The Do’s & Don’ts of Discounting

By Karen Zupko

“We aren’t getting as many phone calls as we used to…”

“Fewer patients are scheduling and more are postponing…”

“Website and social media traffic is down…”

Staff comments like these can cause even the most confident plastic surgeon to hastily discount his or her fees. But although it might put one or two surgeries on the books, reactionary discounting delivers no long-term benefit to your practice.

Think about it. You agree to the discount and earn less than your fee. The patient quickly learns that she can get a discount just by asking. And once she tells her friends that you’re a pushover for price reductions, the schedule will begin to fill with her discount-seeking friends.

Consider the lesson learned by a spa as reported by the New York Times. A veritable poster child for the dangers of using deal-of-the-day Web sites to attract new customers, the spa ran heavily discounted coupons to drum up customers who wanted to melt their bulges and remove their wrinkles. The coupon ran, and customers did come. Once. “Then they would get another coupon and go do it with someone else,” according to a spa manager. “There was no loyalty.”

Two Kinds of Buyers

Of course, not all types of discounts are this dangerous to the bottom line. Offering discounts to patients who schedule multiple procedures, for example, is smart. More on that later. But playing The Price is Right with all patients, without a strategy, will not build a loyal patient base.

That’s because this type of discounting attracts transaction buyers, one of two buyer types that are the result of research conducted by Northwestern University professor Paul Wang. (See Table 1.) Transaction buyers seek practices that will give them the best deal. And you’ll get nothing more from them than a lower price for your hard work. These patients rarely come back or refer friends.

In contrast, relationship buyers are looking for products and services they can trust, and that are unique or different. They want a luxury experience and are happy to pay for it. Once they find a product or service that has perceived value, they buy it and they return, because they are too busy to shop around for something “better.” And, best of all, relationship buyers refer their friends.

### Table 1. Transaction vs. Relationship Buyers

<table>
<thead>
<tr>
<th>Transaction Buyers</th>
<th>Relationship Buyers</th>
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<tr>
<td>‘Price shoppers’ who take advantage of deals, and usually don’t come back. Their loyalty is to price, not value.</td>
<td>Time-pressed and seeking value and experience, these buyers return &amp; refer others.</td>
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<tr>
<td>• Price-driven</td>
<td>• Seek ‘trust’ in you</td>
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<tr>
<td>• No loyalty</td>
<td>• Friendly, reliable practices</td>
</tr>
<tr>
<td>• Want the ‘best deal’</td>
<td>• Want you to recognize them, do favors, acknowledge their referrals</td>
</tr>
<tr>
<td>• Less profitable, long-term</td>
<td>• Win their business and you get all of it</td>
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</tbody>
</table>

Extrapolated from “Managing Buyer Types,” Arthur Middleton Hughes and Paul Wang, January 1995, based on research conducted by Paul Wang at Northwestern University. [http://www.dbmarketing.com/articles/Art134.htm](http://www.dbmarketing.com/articles/Art134.htm)

Our goal for plastic surgery practices is to create a pricing and discounting strategy that fills the schedule with **relationship** buyers – those who find value in the experience the practice delivers, and for whom price is irrelevant, or almost irrelevant. With these types of buyers, price sensitivity is lower, and the need to offer discounts to incentivize patients to schedule becomes almost a non-issue.

### “What Should We Charge?”

This is always a fun conversation to have with plastic surgeons. Most of those who ask this question have called around town to find out what everyone else is charging, and think they should charge about the same. My response: *thinking you should charge what everyone else is charging is the wrong way to think about fees.*

When I was a child, I begged my father to let me stay out until midnight. “Everyone else gets to stay out that late,” I pleaded. “Well, you are not everyone else!” said Dad. So I’m here to tell you, you are not everyone else. Charging what everyone else does is the Lemming Theory of Pricing. Before you go dashing off into the sea of fee sameness, only to suffer profit loss with the other lemmings, start by answering four strategic questions that are specific to your individual situation:

1. **What are your profit goals?** Every surgeon’s goals are different. If you can’t articulate yours, you are not setting fees from the right place, and you’ll fall victim to rash discounting more easily.

