



PRICING 101: HOW TO PRICE YOUR AESTHETIC SERVICES FOR PRACTICE HEALTH

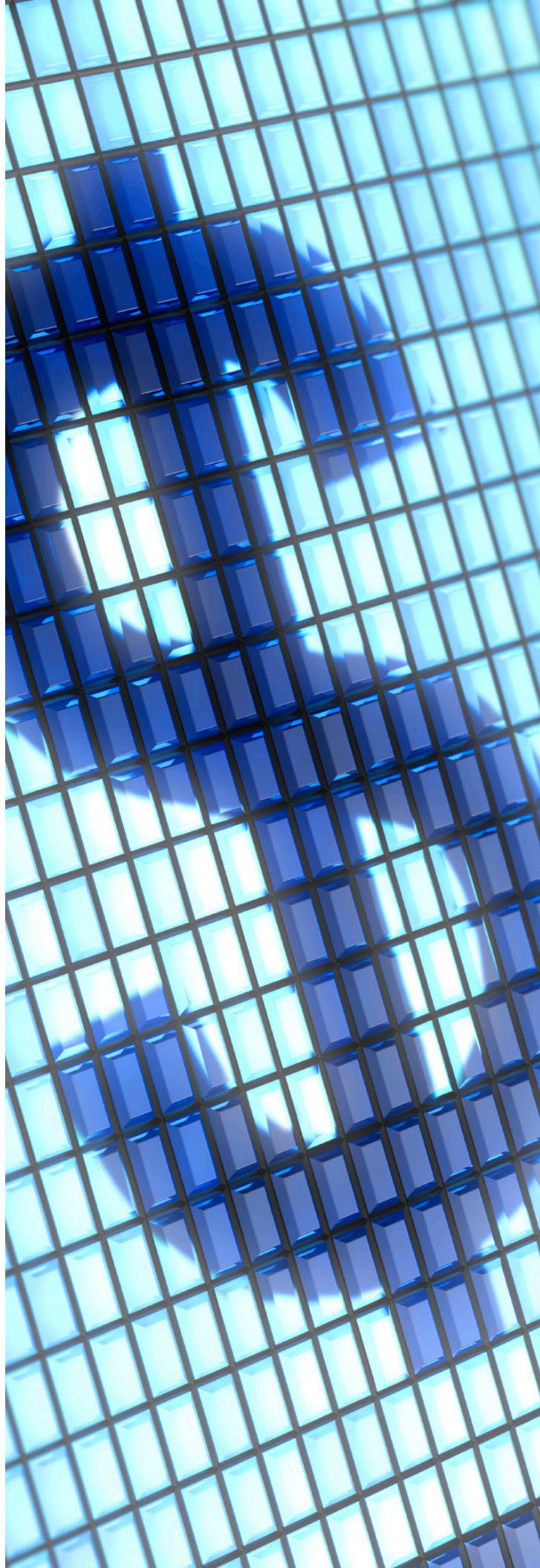
PRICING 101: HOW TO PRICE YOUR AESTHETIC SERVICES FOR PRACTICE HEALTH

Pricing is among the most important aspects of how you market your services as an aesthetics provider. Your prices communicate the value that your customers get from your services, and how much they should be willing to pay for them. The strategy you use to set your prices has profound implications for your business.

Of course, pricing determines profitability. It's also a tool to compete, gain market share, influence demand, and increase revenue. Your prices shape how your clients perceive your services.

No matter the industry, pricing is one of the most challenging aspects of business in evolving market spaces. At Venus Concept, our partnerships with successful aesthetics practices in more than 60 countries have given us unique insights into the most useful tools for gauging and growing the value of your aesthetic business, so you can make informed choices and promote your most valuable services.

In this report, we will explore the process of effective price-setting, ways to distinguish yourself from the competition, and some specific procedures and practice management tips to attract more consumers and support higher values for your services.



KNOW WHAT IT COSTS TO PROVIDE YOUR SERVICES

The challenges of strategic pricing are complicated by the increasing number of aesthetics providers competing for the same patients. Consumers have more tools than ever before to discover and compare prices among providers including social media and online review sites. This makes your pricing decisions more critical than ever.

Smart pricing starts by calculating base prices in line with factors specific to your practice. There are five important ones.

