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\$100M Playbook: Price Raise

*How to Raise Prices Without
Losing Customers*

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Raise Prices

*"If you have to have a prayer session before raising the price by a tenth of a cent,
then you've got a terrible business"*

- Warren Buffet

2019.

Trey was the kind of guy who'd give you the shirt off his back if you needed it. We're talking heart of gold, salt of the earth type of person.

Trey had this dream. He wanted everyone in his little corner of North Carolina to have access to group fitness and personal training. Noble goal, right? So what did Trey do? He made his training memberships \$49 a month. Insanely cheap.

And Trey thought the customers coming in at dirt cheap rates would also feel the most grateful for them. A win win.

"I don't think I'm gonna be able to keep my gym open..."

"Wait, dude. What's going on?" I asked.

"I've got three *massive* problems right now, I'm walking on eggshells here"

"What gives?" I wanted specifics.

"First, these are the absolute worst customers I've ever had. I thought they'd be grateful for these rates, but it has created a customer service nightmare for me."

"Heard, what about the second?"

"I got more customers, but I still lose money. My savings are gone, and any unexpected cost would send this whole operation tumbling down."

"Geeze... and the last thing?" *This looks bad.*

"I can get sign ups at these rates, but I lose so much money each month I have to pay employees out of what's left of my savings. I can't afford to run paid ads. I don't know what to do. I'm effed if I do and I'm effed if I don't."

Oh boy. Let's get to work. "I think you need to increase your prices man"

"Man, that sounds terrifying. I *really* don't want to do that to my members"

“Trey, in 12 more weeks, you won’t have a gym. Which means zero members. It’s do or die.”

“Yea...OK fine. What do I do first? I don’t even have enough for rent and payroll”

“Alright. Employees *always* come first. So negotiate some partial payments with the landlord and use that difference to cover payroll. ”

“Okay. That’ll buy me a couple of weeks. What next?””

“Alright. We’re gonna create a plan to raise your prices. And we’re gonna get you out of this. It will feel scary *and* some people will complain *and* it will work... OK?”

“Ok. Deal.” *he looked terrified.*

First, we crafted a letter. Then, Trey used the letter as a script for an explainer video that he posted in his gym community (he turned off comments on the post - and referred all questions to him directly). The message? Prices were going up. Not just a little, *triple*. Yes, we tripled his monthly rates on *all his members*.

A week later...

Trey did lose members. But did he lose all of them? Nope. Not even close.

The result? Trey’s business went from bleeding \$2,000 a month to pocketing \$4,000 in profit. And all this only took a week to roll out. So yeah, it was worth it.

This isn’t just about Trey, distressed businesses, or even OK businesses. Although most business owners wait until disaster strikes before trying to make a bunch of money fast... *you* don’t have to. A business doesn’t have to be on the brink of disaster to do stuff that will skyrocket profits in less than a week. So imagine turning that \$4,000 a month into \$10,000. Or \$40,000 to \$100,000 per month. Or \$400,000 to \$1,000,000 per month. Aroused yet? Well, I am.

Outline of This Playbook

I’m going to walk you through one of the most important profit-building decisions you can make - raising prices. This can be a death sentence to a business that does it wrong, or a miracle to one who does it right (like Trey). I’ve made this as concise as I could to make it

as straightforward as possible. So don't underestimate its potency just because of its length (ha). We're gonna cover five things:

- 1) Why raising prices is a good idea
- 2) Rules of raising prices
- 3) How to pick your price
- 4) How to raise your price (step by step)
- 5) The price raise letter Trey used to get a ton of profit and save his business from certain death

Why Raising Prices Is A Good Idea

When most business owners set prices, look around, see what everyone else is charging, then charge somewhere in the middle. But most don't know the big secret...that everyone else is BROKE. *So why copy them?*

On some level, you may realize this, or you wouldn't be here. Want to know another secret? The easiest way to make more money is to charge more for the same stuff. Brilliant, I know. And yet, no one does it.

People have a lot of difficulty with raising prices. They're either afraid of getting angry messages, that their sales will drop, or they simply don't think they're worth that amount of money. It's 'poor people' thinking. And over the long term, it becomes a race to the bottom. With you and every other poor business owner competing to have the *lowest price*. Avoid.