2. **How unique are you, really?** This is not an attempt at sarcasm. It’s a valid question. What makes you different than the rest? One plastic surgeon we know has three Zeltiq machines and promotes the technology’s minimal downtime by pushing “the time efficiency that enables patients to receive treatment on three areas at lunch time.” Another is the only one in his market to offer Vectra 3D Simulation. If you have something unique and different, you can probably charge a higher price and get it.
3. **What's your time worth?** Many plastic surgeons don’t think in terms of their hourly rate, but all of them have one. Do some simple math: divide the total number of hours spent in the O.R. by the revenue gained during those hours. Do the same for office visits/procedures and office revenue. Once you have an hourly rate, you can start thinking about the value of your time appropriately.

For instance, if you do a lot of individual breast augmentation consultations and are tired of listening to yourself say the same thing three times in an afternoon, consider group consultations, during which you can see four patients in about the same time as one (after which you perform individual exams, of course). For this particular procedure, group consultations are well liked by patients, and they are a wise use of your time. And if you offer them, the fee can be lower than that of an individual consultation – which you can have available for those who prefer it.

4. **What's your overhead?** Some physicians lease large offices in fancy buildings and have a $15K nut to crack every month. How much is your rent? How many employees do you have? The amount of these fixed expenses impacts the amount you charge and need to collect. If you don't know what these amounts are, talk to your manager and accountant immediately. If you have high overhead you must meet every month, your pricing and fee reduction strategies must reflect that.

Once you’ve answered the preceding questions you can begin to consider the “right” amount to charge. The most common pricing strategies used by plastic surgeons are:

1. **Cost Plus.** Fees are based on actual materials cost plus an amount for overhead. For example, if the cost of injectable material is $500 and you charge an additional $300 for giving the injection, the fee would be $800.

2. **Demand.** Fees are based on a high demand for the surgeon. “Surgeon to the stars,” those who are on TV, or physicians who have developed a unique procedure or who are notable academics. With demand pricing you have upward flexibility to set fees. Typically only those who have achieved significant recognition or visibility can use this strategy.

3. **Competitive.** Fees are based on “what everyone else charges.” Competitive pricing is one of the most typical, and one of least effective, ways to set fees because it does not reflect value. It’s the Lemming Theory. That said, the exercise of reviewing specialty society annual fee surveys ensures you don’t set unrealistic prices.

4. **Value-Based.** Fees based on the practice and the *perceived value to the client*, rather than materials cost, overhead, or competitors’ fees. You have to believe you are “worth it” and staff must be able to articulate the value proposition. Focus your priorities on creating value-based pricing and you will see the number of patients who haggle over fees diminish considerably, if not completely.
Value Trumps Price

Certainly a practice needs to cover its overhead. But our advice is to focus on value-based pricing because it attracts the relationship buyer. And if you sell patients on the value, quality, and uniqueness of you and your practice, you won’t need to offer the deal of the century for them to say “yes.”

*That’s because people buy based on perceived value, not just price.* If price was the only reason people buy, Tiffany’s, Ritz-Carlton, and Prada would be out of business.

Practices that have done a great job establishing value through stellar service, an upscale office environment, high-quality informational materials and a surgeon who takes an interest in the patient as a whole person and not just a surgery case, price their services to reflect this. These practices are creating memorable experiences, which lead to a higher price tolerance. Their patients rarely ask to pay less. (See Figure 1) Those that haven’t effectively established value find that a good number of patients ask to pay less, or simply don’t schedule at all.

**Figure 1. Memorable Experiences Create a Higher Price Tolerance**

Patients want a *luxury experience* when they visit a plastic surgeon. Here’s what some practices are doing to make patients feel special. Small but memorable differences.

A board at the front desk that says: “Today we welcome David, Cheryl, Rose, and Tanya!” (List first names only.)

Lavender scent diffused throughout the office.

Patients are asked for their three favorite songs, which are played in the peri-operative area before their procedure.

All new patient consultations begin with the doctor in his office, prior to the exam room. He sits in an arm chair next to patient and they review before and after photos on the iPad together.

What’s the *perceived value* patients have of your practice? Have you taken the time to differentiate yourself? If you deliver a plain vanilla experience, the patient can’t differentiate you from the other two offices they consulted with. You become a commodity, and no one will pay a premium for your work. Instead, they will look for the best deal. Their decision-making default will become price - like when they shop for car insurance. It’s the surgeon and personnel team’s...
job to identify differentiating characteristics that create a positive experience and memory for the patient. Consider using the classic 4 P’s of Marketing as an evaluation guide.

