



PRACTICE POINTS

Pricing your RMT services

Creating and capturing value **BY DON QUINN DILLON**

I've been deliberating for some time over whether to raise my professional service fees. My practice is located in a small city where an automaker – the major industry in this town – laid off thousands of workers years ago. Tourism and other industries have suffered, and I suspect many shopkeepers and service providers have wrestled with their pricing decisions for fear of customer reprisal. It causes me to reflect on how I, and my colleagues in the profession, set pricing.

How do we set our pricing? Is pricing based on the type of massage or sector served (rehabilitation, spa, integrated wellness, in-chair massage)? Time-length of session? Inputs of labour or added elements like hydro\electric therapies or special hand-tools? Are some outcomes (pain reduction, better mobility) more valuable than others (reduced anxiety, relaxation, better sleep quality)?

What role does wealth of the local economy, reliance on generous employee benefit plans, competition with peers or other services promising similar benefit play? What are our own beliefs about the value of our work, our relationship and experiences with money, and what we believe patrons are willing to pay?

Pricing is how the practitioner “captures” the value they offer to the marketplace. “Price transmits the most important signal to the customer... what the (practitioner) believes the product is worth,” states Ronald J. Baker, author of *Pricing on Purpose: Creating and Capturing Value*

Baker, a trained accountant who studied economics states we've got it wrong when considering pricing theory. Pricing, he says, should be based on the value of outcomes (not time) and



knowledge transferred (not inputs). “People are not price sensitive, but value sensitive,” he asserts. The marketplace determines value and will invest its dollars accordingly. “Value is realized when the customer voluntarily, willingly pays for your product/service.”

Pricing is one of the four “Ps” of the marketing mix, which includes product, place and promotion. Practitioners must determine their own particular mix before announcing themselves to the marketplace to ensure their best opportunity for practice success.

It's the job of the business, Baker affirms, to fully capture the value of its product/service in its pricing while increasing the health, wealth and prosperity of its customers. Customers

exchange dollars for utility, for value. The mechanism to capture that value is pricing.

How much consideration do massage therapists put into their pricing? According to the 2013 earnings survey, conducted by the Registered Massage Therapists Association of Ontario (RMTAO), most RMTs report setting their fees based on the RMTAO fee schedule guideline, or based upon the going rate of colleagues. The 2010 RMTAO fee guideline recommended \$82 per hour (plus HST), while \$76 per hour was the average rate reported in the 2013 earnings survey. Incidentally, 56 per cent of respondents indicated they were not earning what they had expected. Could ineffective pricing be part of the problem?

How critically do RMTs consider

DON QUINN DILLON, RMT, is a practitioner, writer and lecturer. Find him at MassageTherapistPractice.com

Pricing should be based on the value of outcomes and knowledge transferred.



their pricing? Baker states most businesses use a cost-plus pricing strategy, i.e. they design the product, calculate the cost of production/delivery, top up for a profit margin and then offer to the customer. Price is an afterthought.

In *The Invisible Touch*, Harry Beckwith echoes the idea of charging for value. “Hourly fees clearly incentivize delays, attenuate deliveries and encourage make work... they penalize the expert who can solve the problem quickly.” Beckwith counsels, “Charge by your worth (value), not by the hour.”

Beckwith promotes that higher prices tempt a trial. “Price changes perceptions,” Beckwith asserts. A higher price improves the experience by raising expectations. “We may appreciate a low price; it may represent all we can afford. But while we may

welcome the savings and recognize the service’s ‘good value’, we do not appreciate its quality; we assume we could do better. If and when we can afford (to purchase the product/service we want), we do.” He continues, “The higher your price, the higher your perceived quality.”

Regarding discount shoppers, Beckwith cautions, “Discount customers shop for discounts... costs of acquiring these customers is higher than your profit margin... discount shoppers come and go, refer no one, are not good judges of quality, don’t build lasting business and vividly and frequently communicate they don’t believe in the value of your service.” Discount shoppers “come for the price, and leave for someone else’s price.”

“Can your business offer a premium level of service?” Baker prods. Baker’s point is to suggest that, beyond providing a standard level of service for most of your customers, is there something a niche population of your practice would pay more for, and value? Carefully consider the value the public perceives in using your product/service. How can you increase that value, convey that value, and capture that value through your pricing?

In his book, *Earn What You Deserve*, Jerrold Mundis discusses the phenomenon of under-earning. Underearners often accept work that does not pay them enough to live, or say “no” to opportunities to make money. Mundis suggests underearners may exhibit some or many of the following characteristics: are usually in debt, are often in financial crisis, do a lot of unpaid work, often come from alcoholic or otherwise troubled families, have only a vague idea of what their expenses are, perceive the gross income and not the net, may think there is spiritual or political virtue in not having money, believe their occupation

won’t allow them to make more money. Practitioners, in setting their prices, would do well to honestly examine their beliefs and biases, accurately assess the value they bring to the marketplace, and capture that value in their pricing.

With every session you provide you’re trading vitality for dollars. Are you getting a fair exchange? Does your pricing model provide you the income you need to cover business and then personal expenses, your personal interests, and savings for contingency or when you will no longer work? What would happen if your pricing model did?

If you are ready to examine your pricing, here are some suggestions.

Get clear on your product, place and promotion – ensure you’re providing something of value that the marketplace wants and can distinguish from other offers.

Manipulate price comparisons patrons are making of your offer. Differentiate how your offer is unique, of higher quality, more effective, convenient or valuable.

Use marketing tactics to clearly define results/knowledge-transfer people can expect.

Avoid appearing like everybody else. When massage services become commoditized, whoever has the lowest price is the leader.

Trial a price change. Poll your best patrons with a simple question: “I believe my services are undervalued and I’m planning on calibrating a price that best reflects my value. Based on your experience, if I set my fees at \$X, would you still buy?”

If “no,” ask the patron what value they would place on the services you provide to them. If you find their projections below your expectations, perhaps you need to do a better job of clearly conveying value, the inherent benefits of massage therapy and, in particular, receiving it from you.

George Gilder said, “New knowledge does not come without a leap of hypothesis, a projection of the intuitive sense.” Perhaps our profession can lead with a new hypothesis on pricing, put to bed self-limiting beliefs and experiment with pricing. You may find you’re putting more money in your pocket while capturing the value you provide to your patrons.