



MINDBODY WHITE PAPER

How to Optimize Your Pricing Strategy to Fill More Classes

By Roxy Borger, Director of Client Education, MINDBODY

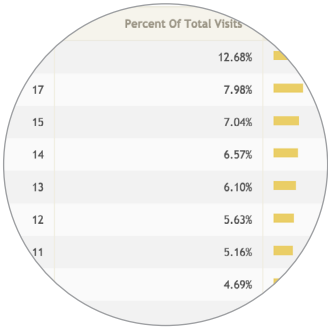
It's not easy to price your service offerings in a way that encourages loyalty and growth, while at the same time optimizing capacity and revenue. Many business owners don't have a lot of experience with basic economics or complicated pricing models. Pricing decisions are often made based on what we feel our services are worth, even based on our closest competitor, rather than on the habits we want to create with our customers or the fluctuating demand for the services we offer.

Most businesses we meet at MINDBODY are best served when they consider the lifetime value of a client rather than their per session revenue. This is a huge shift in thinking and requires a sophisticated pricing strategy that considers both the customer and the class. In our experience, business owners often overestimate how frequently their customers visit and how popular their classes really are. So, it's important to look at the real numbers. Follow these steps to help determine your most effective pricing strategy.

Know Your Customers' Attendance Habits

MINDBODY clients can use the [Attendance Analysis report](#) in their software to analyze the average attendance rates for each customer. Write down how many customers fall into the following categories, on average, each month.

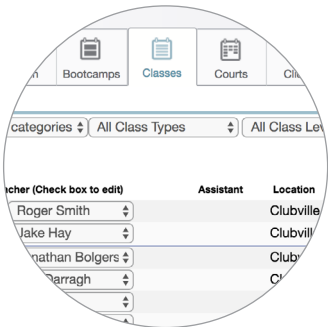
- High Attendance = 7+ visits/month
- Medium Attendance = 4–6 visits/month
- Low Attendance = 2–3 visit/month
- Sporadic Attendance = Single visits or 1 visit/month



Know How Each Class Performs

MINDBODY clients can find their average capacity utilization on their [Classes tab](#) in the software. Go to a recent, normal week and scroll through the dates week-by-week. Write down the average capacity utilized in each of your classes (how many spots were filled in each class compared to the maximum capacity for each class).

- Sold Out Classes
- Classes at 75%–99% capacity
- Classes at 50%–74% capacity
- Classes at 25%–49% capacity
- Classes at <25% capacity





Quick Tip

Be sure to note the performance of each instructor as well as the time and day of each class. The best pricing strategies consider a multitude of factors: how frequently each customer visits, the time of day, day of the week, popularity of class type and/or instructor, seasonality, etc.

List Your Current Prices

Next, you'll want to write down your current [class prices](#).

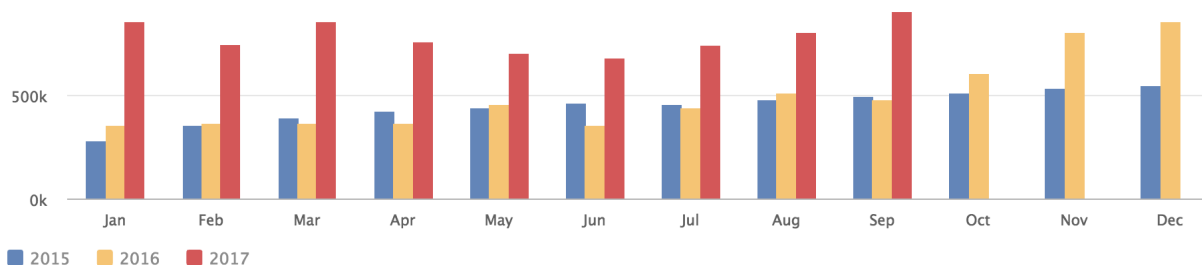
- Single session or drop-in
- Each multi-class pass
- Each membership rate (and associated perks)

Once you know these basic metrics, you can more accurately identify where you'd like to see improvements.

Identify Your Goals

What does success look like to you? For many business owners, this is increased revenue and attendance. Write down your specific goals and schedule recurring times when you will analyze performance, and modify and adjust accordingly. Use the [Sales by Category report](#) for revenue. Use the [Attendance Analysis](#) or [Attendance with Revenue](#) reports for attendance.