1. COSTS OF EQUIPMENT, CONSUMABLES, AND DISPOSABLES



How much is it costing you to conduct each procedure? Project the cost of your equipment per procedure based on acquisition cost, service and maintenance, lifespan, and capacity.

Take aesthetic devices, for example. New devices can be expensive, but they form the backbone of your practice and help to shape your service offerings. To assess the value of an aesthetic device, start with the acquisition cost, such as the purchase price and subscription costs. Some device manufacturers might charge high upfront or hidden costs, or lock you into costly payment options. However, the best will offer transparent financing plans or flexible subscription models. Look at the acquisition cost over a projected five-year lifespan serving five patients a day, or 1,300 a year. Add to that the cost of tips, heads, and consumables per treatment as well as the cost of warranty or service agreement per treatment. Good auxiliary device features, like a robust warranty plan, can help you save on costs and price more competitively.

2. TIME AND SPACE COMMITMENTS



Running at full capacity, how many procedures could you expect to perform a week? Make sure you add in the time it takes to prepare treatment areas between patients and to prepare patients. These time costs contribute to your overall expenses and income expectations.

You also need to factor in your available office space. You may not have enough treatment areas to use every piece of equipment to its full capacity. Multi-application or tabletop devices are key to making use of limited space—versatile treatment systems will help you price your services more effectively. It's important to know the potential number of treatments per day per room, revenue per room, and your total potential revenue from services for the entire practice per day. Consultants suggest that operating at about 75 percent of capacity is a good long-term goal.¹

¹ "Med Spas the Cost of Doing Business," by Durocher Enterprises, Dec. 12, 2014, retrieved from <http://www.durocherenterprises.com/med-spas-cost-business/>

KNOW WHAT IT COSTS TO PROVIDE YOUR SERVICES

3. STAFF COSTS



Consider the experience and skill levels of the staff who run the clinic and who will be performing the procedures. While a licensed aesthetician can perform a wide range of procedures, nurses, nurse practitioners, and doctors command higher fees and salaries. You will also need to reflect the expenses of ancillary staff such as a treatment coordinator, office manager, or receptionist into your prices.

4. GENERAL OVERHEAD OF THE PRACTICE



How much is the lease or mortgage, marketing expenses, debt service, training, cleaning, and other costs? You can factor in retail sales as an offset to these costs. Combining all these factors, determine your base cost for providing each of your services.

5. YOUR PROFIT MARGINS



The average medical aesthetics profit margin is reported by one industry analysis to be 14 percent,² while other sources suggest that margins for medical aesthetic services can be as high as 30 percent. Whether or not you operate as a standalone entity is important. *American Spa* magazine says that aesthetic practices connected to dermatology or cosmetic surgery offices that cover their overhead can achieve margins of 40 to 50 percent, while standalone medi-spas more routinely have profit margins of 10 to 15 percent.³

When targeting a profit margin, consider where your practice is located and any other special factors. If you're running a medi-spa in a small town with a lower-than-average local income, you won't have the same pricing potential as a practice in Beverly Hills or New York City.

Based on this analysis, you will arrive at your ideal service prices.

² "\$1.9 Billion Medical Spas Market Poised for Growth," Marketdata Enterprises Inc, Jan. 29, 2013, retrieved from <http://www.prweb.com/releases/2013/1/prweb10363396.htm>

³ "Spa Profits?" *American Spa*, Dori Soukup, Nov. 29, 2011, retrieved from <http://www.americanspa.com/business/spa-profits>



PRICING?

GOOD QUESTION!

DO A REALITY CHECK WITH YOUR MARKET

YOU'VE DONE SOME HEAVY LIFTING, BUT YOU CAN'T STOP NOW.

To finalize prices, you need to compare your prices to the going rates for aesthetics services in your community. You don't want your prices to be markedly higher or lower unless you have consciously chosen this as a pricing strategy. This comparison can serve as a barometer for how the value you're offering for your aesthetics services compares with the market demand.

Unless you have a different audience with different expectations in mind, potential clients will likely expect your prices to be on par with the average. That said, keep in mind that the average price for some procedures may be more helpfully viewed as a range or reference point because of normal variation. Prices can vary depending on the practice location, the individual treatment provider, and the complexity of the case load.