This quote by Dan Kennedy captures the sentiment well: *"There's no strategic advantage to being the second lowest price in a marketplace. But there is for being the highest."*

The rich get richer and the great economic divide continues to grow because rich people understand "the more you charge the more you make." But it's not as direct of a link as you might guess. Smart business owners use that extra money to make more and better advertisements, make constant product improvements, and pamper their customers. *They use the extra money to make it worth the extra money.* Everyone wins.

Let me show you why raising prices creates a virtuous cycle of money making, while lowering prices - and by extension - entering the race to the bottom - creates a vicious cycle..

VIRTUOUS VS. VICIOUS CYCLE OF PRICE \$

↓ PRICE	YOUR CLIENTS	PRICE ↑
DECREASE	EMOTIONAL INVESTMENT	INCREASE
DECREASE	PERCEIVED VALUE	INCREASE
DECREASE	RESULTS	INCREASE
INCREASE	DEMANDINGNESS	DECREASE
DECREASE	REVENUE FOR FULFILLMENT PER CUSTOMER	INCREASE
↓ PRICE	YOUR BUSINESS	PRICE ↑
DECREASE	PROFIT	INCREASE
DECREASE	PERCEIVED VALUE OF SELF	INCREASE
DECREASE	PERCEPTION OF IMPACT (RESULTS)	INCREASE
DECREASE	SERVICE LEVELS	INCREASE
DECREASE	SALES TEAM CONVICTION	INCREASE

Here's how the ****vicious price cycle**** works (which MOST businesses use).

As you **DECREASE** your prices:

- Your clients' emotional investment **DECREASES**.
- The perceived value of your service **DECREASES**.
- Results **DECREASE** as a result of decreased investment and perceived value.
- Clients **INCREASE** their demandingness. (Ever notice how the cheapest customers ask for the most?)
- Clients get **LESS** service because you have less money to spend on them

And as you **decrease** your prices, your **BUSINESS**:

- **DECREASES** in profit per customer
- **DECREASES** in perceived self-value*
- **DECREASES** its ability to create results for customers
- **DECREASES** your conviction in the sales process, because you and your team are no longer sure you can even deliver what you promise
- **DECREASES** your gratitude for customers because you feel underappreciated like you're 'giving away the farm'

Here's how the ****virtuous price cycle**** works (which is what raising prices does):

When you **INCREASE** your prices:

- Your clients' emotional investment **INCREASES**.
- The perceived value of your service **INCREASES**.
- Results **INCREASE** as a result of increased investment and perceived value.
- Your clients **DECREASE** their demandingness. (Ever notice how the people who pay you the most are the most easygoing?)
- Your clients get **MORE** service because you have **MORE** money to spend on them and therefore **RAISE** your level of service (race to the top).

And your **BUSINESS**:

- **INCREASES** in terms of profit per customer.
- **INCREASES** in perceived self-value. (You feel like you are worth more, because you charge what you're worth and are able to serve more.)
- **INCREASES** its ability to create results for customers, because you can get the word out and actually help more people by reinvesting money into the business and marketing.
- **INCREASES** the level of service you render for each customer.
- **INCREASES** your conviction in the sales process, because you and your team are confident that you can deliver what you promise and even guarantee it.

Hopefully you're sold on at least *considering* raising your prices. And before I explain how to do it, let's go over a few ground rules that will help you maximize your likelihood of profit and dramatically decrease your chances of messing it up.

My Rules For Raising Prices

People are petrified of raising prices because they fear losing *some* customers. But if they continue feeding this fear, it leads to losing *all* their customers because their business goes under. They wait until the universe forces their hand in a mad scramble to exist. This happened to Trey. Don't be like Trey. Uncle Warren said it best:

“If you’ve got the power to raise prices without losing business to a competitor, you’ve got a very good business. And if you have to have a prayer session before raising the price by a tenth of a cent, then you’ve got a terrible business.”

Assuming you don’t have a terrible business and actually do help customers, here are my rules for raising prices. Internalize these before deciding to raise prices on customers.

Don’t grandfather existing customers. Don’t do lifetime deals. Value depends on price. If your value goes up, so should your price. Never lock your customers into a price if you can avoid it. You never know what you’re going to want to do (or deliver) in the future. Locking in a price limits your options. Not worth it.

