Certified Public Accountants & Advisors

When to Raise Your Prices
(And Why You Won't Lose Everyone)

Here's why pricing matters: decades of research, from McKinsey's landmark studies to Simon - Kucher's recent analysis of thousands of companies, shows the same pattern - pricing improvements can deliver 3-5x more profit impact than cutting costs or boosting volume. Yet most business leaders still spend 80% of their time on everything but pricing.

Why? Because raising prices feels risky. The fear is visceral: customers will revolt, competitors will pounce, and sales will crater. So prices stay frozen while costs creep up, margins compress, and profitability slowly bleeds out.

However, the data actually reveals that when executed strategically, most businesses lose far fewer customers to price increases than they fear—often less than 5%. Meanwhile, the profit impact is immediate and substantial. The real risk isn't raising prices. It's waiting too long to do it.

If you're watching this, you probably already suspect you're underpricing. So let's answer two critical questions: when should you raise prices, and why won't you lose all your customers in the process?

The Signals You're Ready (or Overdue) for a Price Increase

Most business leaders wait for permission that never comes. They're looking for the "perfect moment" while their margins deteriorate. Here are the signals that it's time to act:

#1 If you're turning away business or operating at capacity, your prices are too low. When you're at 90%+ utilization and saying no to opportunities, you've created artificial demand by undervaluing your offering. Raising prices here is low-risk because you're already selecting which customers to serve. You might as well select the most profitable ones.

#2 Your costs have increased, but your prices haven't. Labor, materials, software subscriptions, health insurance - everything costs more than it did two years ago. If your prices are frozen while your expenses compound at 3-5% annually, you're accepting margin erosion as a business strategy. That's not strategic. It's neglect.

#3 Pay attention to which customers accept your prices without pushback. That's a signal you're underpriced for that segment. If 30% of your customers sign at list price while 70% negotiate hard, you have a segmentation opportunity and room to move prices up for the right buyers.

#4 Your competitors may have just done your market research for you. If they've increased prices and aren't hemorrhaging customers, they've tested the market's willingness to pay—and found it higher than you thought. Staying put means you're now the discount option, whether you intended to be or not.

#5 Watch your close rate. If you're closing 70-80%+ of proposals, your prices are too low. You should be losing some deals on price—ideally, the wrong deals with price-sensitive customers who would be expensive to serve. A healthy close rate for premium positioning is typically 40-60%.

#6 And if you're constantly dealing with difficult, high-maintenance customers, your pricing is sending the wrong signal about who you serve. Low prices attract price buyers - the customers most likely to churn, demand the most support, and complain the loudest.

Why Your Fears About Customer Loss Are Probably Wrong

Now let's address the elephant in the room: you're afraid customers will leave if you raise prices. That fear is rational but usually exaggerated. Here's why:

Most customers don't have perfect information. Your customers aren't comparison shopping every month. They don't know your competitors' current prices, and unless they're actively unhappy, they're probably not looking. Inertia is powerful. Switching costs, even small ones like onboarding time or learning curves, keep customers in place far longer than you think.

Price isn't the only value driver you offer. If customers could obtain identical results at a lower cost elsewhere, they would have already left. They're staying because of relationships, reliability, results, or simply because switching is a hassle. A 5-10% price increase doesn't erase those factors overnight.

Research across industries consistently shows that price increases in the 5-15% range, when communicated properly, typically result in customer loss rates of 3-7%. Do the math: if you raise prices 10% and lose 5% of customers, you've just increased revenue by roughly 4.5% while reducing service costs. That's a massive margin improvement.

You're probably overweighting vocal minorities. The customers who complain loudest about price increases are often your least profitable customers. They're price-sensitive by nature, high-maintenance, and likely candidates for churn anyway. Losing them may actually improve profitability. Meanwhile, your best customers—the ones who value quality and results—often accept increases without comment.

And remember, your competition is in the same boat. If your costs are up, so are theirs. If you need to raise prices, they probably do too. Industry-wide price increases often happen in waves because everyone faces similar pressures. You're not raising prices in a vacuum.

