



MINDBODY WHITE PAPER

Salon Pricing: Determining the Right Value for Retention

Think back to the last time price influenced a purchase you made. Most likely, price impacts many of your buying decisions. And at one point or another, you've probably been persuaded to make a more expensive purchase because the price tag conveyed better value or quality. Price often influences perception—and in the beauty industry, perception is reality.

When it comes to your salon's pricing structure, price carries as much weight as the perception it creates. Consumers value price as well as quality—and by setting your price point too low, you run the risk of damaging customers' perceptions of the services you offer. By setting it too high, you risk losing customers to the next best-priced competitor.

Regardless of whether your goal is to attract new customers or to encourage existing ones to visit more often, it's important to find your pricing sweet spot. And while your salon likely serves a wide range of clients—from first-timers to loyal regulars—your pricing should always promote retention. But how do you know if your pricing structure is accomplishing this goal? Keeping your finger on the pulse of your competition's pricing certainly helps—but be mindful not to carbon copy. Your pricing should make sense for your salon and your customers.

This guide explores several factors to consider as you develop your pricing structure, or review your existing one—so you can create lasting relationships that keep your clients coming back.

01

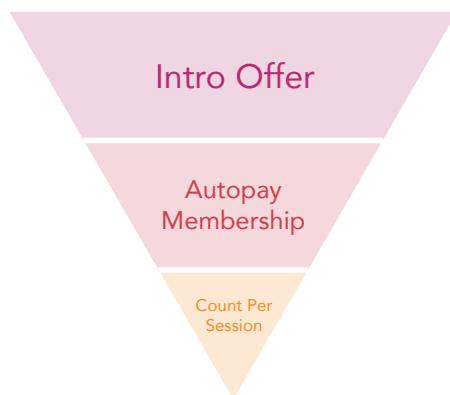
The Inverted Pyramid of Pricing

Think about your pricing structure from a customer's perspective; it's reassuring to know there are options to choose from. But giving customers too many options (often referred to as the "tyranny of choice") can actually lead to fewer sales, according to a Columbia University study.¹ The ideal number of options typically falls between three and seven.

Consider starting with an inverted pyramid pricing model, which features three distinct pricing categories, from lowest to highest price:

Intro Offer

Start by offering the lowest-priced valuation of your services—approximately 50 percent less than your next pricing option—in the form of an intro offer. For example, if you usually charge \$60 for a woman's cut, consider offering this service to first-time clients for \$30. The goal of this pricing option is to entice new clients, giving you the opportunity to make an outstanding first impression and convert them into returning customers at a more expensive rate. With the right salon software, [salon intro offers](#) are easy to implement and track.



Autopay Membership Option

"A salon membership?" you might be wondering. While not as widely offered in the salon industry, salon memberships are beginning to catch on.² Membership programs give clients the option of paying a flat monthly fee, rather than paying for individual services each time they book an appointment. This recurring fee can cover unlimited services such as cuts, blowouts, single process color, waxing and skin care treatments. Although not the most affordable pricing option, the autopay membership should be perceived as the best deal for your services—encouraging returning customers to spend more in exchange for greater value. Ultimately, this pricing option is designed to encourage retention among customers who frequent your salon at a medium or high rate by offering value that's exclusive to your business. For example, reward your clients who visit every month for a trim by offering them a better deal via an autopay membership. Look for a salon software system that can store your memberships and automatically charge those clients on a recurring basis.



Quick Tip

For salons, autopay memberships typically work best when paired with a count card that offers multiple services, such as haircuts or blowouts, at a better price than a one-time service purchase. The count card allows you to control which services are included with the membership, and how many times those services can be used each month.

Count Per Session Card

The most expensive pricing option—the count per session card—will be at the lowest point of your pyramid, meaning it should be your least prominent offer. This option is designed for occasional drop-ins and clients who wish to pre-purchase multiple services. For example, if your salon offers waxing services, you might offer pre-purchase punch cards that allow clients to purchase five sessions up front. While this is less likely to encourage retention in comparison to autopay memberships, it will still encourage your clients to return on an as-needed basis (versus going to one of your competitors the next time they wish to purchase a service).