Never sell a “one time price” for lifetime access. Unless it truly costs you zero dollars to fulfill. Every business owner I know who started this way ends up fixing it over time. If you sell “pay me once and I have to deliver forever,” understand that forever lasts a lot longer than what they paid you once. You typically end up with a bunch of upset customers when *inevitably* you run out of the money they paid you but you still have to maintain a commitment. Theoretically, if LTV on lifetime access is greater than what you normally make, it makes sense. But we don’t live in a theoretical world. Show me one large company with lifetime access for a one time payment. Right. They don’t exist. Model success not failure.

It’s good to be insecure in the beginning because you probably suck (for now). But, as things improve and your brand grows, so should your price. Entrepreneurs often resent early adopters paying early adoption prices. Don’t be the entrepreneur who hates their customers. It’s bad for them and for you. Let your product do its job and have a price to match.

Raise prices *at least once per year*. Warren Buffet bought Sees’ candies a gazillion years ago. And after buying it, he let the managers run the business and control all decisions except one - *price*. He would send them the prices of all products *every year*. And over 50+ years, he raised the prices on average 10% per year - and in some years up to 17%. If he made it the sole decision he was in charge of, you can bet it was probably a good investment of his time. And it probably is for you too.

Test price raises on new customers before rolling out to your entire customer base. First, this gives you data to see if it *actually* makes you more money. Second, knowing other people have said yes without hesitation will give you confidence when you present it to the rest of your customer base. It also shows *the rest of your base* that you’re not making up this increase in value...*the marketplace has already agreed with you*.

Meet with people if you raise prices more than 50%. If you raise prices *a lot* - which usually happens when you made a *big* mistake early on - talk to them. But... you do that *on top* of all the other stuff I suggest in the next section.

Fear not. A Shopify competitor discovered they made a grave undercharging mistake. They charged \$30 per month and hundreds of their customers made over \$1,000,000 per year because of their \$30 software. Which sounds cool, but they had another problem. The more sales their customers made the more it cost to fulfill for them. This means their biggest customers actually lost them the most money! They had two choices. To fire their biggest customers or raise their prices. So the CEO hopped on the phone with those customers - all 300 of them - and they took their prices from \$30 to \$3000 on average (a 100x increase!). Wanna know how many they lost? One. *If people see the value, they will stay.*

If you can, pair a price raise within 90 days of a launch. Every business has new products or promotions that launch. The best time to do a price raise is in the same quarter as a launch. Frame it as early adopter pricing or something similar and it'll help you draft off the momentum.

Do the math. You should know what percentage of customers you can lose *and still make money* before raising your prices. And if you've already tested the price on new customers, then no matter what, you'll make more money *eventually*.

Now that we've gone over the "rules," let's dive into picking the price you're going to charge.

How To Pick Your Price

What's the best price? Simple: The price that makes you the most money. And that means understanding how price affects the number of sales you make and the profit you make per sale. Look at the chart below.

Price	Clicks	Conv Rate	Sales	Churn	LTV	Total Return	Difference
\$10	100	5%	5	10%	\$100	\$500	-

Let's work our way across. Say we sell something for \$10. When we advertise, for every 100 clicks we get to our site, 5% convert. That means we get 5 sales. If this is a recurring product, then there's going to be some churn on the subscription. And based on a 10% churn (1 out of 10 customers cancels the subscription every month, it means we have a \$100 lifetime value per customer. So, in total from "click to close" from 100 clicks to our

page, we make 5 sales with \$100 LTV each, totaling \$500. Great. That's our baseline. That's what we start with.

Then, we decide we're not making enough money! *So, we double it!* We go from \$10 to \$20. See how the price change affects all the other variables across the columns.

Price	Clicks	Conv Rate	Sales	Churn	LTV	Total Return	Difference
\$10	100	5%	5	10%	\$100	\$500	-
\$20	100	4%	4	10%	\$200	\$800	60%

When we double the price to \$20 (a 100% increase), our conversion rate drops 20% and our churn remains the same. Meaning, not as many people are willing to pay \$20 as \$10. But, *more are willing to pay more than aren't*. So instead of converting 5 sales at \$10, we convert 4 sales at \$20. And, they stay the same amount of time. This doubles our LTV per customer. So, we end up making \$200 per customer from 4 customers. Those four customers make us \$800 from those same 100 clicks that used to only make us \$500 from 5 customers. This means choosing to lose one customer to raise the price 100% nets us an *extra 60% more revenue*. A massive difference. If you owned a business that ran 30% margins with your first model, you would *triple* your profit. Hard to imagine anything else that could make that kind of impact on the bottom line.