Take Botox[®], for example. The cost for Botox[®] typically runs between \$300 and \$1,200 per treatment in the United States.⁴ Some volume-driven clinics might have lower prices, charging between \$200 and \$600 for a treatment. Cost is also determined in part by the number of areas and units of neurotoxin used. You'll need to dig deeper into the specific nature of each practice and the value they offer when checking whether your prices are comparable.

DETERMINING HOW YOU STACK UP AGAINST THE COMPETITION

Although price isn't the ultimate determinant of patient choice, it's certainly an important part of the equation.

Many of your competitors will have websites or online "menus" that quote base prices for their services. Have a look at these, paying attention not only to what your competitors are charging, but to what value they're providing for the price. As you conduct this exercise, be sure to look at the prices offered by comparable practitioners. Choose those with similar credentials, experience, and geography as your practice.

This is the point when you would also weigh any unique competitive advantage—say you are the only local provider of an in-demand treatment, or you have a reputation for obtaining the best results in a particular niche. Consider any edges you have over your competition in terms of what services you offer, the speed or convenience that you can bring to your treatments, or the comfort level of treatments and the length of downtime required with your devices. All of these factors help you define yourself in terms of your business ecosystem, and will help you differentiate yourself from competitors.

⁴ "How Much Do Botox Treatments Cost?," retrieved from <http://health.costshelper.com/botox.html>



HOW PRICING PLAYS INTO YOUR MARKETING STRATEGY

Once you have researched competitors' prices, take a close look at the value they're providing for that price. Is there a market gap to be exploited by offering more or less value for a given procedure? You'll need to understand your customers to answer this.

Some people shop for aesthetics services intensely focused on price. Of course, there are also some patients for whom price will not be a factor at all. Most consumers are somewhere in the middle—price-conscious, but willing to spend more for treatments and providers that can offer them higher confidence and better results.

Unfortunately, price competition can quickly turn into a race to the bottom. Rather than trying to undercut competitors, you can offer more value for the equivalent price by offering loyalty rewards or related products for at-home use.

Though price is important to customers, people tend to adopt a “you get what you pay for” mentality when evaluating medical and aesthetic services. They are typically more willing to pay higher prices if they are convinced that the quality is superior.

Because they do not have the expertise to evaluate your skills, consumers will use their impressions of your office and the customer experience as a proxy. Be conscious of how patients might perceive your services. Give careful attention to your presentation. Make sure your office environment and staff convey a level of professionalism commensurate with your prices.

Moreover, patients are often willing to pay more for a trusted practitioner who comes with referrals from sources like friends or medical providers. Focus on customer satisfaction and consider referral reward programs.

Conversely, think about whether there might be a demand for low-frills versions of simpler procedures. As aesthetic treatments become more accessible, some clients may be willing to compromise on spa-style ambience in exchange for savings if they feel they're getting the same quality. You can even market “express” services as a value-added offering, since many consumers are strapped for time and eager for options to enhance their appearance in short appointments. These will allow more turnover of treatment areas and higher capacity utilization. Devices designed for efficiency and high patient comfort will be best-suited to this kind of flexible strategy.

HOW TO TALK TO CUSTOMERS ABOUT PRICING

Once you have finalized your prices, you need to win customer acceptance. Though people researching aesthetics services are cost-conscious, they are not shopping for a commodity service. Understanding and educating your customer is essential.

When potential customers inquire about price, don't simply provide quotes for your services and end the discussion there. Use this exchange as an opportunity to build a relationship, inquire about their expectations, and encourage them to come for a consultation.

These conversations are key opportunities to subtly remind customers of your credentials, the quality of your services, your record of satisfied clients, awards, treatment benefits, and more. Helping clients understand the value they receive establishes aesthetic treatments as important personal investments when performed by the right provider, rather than something that can be bought anywhere. This, to a certain extent, de-links the conversations about price and goals.

CONCLUSION

At Venus Concept, we believe in giving our partners the insight and support they need to succeed. We pair the first and only true subscription model in the industry with cutting-edge aesthetic technology designed to maximize your ROI.

Venus Concept offers ongoing support, a commitment to continual clinical education, and the most comprehensive warranty plan in the aesthetics industry. Our unique practice enhancement programs help our customers optimize on opportunity, connecting you with our services, building local business knowledge, and ensuring your strong competitive advantage that keeps customers coming back.



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