Quick Tip

Offering multiple count card options? The higher-commitment package should always be priced \$5-\$10 less per service than the lower-commitment package. For example, a prepaid package for six blowouts should be a better deal than a three-count offering.

02 The Importance of Autopay

The key takeaway of the inverted pyramid pricing structure is that your pricing should encourage autopay or membership plans, and discourage drop-ins.

Consumers typically gravitate towards the lowest-priced or lowest-commitment option, which can work against your goal of retention. To avoid this, make sure your count per session prices aren't perceived as your best deal.

And while autopay membership pricing options may feature your services at their lowest price point (intro offer aside), you'll make up for this lost revenue by retaining the best type of customers: those who are committed to frequenting your salon. Creating recurring revenue with these contract-type services helps you increase your long-term business stability.

The success of your autopay membership strategy depends on these key factors:

The Right Price

Just like no two haircuts are the same, there's no one-size-fits-all for salon pricing—only you can decide how low or high you're willing to go with your prices. Remember to watch your competitors' pricing, but avoid over-analyzing what they're charging when you determine your minimum and maximum. Keeping this pricing standard in mind, you may want to:

Price Low

- If you're at low capacity and not filling your salon chairs
- If competition is high in your area

Price High

- If you're at full capacity (70 to 80 percent)

The Right Salon Software

Autopay and membership pricing options automatically charge a client's credit card on a set schedule or when a count card runs out.

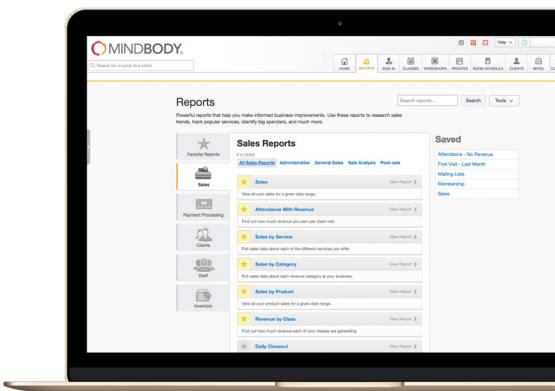
To ensure a seamless process for both your staff and your clients, you'll want to employ salon software that enables you to easily design, sell and schedule payments for these contract pricing options.



Look for software features that support:

- **Creation and management of contracts**—from determining price to designing agreement terms and storing contracts. Say goodbye to file folders and look for a system that can store all your client information securely in the cloud.
- **Automatic billing**, including auto-sell capabilities that can safely store sensitive payment information and automatically charge the client for their next service package once the current one runs out. Having an automatic billing system in place will save you incremental amounts of time as your business grows—so you can spend more time focusing on the things you love about your salon.
- **Reporting** that allows you to easily see what types of packages are selling, and the profile of the customers purchasing them. This will help you better target your offerings and marketing efforts in the future.

As you develop or evolve your pricing structure, keep in mind the things that make your salon unique. How does your salon stand out from the competition? Consider auxiliary benefits you offer (that your competition might not), such as free parking, extended hours, highly-qualified stylists or complimentary beverages. Knowing your strengths is important in determining your pricing, and is also a beneficial marketing tool to show your clients why your salon is a cut above the rest.



¹Putnam, Joseph (2011, August 30). Are You Losing Sales By Giving Customers Too Many Choices? Retrieved from <https://blog.kissmetrics.com/too-many-choices/>

²Felder, Rachel (2016, December 27). At Salons and Spas, Membership Plans Catch On. Retrieved from <https://www.nytimes.com/2016/12/27/fashion/membership-plans-salons-spas-beauty.html>



To learn how MINDBODY can help manage your salon pricing, call us at 877.755.4279 or learn more about MINDBODY at www.mindbodyonline.com/overview.