Now, let's say we get greedy and think "If doubling raised my profits by 80%...10x'ing my price could raise it by 800%!" Sometimes that's true. But, not this time. Check it out.

Price	Clicks	Conv Rate	Sales	Churn	LTV	Total Return	Difference
\$10	100	5%	5	10%	\$100	\$500	-
\$20	100	4%	4	10%	\$200	\$800	60%
\$100	100	2%	2	33%	\$300	600	20%

A 10x increase in price (1000%) results in a 60% decrease in conversion. So we go from selling 5 per 100 to selling 2 per 100. Ouch! And they go from paying us that price for ten months, to only paying us this ten times higher price for three months. Double ouch! So customer LTV went up 3x from our original, and 50% from our second price change *even with* a 3x increase in churn. But, all in all, the increase in LTV doesn't make up for the loss in conversion. So, this *still makes more money* than the \$10 price. But, not as much as our \$20 price.

So what's the best price? We don't know yet. But we do know the best price of the ones we have data on - the \$20 price point. Next, we'd probably test more prices between \$20 and \$100. I'd look at \$39 - \$59. Because if churn stays lowish, these may be even more profitable options.

Bottom line: The point of this exercise is to demonstrate that pricing affects both conversion rate and churn rate, which both suffer as prices go up, but not always proportionally. *And that's the point.* You may lose some - but often - not as much as you gain.

If you can double your price and close 20% fewer deals, with all else staying the same... you should do it! And that's exactly what the chart shows with the relationship between the \$10 and \$20 price point. So the first and most important thing to do is test, test, test.

The easiest way to test is to try it out on new customers. Then - provided your churn doesn't go up like crazy and your sales don't go down like crazy - raise it on the rest of your customers.

At the end, I'll share with you two letters. One, a template you can use. Second, the letter I had Trey send before I knew as much as I do now (it still worked - but we could've made it even better).

The Perfect Price Raise Letter

My price raise letters have five sections. I use the acronym RAISE to remember it.

R - Remind them of the value they've gotten.

A - Address the price change directly.

I - Invest in their future.

S - Soften the news with a loyalty discount

E - Explain away their concerns.

Let's dive in.

Section #1 - **R: Remind** them of the value you provided them *already*.

Start by reminding them of all the stuff you do - and the subsequent value they have gotten from your product or service *since they have been a customer*. The more you can personalize, the better. Highlight the number of calls they've attended, the number of deliverables they've used, the amount of revenue they've generated, the increase in profits they've seen, and so on. It might sound something like this:

"Over the past 12 months, we've added so much value to THE PRODUCT THEY USE

- We've made you X*
- Feature A helped you do Y*
- Feature B is great and you use it daily*
- Etc."*

Bottom line: Make it about them.

Section #2 - **A. Address** the price change directly.

Rip off the bandaid. Don't waste time. The rest of the letter will soften the blow. It's usually a single sentence. It sounds like this.

“For us to continue to invest in making THE PRODUCT THEY USE for you and the YOUR COMPANY NAME team, we need to increase our prices.”

Bottom line: Then tell them the news.

Section #3 - I: Invest in their future.

Frame the price increase in the context of the value you are going to keep providing them. You don't want to look like a greedy bast*rd. So now, we show how them paying us more is going to get them *even more of the stuff they love - or didn't know they wanted*. 'This is what we're going to do (and you're gonna get) with the extra money from increasing your price.' It might sound something like this:

“With these extra resources, we're going to...

- *Expand Thing A you love*
- *Hire people to do B and make X better*
- *Invest in making this faster or this new piece of equipment*
- *Making this more secure*
- *Etc”*

You want to make this about *investments*. Basically just tell them the stuff you already planned to do in your business over the next 12 months to make it better. And with each investment *say how it will make your product or service more valuable*.

Here are some great investment categories:

- Hiring better people
- Training the people you have
- Better Equipment
- Better Technology/Software
- Facility Upgrades
- Higher level of service

Note: 1) Don't say things you're not going to do (that's lying) 2) Frame all investments you make as value for them 3) Don't decide to add expenses you didn't plan on incurring - this negates the benefits of the price raise to begin with!