Now, what don't you want to see happen? This might be decreases in your active memberships, decreases in revenue overall or per session or even an increase in member complaints. Again, be specific, write this down and use the same recurring schedule to analyze performance. If you start seeing these undesired metrics happening, you need to modify and adjust your strategies. Use the [AutoPay Summary report](#) for number of members. Use the [Sales by Service report](#) for revenue from single sessions sold.



How to Identify the Best Price

So, how do you find the best price for your classes? You have to experiment—and you have to re-evaluate constantly. We wish we could give you the magic number, but pricing is not a one-size-fits-all strategy. Your location, instructors, in-studio experience, customers, the season and even the time of day and day of week all affect whether your price is right for any particular customer at any given time.

Yes, it's complicated, but if you look at your goals and the current performance of your various classes, you'll begin to see where you can make improvements. Consider the factors below as you hone in on your pricing sweet spot.

Memberships

Ask yourself: *Is this pricing category the most valuable option for my most committed customers? Do I offer unlimited monthly classes? What additional perks am I providing?* Consider discounts on merchandise, early bookings, guaranteed access to the most popular classes/times, etc. Then, price accordingly.

You'll optimize revenue best in this category if you tailor it to your High Attendance clients—those who visit seven or more times each month. What price is best? Consider a price that equals eight single sessions/month, and throw in the extra perks to add value.

Multi-Class Passes

These passes are best for your Low to Medium Attendance clients—those who visit three to six times a month. Create different class packs for each group and price accordingly. Consider a 10% discount off on your single session rates for each class pack, but save the extra perks for membership incentives.

Single-Sessions and Drop-Ins

These prices are your base rate for your classes. They aren't meant to punish customers for not being members or purchasing class packs. Rather, it's best to simply view these prices as reflecting what your classes cost. This base rate is unique for everyone based on their expenses and anticipated revenue.

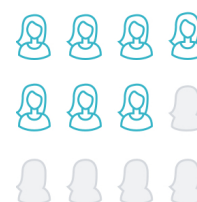
Classes		Pricing Options ⓘ	
+ Add a Class		+ Add Pricing ▾	
Vinyasa Flow	not scheduled + Schedule	Name	Price
Pilates	1 scheduled + Schedule	1 Month Unlimited	\$130.00
Beginner Yoga	not scheduled + Schedule	10 Class Card	\$100.00
Body Pump	1 scheduled + Schedule	5 Class Card	\$55.00

The Drive for Memberships

Is one of your goals to turn every new customer into a member? Perhaps it's time to rethink that goal. Yes, retention should be top of mind. But it's important to consider the goal of accessibility as well. Most practitioners do what they do to help as many people as they can. Don't limit your clientele by disregarding those who may never purchase a membership for a variety of very good reasons: the cost may be too high, they may need more flexibility, they want more variety in their workouts, etc. These, too, are valuable customers that should be considered in your pricing strategy. Not taking them into consideration is the equivalent of lost revenue.

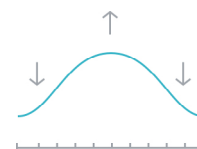
Find Your Pricing Sweet Spot with Dynamic Pricing

Think of your classes in terms of occupancy. You lose money when you have vacancies. Now that you've evaluated your class capacity, you know just how many vacancies you typically have each week.



Does your most popular, crowded class with your star instructor cost the same as the morning class that's never full? Are you only getting a small percentage of your drop-ins to fill your less popular classes?

Dynamic Pricing is a new, smart-pricing tool that will help you promote available class spots in a new Last Minute Offers section of the MINDBODY app. It can help you fill those empty spots—bringing in more revenue and attracting new customers. By opting in to Dynamic Pricing, you'll be able to enable smart pricing for designated classes and class spots, selling each spot for a single drop-in rate that fluctuates based on demand.



Dynamic Pricing allows you to set a pricing strategy for your studio that makes sense for your unique business and unique location, filling your classes and driving more revenue to your business, while providing more options to consumers who want to live healthier, happier lifestyles.

Unsure about Dynamic Pricing? Try it on your worst performing classes to see which prices attract more people, more consistently. You can continue to adjust your pricing parameters until you find that sweet spot.