The Bottom Line

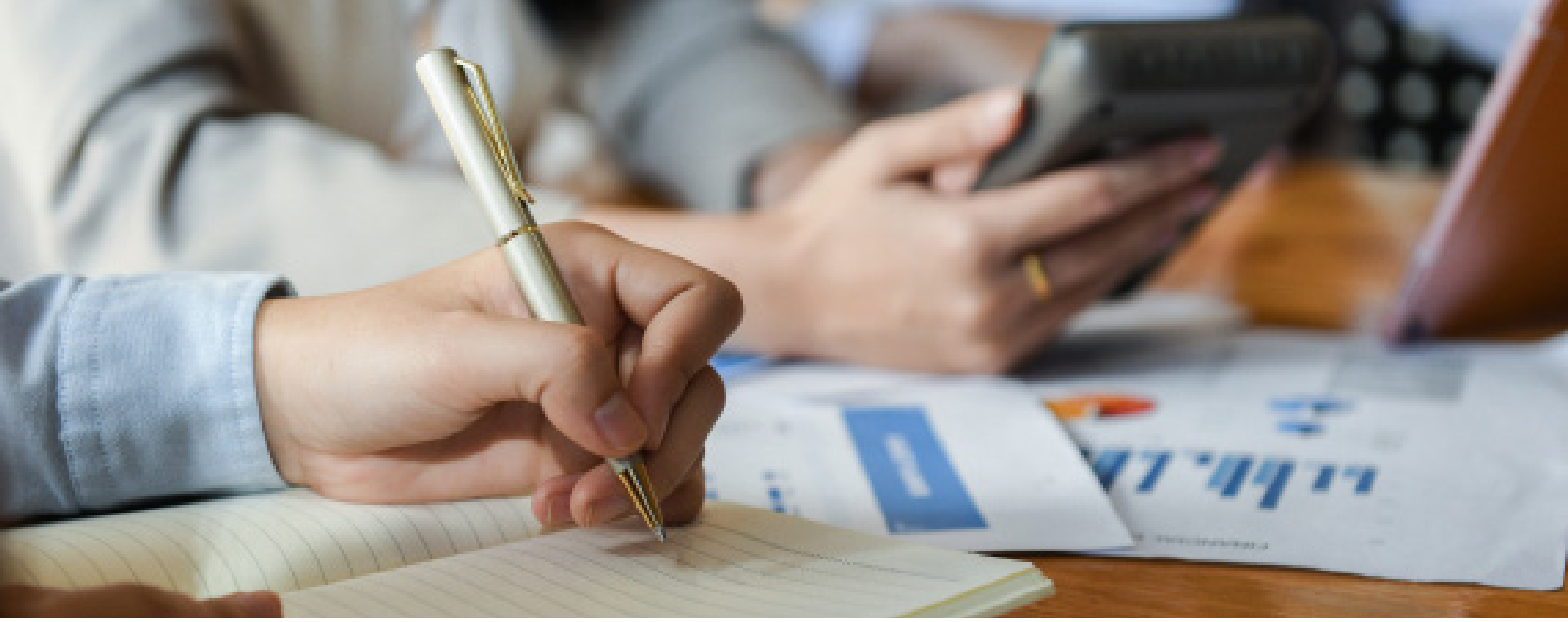
Most business owners know they should raise prices. What stops them isn't lack of knowledge—it's fear. Fear that customers will leave, fear that competitors will undercut them, fear that they'll damage relationships they've spent years building.

But here's the truth: if you're delivering real value, most customers will stay. And the ones who leave? They're often the ones you can't afford to keep.

Next Step

The greater risk isn't raising prices. It's letting inflation, rising costs, and margin erosion slowly strangle your profitability while you wait for the perfect moment that never comes.

If you're seeing these signals, it's time to act and raise your prices. Do it thoughtfully, communicate it clearly, and execute it confidently. Your business—and your best customers—will be better for it.



About Weinlander Fitzhugh

Our Mission
To add value to those we are privileged to serve by providing proactive, timely and innovative financial and operational advisory services. Our client-focused team is committed to professional excellence and personal growth.

Our Vision
With a commitment to true professionalism, we will be a firm that is an aggressive, innovative competitor using diverse talent, services and state of the art technology. We will strive to function as a team concentrating on continuous improvement and developing specialties sensitive to our clients' needs. We will aspire to exceed our clients' expectations by delivering awesome service.

Weinlander Fitzhugh
Bay City Office:
1600 Center Ave.
Bay City, MI 48708

Clare Office:
601 Beech St.
Clare, MI 48617

West Branch Office:
108 N. Third St.
West Branch, MI 48661

1-800-624-2400

info@wf.cpa

www.wf.cpa