Once you have your investments nailed down, pair each investment with more good stuff or less bad stuff.

More good stuff: more aligned with their desired outcome, faster, easier, risk free.

Less bad stuff: misaligned with their desired outcome, slower, harder, riskier.

Example:

- Hiring & retaining great people *so that we can...build out this feature everyone has been asking for* OR *deliver a higher level of service* OR *faster response times* OR *extended hours.* etc.
- Training the people you have *so that we can...build out this feature everyone has been asking for* OR *deliver a higher level of service* ETC.
- Equipment *so that you can... use this rather than paying separately* OR *make better stronger widgets (so you get better widgets faster)*
- Technology/Software *to make your experience faster and more accurate*
- Facility Improvements *to elevate your experience*

Bottom Line: Tell them how you're going to invest the money. Clearly show how that investment gets them *even better* bang for their buck. Don't lie and say things you won't do. Don't incur expenses to justify the price raise negating the extra profit you'd get in the first place.

Section #4 - S: Soften the news with a loyalty reward.

People are more 'okay' with a vanishing discount than they are a raise in price. And - they mind even less when another discount appears *in the future*. So - we raise the price now *and then* immediately offer a discount that expires 3 to 6 months from now. Bonus points: if you can show that they're getting this *credit* to their account on their invoices, do it. So now - it almost feels like we're *gifting* them money/credit now, more than we are raising prices. It might sound something like this:

“You’ve been insanely loyal to us the past X months/years. As of today we’re raising prices on new customers, but since you’ve been so loyal we’re going to keep you on your existing plan for the next (3 to 6 months). So we are giving you a [\$XXXX credit] as a way of saying thank you. (after which we’ll nudge/bump you up to the new price of \$XXX).

Bottom Line: Tell them they are special. New customers have to pay full price today. Whereas - they (because they’re special) get a discount *today* and a price raise in the future.

Section #5 - E: Explain away their concerns.

You want to let them know you take their concerns seriously. And - personally. So, this is not the time for “it’s not scalable” talk. Get ready to roll your sleeves up and respond to customers. But, not as many will reply negatively as you think. Why? Because of the PS statement. And this is crucial. Add in a line that says basically “If this is gonna make you homeless or end your business, let me know, we’ll figure something out.” I have a B2C and B2B example below.

Thank you for letting us be a part of the COMPANY’s mission. If you have any questions at all, let me know. All replies go directly to me.

B2C Ex: PS - if this will materially affect your ability to buy groceries, let me know and we’ll work something out.

B2B Ex: PS - if this materially impacts your business, let me know and we’ll work something out.

You’ll find there are three types of people:

Type #1: People who see the value. They may not like it. Nor should they. But they will understand and comply because they get enough value.

Type #2: People actually affected. They will write you sob stories. This gives you optionality. You can respond with something like this: “Don’t worry, we got you. Why don’t we extend your discount another 6 months, then reach out then. Is that fair?”

Type #3: People who were gonna cancel anyways. You will get an *increase* in churn the first month, then a decrease in churn the month after (typically lower than normal). Then a return to baseline month three. This indicates a high likelihood that you simply “pulled forward” churn. Meaning, people who were going to cancel or not buy next month, just decide to do it a month sooner. So you only miss one

month of revenue *from this tiny slice*. I talk about this in more detail in the Churn Checklist Playbook.

Bottom Line: Give them a way to voice concerns in the PS statement. Be ready to talk to a lot of customers one on one. For key customers it *actually affects*, be ready to extend the terms of the discount for a longer period or make more smaller jumps rather than fewer bigger ones.

What This Letter Looks Like All Together

This sounds like a lot because it took a bit to explain. But, the letters themselves stay pretty short. So I figured it would be helpful to see what these letters look like.

****Template Price Increase Letter/Email****

Dear [NAME],

Over the past 12 months, we've added so much value to THE PRODUCT/SERVICE YOU USE

- We've made you X
- Feature A helped you do Y
- Feature B is great and you use it daily
- Etc.

For us to continue to invest in making THE PRODUCT YOU USE for you and the CUSTOMER'S COMPANY NAME team, we need to increase our prices.

With these extra resources, we're going to...

