Mapping Out a Price/Benefit Value Strategy for Your Practice

Using a Price/Benefit map is a good way for practices to set prices and plan to adapt to changing markets.

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Given today’s dynamic and challenging business climate, it is imperative that practicing physicians understand how to correctly price their practice’s offerings relative to the local market. A well-designed and fact-based competitive pricing strategy is a primary driver of successful annual growth and profitability.

Unfortunately, many practices merely replicate the procedure price of the practice down the street and fail to take the time necessary to scrutinize their competitive advantages or disadvantages. As a result, a price for a procedure can be driven up or down unreasonably. Any downward pricing movement is especially troublesome in a difficult economy and frequently results in a random lowering of prices (or value) in a desperate attempt to attract clientele. Fair market value is simply an estimate of the value something has in terms of what a willing buyer would pay for a product or service at a competitive price.

It is critical that everyone in the practice—doctor, patient coordinator, and practice administrator—understand the value of its offerings when discussing total procedure price with patients. In addition, staff must be able to provide a comparison (of both pricing and benefits) with competitive practices in the area.

This article will: 1.) explain how to determine the fair market value of a procedure or offering relative to the local cosmetic market; and 2.) help you and your staff sell any cost variance you have in the marketplace.

Benefits of a Value Map
To stand out from your competition, you and your staff must be able to credential the value of your practice and its providers relative to the procedure price. This will help to ensure that patients fully understand why they should choose your practice, even if the price of the product or procedure is higher. The unique offering a business brings to its customers is called the value proposition; it is why patients will want to give you their business. In this discussion, the value proposition includes the price, level of service, anticipated outcomes, and overall experience and skill level of the provider.

A price/benefit value map can help make you more competitive in your marketplace and help you increase practice profitability. Since a typical patient is likely to find various prices for the same procedure within a regional area, you need to be able to handle any pricing objections. Because your staff will be able to articulate the basis for your pricing in the market, the application of this tool will result in higher conversion rates.

Using the Price/Benefit Value Map
Within the cosmetic industry, surgical procedures and non-surgical cosmetic procedures each have their own cost and benefit characteristics that determine the fair value line using the price/benefit value mapping technique. A list of known benefits and characteristics that can have a significant impact on the pricing and value of a procedure or offering is provided in the sidebar on the next page.
Price/benefit value mapping helps show the relationship of the combined perceived benefits of a cosmetic procedure to its price. As you can see in Fig. 1, the more total benefits delivered by a practice for the same procedure delivered by the competition, the further to the right it appears on the “Benefits” axis of the value map. The higher the price, the higher it is mapped on the vertical “Price” axis. It seems reasonable to assume that patients have a relationship in mind that balances benefits and price to achieve fair market value.

This relationship can be conceptualized as the “Fair Value” line, with each point on the line representing a specific combination of benefits and price that is considered a fair value for a specific procedure. Cosmetic procedures that fall in the “Value Surplus” section of the graph will continue to be attractive to existing and prospective cosmetic patients and will contribute to increasing procedure revenue. In contrast, procedures in the “Value Shortfall” section will be perceived as a less desirable purchase.

Cosmetic procedures above the Fair Value line are in a disadvantaged value position (Value Shortfall), and cosmetic procedures below the Fair Value line are in an advantaged value position (Value Surplus). These value shortfall procedures are in very unstable positions and most probably will lose market share to value-surplus procedures. In the long run, procedures in the Value Surplus position are at an advantage and are likely to increase market share. The deeper a procedure or offering is in the Value Surplus area, the better. Being there positions a practice to attract new patients and continue to retain current patients.

A Price/Benefit Value Map Example: Pricing a Fraxel Package
Using the price/benefit value map, an aesthetic
doctor determined the local fair value line for a “Fraxel Package” to be a combination of the current market price of $2,400 (for six treatments) and the following benefits: proven outcomes, good track record, excellent patient satisfaction, and superior staff. Scrutinizing the area’s laser competition based on price and benefits, the doctor’s goal was to offer the “Fraxel Package” in the value surplus area of the value map. The doctor and staff determined they wanted to maintain the current market price but also wanted to offer specific benefits that would move their package deeper into the value-surplus area. As a result, their “Fraxel Package” now also includes:

- Six free one-hour aesthetician appointments (which are scheduled every other month to help patients manage their skin) and
- Six months’ worth of skin care products (to help patients achieve their optimal skin outcome).

These two additional benefits are not currently offered by the competition and are significantly valued by new and existing patients. By bundling the aesthetician appointments with the skin care products, this doctor has been able to continue to command the market price for the Fraxel procedure and simultaneously move deeper into the value surplus area, thus creating an acknowledged “Best Value Fraxel Package.”

**Ability to Adapt**

The exact plotting of the fair value line is constantly changing in response to a combination of consumer circumstances, provider response, and the specific procedure. For example, the demand for cosmetic procedures has not really changed during the equities market correction of 2008/2009, but the amount of disposable income available to the majority of patients has been reduced, thus impacting the position of the current fair value line.

During unstable economic times, when fierce competition for each patient is at its peak, the fair value line is dynamic and is continually being redefined and repositioned by both the consumer and the provider. Today, there is only one truly sustainable competitive advantage: your ability to adapt to change and move in the right direction faster than the competition. Understanding and applying the price/benefit value map can help a practice move in the right direction and achieve measurable success.