

But if you did lose up to 20% of your existing business, you’d still make the same gross profit from less work. Less work at a higher level of profitability means lower overhead, more time, better clients, and a higher quality life. More realistically, since most businesses lose little or no business as a result of raising fees, those businesses will improve profitability, raise the quality of their clientele by removing customers who are only concerned about pricing, and improve the options or decisions of the business in the area of selecting which clients are desired for long

Price Discount	Gross Margin										
	10%	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%
2%	25.00%	15.38%	11.11%	8.70%	7.14%	6.06%	5.26%	4.65%	4.17%	3.77%	3.45%
3%	42.86%	25.00%	17.65%	13.64%	11.11%	9.38%	8.11%	7.14%	6.38%	5.77%	5.26%
4%	66.67%	36.36%	25.00%	19.05%	15.38%	12.90%	11.11%	9.76%	8.70%	7.84%	7.14%
5%	100.00%	50.00%	33.33%	25.00%	20.00%	16.67%	14.29%	12.50%	11.11%	10.00%	9.09%
10%	Not Possible	200.00%	100.00%	66.67%	50.00%	40.00%	33.33%	28.57%	25.00%	22.22%	20.00%
15%	Not Possible	Not Possible	300.00%	150.00%	100.00%	75.00%	60.00%	50.00%	42.86%	37.50%	33.33%
20%	Not Possible	Not Possible	Not Possible	400.00%	200.00%	133.33%	100.00%	80.00%	66.67%	57.14%	50.00%
25%	Not Possible	Not Possible	Not Possible	Not Possible	500.00%	250.00%	166.67%	125.00%	100.00%	83.33%	71.43%
30%	Not Possible	Not Possible	Not Possible	Not Possible	Not Possible	600.00%	300.00%	200.00%	150.00%	120.00%	100.00%

term business.

The impact of setting appropriate fees on your business and your lifestyle are illustrated in the Chart titled, “Percentage increase in sales required to maintain the same $ Gross Profit after a price discount”.

If you maintain a 40% gross margin, and your fees are 10% too low or you discounted your fees 10%, then you’d have to perform 33.33% more work to earn the same gross profit ($) as you would have made without the 10% discount on your fees. Again, setting appropriate fees permits you to reach your financial goals, and to establish realistic, practical, and profitable work schedules that are good for your team as a whole.
These illustrations represent the impact of setting appropriate fees on your business profitability and your lifestyle. Without appropriate fees, you will work more hours and make less money. It is that simple.

Percentage increase in sales required to maintain the same $ Gross Profit after a price discount

How to set fees

There are many philosophies on setting fees. Some of these are:

- Market based fee setting
- Cost based

- Smile pricing

Each of these methods has its place.

Market based pricing

Market based pricing is accomplished by surveying your local market and determining what the competitors in the marketplace charge for major procedures and services.

Then you simply make a decision regarding where you'd like to position your services with respect to the rest of the marketplace. Most successful practices will establish their fees at or slightly above the rest of the market.

The market based method is risky, because by establishing fees without reference to the actual cost of providing those services plus the desired financial returns or profits, it is nearly impossible to establish a profitable business.

Cost based pricing

Cost based fee setting is performed by determining the fixed costs associated with running the practice, and adding them to the relevant variable costs for providing the service, and adding enough margin to accomplish the desired profit margins. Once you determine what these profit percentages should be for your business, you can use them to help determine the level of additional fee increase that is needed to reach your practice performance goals.

Smile pricing

Smile pricing can be relevant in some situations. Smile pricing is accomplished when you examine specific procedures that you 'hate' to perform and in most cases you feel that you don't make money providing them.

For example, if you absolutely hate to trim draft horses, then ask yourself 'if you doubled your fees for this procedure, would you enjoy providing this service any more?'

'How would you feel about providing this service if you tripled or quadrupled your fees for it?' Once you get to a level at which you decide that you would gladly perform this service and you would actually look forward to it and arrive with a smile to do so, then you know that the fee is set at the appropriate level. The worst thing that can happen is that your clientele says 'no' to you providing those services.

But then, you hate to provide them anyway, so you're happier with the result. In reality, in most cases, you'll find that these fee levels are more realistic to the value that you deliver, and many clients won't hesitate to having you perform those services at the newly established fees. Some colleagues have actually reported that their business grew greatly from using the 'smile' pricing philosophy, because clients perceived them to be the best at those services since they charged so much.