- Expand Thing A you love
- Hire people to do B and make X better
- Invest in making this faster or this new piece of equipment
- Etc

You've been insanely loyal to [YOUR COMPANY NAME] though, using us for the past X months/years. So, as of today we're raising prices on new customers, but since you've

been so loyal we're going to keep you on your existing plan for the next (PICK: 3 TO 6 MONTHS). So we are giving you a [\$XXXX] credit as a way of saying thank you (after which we'll bump you up to the new price of \$XXX).

Thank you for letting us be a part of the COMPANY's mission. If you have any questions at all, let me know. All replies go directly to me.

[YOUR NAME]

PS - if B2C: if this will materially affect your ability to buy groceries, let me know and we'll work something out.

PS - if B2B: if this materially impacts your business, let me know and we'll work something out.

What to Do Next

Actually. Send. This. Don't be a chicken. Send it. That being said, if you have reservations because of how big a price raise you need, here are two options I like:

- 1) You can just go all the way up. If you aren't profitable and you need to make the move, then do it. It worked for Trey. It worked for others. It may work for you.
- 2) You can do it in one to three increments. You position the discount as a stair step up. Some portion of it falls off every X months or quarters. Ex: "We'll give you \$200/mo off for the first 4 months, then \$100/mo off, then \$50/mo off last three months." This allows you to 'ease' customers into their new price.

If you have a community where your members congregate, you'll want to consider making a video like Trey did and posting it in there. If you have the option to turn off comments, do so. You don't want a b*tch fest in the comments. This is why we refer them to talk to you directly with the PS statement.

What To Do About Incoming Customers

To be clear, get new customers up to the new price immediately. No point in delaying that. They have no context. If they give you flack because they heard it was cheaper from a friend, your sales team can say "That may feel like bad news but it's actually good news. First - it's good news because we just keep making the value better. And, to give you some

confidence, 96% of our customers agreed. And they should know - they're already using it. Beyond that - the good news is - this is the cheapest it'll ever be. So there will never be a better time to get started." People moan, but they still buy. *Just because someone wants something for less doesn't mean they won't buy it for more.*

My Gym Price Increase Letter

My good friend Patrick Campbell from Profitwell oversaw 100 price increases directly, and analyzed over 500. He collaborated with me on the more concise version I explained earlier. Candidly, his template and the price increase letter I gave gyms to use cover the same basic tenets - I just took LONGER to get to the point. I like his better. But for the sake of completeness I included mine below. This was close to word for word what Trey sent out to his gym.

****My proven gym price increase letter****

Dear [Name],

As you may or may not know, we are going on [years/months] of being open as of next month.

As you most likely have seen, we have grown a tremendous amount over this period of time. A letter with black-and-white words can never communicate how deeply grateful I am to you for being a part of this journey. You have honored us with your patronage, and I want to honor you with transparency and with a significant improvement to the level of service you have been receiving. We want to truly transform lives, not just say we are.

To live up to this, I wanted to make you aware of the effort we put into this on a continual basis, and what is coming down the pipeline, which the coaching staff and I are incredibly excited about.

A few of the upcoming improvements are as follows.

WHAT WE CURRENTLY DO

1. Hire and Retain The Best Coaches: We strive to hire trainers who are sharp and have tremendous work ethic and warm hearts. We strive to replace the traditional model of fitness—watching the clock, counting reps, lack of enthusiasm, lack of knowledge or personalization—with a friendly face that knows your name, top-notch coaching, and motivation to not only get you in the door, but also to keep you coming back.

2. Offer Continued Education: The best coaches in the industry are the best because they invest in their education. As a result, we continuously invest in our coaches' education like [certifications/workshops]. We train our coaches to provide the absolute best service in the region so you get the results you are after as fast as possible.

3. Provide New Equipment: As we continue to learn about new training systems and methodologies, we continue to invest in up-to-date equipment. This applies to new equipment like [equipment] we recently purchased, but also replacing malfunctioning equipment like [equipment]. In the next few months, we also plan on bringing in [new equipment] to give you even more to look forward to and to help speed up your results.

WHAT IS COMING

1. Facility Improvements: We're a lot like the Millennium Falcon: we ain't pretty, but we'll get you there... fast. While we don't provide cucumber-scented towels and marble bathrooms, you deserve working AC and showers. So our goal is to dramatically improve this facility or move to a new one to improve your training experience and have a gym whose quality matches the caliber of its members.