Here's how Dynamic Pricing can help you optimize revenue for those class spots you've already paid for in rent and payroll.

1. Determine which classes and/or times to dynamically price.

Reference the Attendance Analysis report (Filters = Previous 90 days, Service Category, Analysis by = Day & Time) to see which class times are the most popular and which have the most room for new customers.

- Sort this report by Total Visits by clicking on the header 'Total Visits' to list classes in descending order by attendance (the fullest classes will be at the end).

We suggest starting with your off-peak classes as well as your most popular classes—or, about 30% of your total inventory. Why include your top sellers? Often, studios pay their top instructors more, yet price the classes they teach (often the most popular) the same as the less popular classes. Dynamic Pricing will help you make more money from your most popular classes. Also, by listing these classes in the app, even if they become sold out, users will see that they might be available through the app if they spot an opening early enough. For these consumers, it's more about access than price.

Be sure to print or save this report so you have a base line for your class performance before you implemented Dynamic Pricing. You can then pull the report again to see how well it's working.



Quick Tip

Remember, the more classes and spots you price dynamically, the better the algorithm works and the more you're able to maximize your revenue. Ideally, you'd put 75% or more of your schedule under dynamic pricing, but at minimum we recommend 30% to start.

2. Determine the number of available spots you want to dynamically price in each class.

We recommend dynamically pricing at least 50% of your available class spots in each chosen class.

For example: If your class can accommodate 20 students and about 10 people usually attend, we recommend that you dynamically price five spots. This will leave you with five drop-in opportunities while still reserving space for your members.

3. Set your Dynamic Pricing range.

We suggest setting your minimum price as low as 50% off your drop-in rate, then setting your maximum price as 25% higher than your drop-in rate.

For example:

- Drop-in: \$20
- 10-pack: \$150 (\$15/class)
- Dynamic Pricing range per class spot: Minimum = \$10; Maximum = \$30

Why would you risk setting a minimum price below your already discounted class-pack rate? Dynamically-priced classes do not stay at the minimum rate for long. You'll likely only sell 1 or 2 spots at the minimum price before demand moves the price up the scale to a higher rate. In the end, the class-pack rate will continue to be a better value over time for your consistent members.

4. Protect your members.

When set up correctly, this new feature will not compete with your memberships. You control the parameters of Dynamic Pricing, meaning you can set it up so that your memberships are still the best value for customers who frequent your classes.

If you choose to dynamically price your entire schedule, you can exclude member-only classes by disabling Dynamic Pricing from these types of classes on a class-by-class basis, or you can exclude a [service category](#) associated with member classes.

For regular classes that are popular with members (not member-only classes), you can exclude from dynamic pricing a specific number of available spots, reserving them just for members.

5. Consider payroll.

Any time you adjust your pricing strategy, keep in mind how your payroll might be affected when you successfully bring in more customers. If you pay your instructors on a per attendee basis and your new pricing brings in more customers, your payroll will inherently go up. Consider changing your [pay rates](#) or the Dynamic Pricing option range to mitigate for increased expenses that may result from improved attendance.

6. Measure success.

You should continuously evaluate how well Dynamic Pricing is helping you maximize your revenue and fill your class spots. Be sure to revisit the reports mentioned earlier to track improvements in class attendance ([Attendance Analysis](#) and [Attendance with Revenue](#)), capacity ([Classes tab](#)) and revenue ([Sales by Category](#)). Make adjustments as necessary to your dynamic prices based on the results.

Be strategic in what you offer and look at what's working—and what isn't. Modify and adjust constantly until you find the formula that works for you, that brings in revenue and fills your classes and that doesn't undercut your goals or alienate your loyal members.

Dynamic Pricing has proven beneficial for many industries that operate based on supply and demand—from travel to entertainment—and we encourage you to try it out as well. It's about maximizing revenue by offering the right price at the right time to the right customer. We believe it could be revolutionary for your business.

Visit www.mindbodyonline.com/dynamic-pricing to learn more about how Dynamic Pricing can help you earn more.



Roxy Borger, Director of Client Education

Roxy is a former yoga studio owner and has been educating MINDBODY clients about best business practices for over a decade.