2. Member Events: To further build this community and connect you all with one another, we are planning on hosting events so you have something social to look forward to. (Don't worry—you can cheat on your diet every once in a while.) This is so you all can get to know one another like we know you, which I feel is one of the greatest benefits of owning this gym.

3. Specialty Programs: We will also be rolling out specialty programs to those members who would like more attention and individualized coaching to address specific needs for an even faster rate of progress than is possible in a large-group setting.

4. A MASSIVE Improvement to the Level of Service: This is the one we are the most excited about; it's also the one I am most petrified about announcing. We are planning on changing the programming from a «come whenever you can» to «you now have an appointment with a trainer 3x per week.» This is with the full intention of making the class sizes smaller so that we can provide you even better service. It will also help with some of the parking issues that the city has been continuously reaming us for, so you won't have to fight for a space anymore.

Candidly, we never want to be a «get your sweat on» facility. We want to be a gym that prides itself on transformations (both internal and external). And we have noticed that making sessions «whenever you want» has become «never» for many people. And this does not sit well with me.

We have also noticed that people seem to get results in the beginning, but then they tend to slow down as the novelty wears off. You keep working out, which is great, but I want you to transform with continuous progress.

As such, we will be implementing accountability on top of our normal service. You will be checked in ahead of time, and if for some reason you miss your session, we will hound you and make you feel terrible about it (joking). But we really do want you to be here and treat it like an appointment with yourself.

Now, all of these continued investments and upgrades in the level of service we provide you will require significant funds to become reality.

And to continue to stay aligned with our mission to provide a remarkable experience for our clients, we will be implementing a change in billing structure. Instead of «unlimited come whenever you want,» we will be switching to weekly billing. This switch will be an increase of about \$10–\$15/week depending on your current membership. But the final result will be \$39/week with an effective date of [MM/DD/YYYY]. (Note: You can also simply attach a letter or chart on the back if you have multiple levels to show where they will be. Break it down to weekly.)

Since we will have these as scheduled sessions, we have a revised calendar, which I have stapled onto the back of this letter. Please check it out and take a picture of it. We will be following these hours effective [MM/DD/YYYY]. This is partially due to the change in season and typical member traffic trends from last year.

For those of you concerned about the \$10–\$15/week, I want you to know we are simultaneously launching a Refer-a-Friend program where you get a full month of service for every friend you refer who signs up as a client. So refer 12 friends over the next year and get an entire year absolutely free, as our way of saying thank you for helping us transform more lives. I'll be announcing this in video format in the Facebook group as well.

Now, let's be super real. Human beings HATE change. But we also understand on some level that change is a part of growth. What I do NOT want under any circumstances is for a gossip mill to be started. So my team and I will be happy to address any questions you have related to the change in person.

Not via text...or FB Messenger...or Instagram DM...or email...or on a Facebook thread (God help us all).

We want to talk IN PERSON. That way, there's zero chance of miscommunication. So we will not be allowing any social media group posts related to the «business side» of the gym. The group will stay focused on what it is intended to be—a forum for the community to connect and encourage one another on this path to transformation.

I hope I have your support in allowing us to continue to serve you in the best way we know how.

Respectfully yours,

(Hand-signed)

YOUR NAME

Owner, GYM NAME

P.S. I love you all, seriously.

Like I said earlier, I like the shorter template better. But, I hope this also shows you *you don't need to be perfect*. This letter worked just fine for hundreds of gyms.

Cover the main points. Be bold. You'll survive. And, if you follow my rules of raising prices, you will likely profit *bigly* as a result.

Why You Should Actually Do This

Most business owners live lives of quiet desperation. They keep their heads barely above water. They try harder and harder every year, and for some reason, they make the same or less. This is a hard way to live. Oftentimes, it's because they don't understand the power of pricing. And just how much more you make with *even small* increases in price. That being said, you have two options. Allow competitors to slowly grind your price down until you can't offer any more for any less. Or, take control, and set the prices that maximize your goals.

When you optimize pricing the right way, you...

- Attract better customers
- Make more profit per customer
- Invest the extra profit into making a better experience
- Invest more into more advertising to grow the business
- Unlock more expensive channels of acquisition your mispriced competitors can't use
- Feel good about your product/service
- Keep the best talent because you can pay them the best

When you do it wrong (or never change prices at all), you...

- Bring in the wrong customers
- Watch your profits slowly erode
- No longer reinvest in your product or service
- Keep less money every month
- Feel worse and worse about what you sell
- Lose the best talent to competitors who can pay more

For that reason, you should absolutely revisit your pricing *at least* annually. First, make up for inflation. Second, make up the other costs that may have gone up. That being said, I have included a price raise checklist to make this easy for you. Well...easy to do. Maybe not so easy to stomach. But, fortune favors the bold. Raise prices one time. See that you don't die. Notice how you *just make more money*. Get addicted to price increases. Keep making

your stuff better *so that you can keep raising your prices*. And, you'll be well on your way to glory and riches (kidding). At the very least, you'll have a much more profitable business.

Risk not. Have not. Talk soon,

Alex

PS - Checklist is on the next page. Feel free to cut or tear it out for your own reference. These playbooks are meant to be used, not studied. Make money. Have fun. Save the world.

DO YOU WANT TO SCALE YOUR BUSINESS?

The fastest way to make more money is to charge more money for the same thing. Even better, do it without losing any customers. When you do that, you give yourself a permanent raise, make your business more valuable, and build a war chest of cash to ward off competitors. When you don't, you eventually get beat by inflation and competitors who do. Worse yet, if you do it wrong, you can lose customers and money. But - costs go up over time. Raising prices is a fact of business. You have to do it. And you want to do it right.

If you'd like my help raising prices and profits without risking your business:

BOOK A 1-ON-1 CALL AT: [ACQUISITION.COM/SCALE](https://acquisition.com/scale). You can also scan the QR code if you hate typing.



Price Raise Checklist

- ☐ **Decide** on price increase
- ☐ **Test** with new customers first. If they buy and stay at rates that increase how much money you make, continue to the next step.
- ☐ **Segment** out 'old' customers that came before the price raise.
- ☐ **Write out 1-5 bullets of current value:** Get as much data as you can from customers to demonstrate what you've done for them so far, or how much they use the products/services you have. Personalize to the greatest degree possible.
- ☐ **Tell them** the price raise happens now
- ☐ **Write out 3 bullets of the biggest investments** you'll make with the profit from the price increase. These are the things you're already going to do.
- ☐ **Explain** how these investments benefit them.
- ☐ **Give them an expiring discount** as a reward for being a loyal customer. This softens the blow.
- ☐ **Tell them you respond personally** if they have any issues.
- ☐ **Sign in ink if possible.** If not, sign the email personally.
- ☐ **Finish with a strong PS statement** telling them to reach out again if this is going to ruin their lives or business.
- ☐ **Do this individually** if the price raise is 50% or more and you can manage the call volume.
- ☐ **Stair step discount:** If the price raise is a lot, you can "stair step" - aka - drop off the discount at 6 month intervals to accomplish 2-3 mini jumps in price. People have an easier time handling disappearing discounts rather than raised prices.

Appendix: The Price Raise Letter Template

Dear [NAME],

Over the past 12 months, we've added so much value to THE PRODUCT/SERVICE YOU USE

- We've made you X
- Feature A helped you do Y
- Feature B is great and you use it daily
- Etc.

For us to continue to invest in making THE PRODUCT YOU USE for you and the CUSTOMER'S COMPANY NAME team, we need to increase our prices.

*** Optional: *if you have strong things you can add that clearly benefit them.* ***

We plan to invest the extra revenue to make your experience even more valuable in the following ways:

- Thing one - more good stuff you like (faster, higher quality, more reliable)
- Thing two - less bad stuff you hate (slower, lower quality, less reliable)
- Thing three - more good stuff you like

****End of optional section****

You've been insanely loyal to [YOUR COMPANY NAME] though, using us for the past X months/years. So, as of today we're raising prices on new customers, but since you've been so loyal we're going to keep you on your existing plan for the next (PICK: 3 TO 6 MONTHS). So we are giving you a [\$XXXX] credit as a way of saying thank you (after which we'll bump you up to the new price of \$XXX).

Thank you for letting us be a part of the COMPANY's mission. If you have any questions at all, let me know. All replies go directly to me.

[YOUR NAME, SIGN IN INK IF PHYSICAL MAIL]

PS - if B2C: if this will materially affect your ability to buy groceries, let me know and we'll work something out.

PS - if B2B: if this materially impacts your business, let me know and we'll work something out.