1. **Product/Service.** Leading practices know that trying to be all things to all patients doesn’t produce the best experience or outcomes. They recognize the value of becoming known for a select set of procedures or services that are also in high demand. In some markets, for example, injectables are done by many dermatologists. Some plastic surgeons choose to refer these services, and focus on building a procedure-driven practice that keeps the O.R. schedule full. Others develop a reputation for certain procedure types - the ones they enjoy doing the most. If you do more breast and body work than rhinoplasty, for instance, consider referring the rhinoplasty cases so you perform only cases you know will produce the best results.

2. **Place.** The place you choose to practice has an influence on what you can charge. Are you in the medical center where parking is next to impossible and privacy is doubtful? What is the aesthetic appeal of the office environment – from the reception area to the exam room to skin care services? Patients expect more from you than their OB/GYN. How good is the cleaning service? What furniture and furnishings have you purchased? Patients will expect to pay more if you get place right.

3. **Price.** Do your fees reflect the quality of your products/services and place? Are they realistic based on your reputation, service experience, and outcomes? Are they realistic compared to national fee data from ASPS and ASAPS? Although you don’t want to follow the Lemming Theory of pricing and charge what everyone else does, it is important to set fees that are realistic. Unless you are a surgeon to the stars, 5x your competitors’ pricing will be too much for most patients and set yourself on a course for discounting.

4. **Promotion.** What do your promotional efforts say about you? Offering facial rejuvenation patients a fee reduction on skin care services six months after surgery says you are attempting to build loyalty. Using Groupon says you’re willing to give away high quality services to the lowest bidder, and reduces your ability to set fees at a luxury price point.

In fact, deep dish discounts may even be a turn-off for some. In his book, Selling the Invisible, Harry Beckwith says that most people can’t easily differentiate the real technical quality of a service. This is particularly true with clinical care. The absence of a person’s ability to discern this, according to Beck, leaves him or her enormously susceptible to other cues about a service’s quality, price being one of them. In other words, some patients may be suspicious of a low priced plastic surgeon, reasoning, “How could she possibly be a good doctor if her fee is so much lower than the other surgeons I visited?”

And I believe there is a 5th P: **Personnel.** In plastic surgery, your staff are your PR and sales agents. Do they truly believe in you? Are they sophisticated enough to explain why you charge for consultations and why you are worth the surgery fee? If you have a team that can’t capably justify your fees, and build your value proposition, patients will not have an optimal experience and you will find yourself doing the discount dance all too often. Skill in dealing with pricing objections does not come naturally, it requires training.
Discounting That Works

Effective discounting can build loyalty and repeat visits. But it requires that practices think strategically about offering the right type of discount, at the right time, for the right reason. And that they resist the temptation to randomly discount patients who ask – even if the surgery schedule is not 100% full.

Discounts that effectively build your practice and attract relationship buyers are:

1. *Proactively offered by the practice* – not asked for by the patient
2. *Targeted* – to a patient demographic or a procedure
3. *Time sensitive* – include an end date on all offers
4. *Solving a business need or problem* – such as a typically slow August surgery schedule
5. *Distributed with discretion* – “exclusives” work better than giving discounts to everyone
6. *Effective for recovering costs* of a laser or leased equipment that isn’t paying for itself

Try one or more of these discounting strategies, used by leading practices.

**Multiple Procedures.** The patient pays a lower total price. The practice collects revenue for multiple procedures or services, yet only has to schedule one H&P, and one O.R. session, which requires coordination with facilities and anesthesia. Post-op visits too are more efficient. Everyone wins.

Always quote the primary procedure at full fee, and take a percentage reduction for each additional procedure. (10% - 25% is common.) So, as an example, quote the rhinoplasty at full fee, with a 20% discount for the chin implant. Similarly, charge full price for the mastopexy and give the patient a discount on the breast augmentation.

**Seasonal.** A great way to fill predictable, seasonal schedule holes. For instance, everyone knows that August is slow and December is jam packed. So, never offer a discount in December, and plan ahead for August by offering discounts to those who can wait to schedule their procedure in August.

**Splurge Card.** These discount cards are given after the patient had a procedure or service, and incent them to splurge on themselves again – this time at a 10% or 20% discount. For instance, give a skin care Splurge Card to patients who have had laser services – encouraging them to come back for a facial or a peel for a percentage or dollar amount off.

**Patient Return Incentive Cards.** Provide patients with a card or letter, with the patient’s name on it. When the patient brings it in for her next service, it’s worth $75 on her account – toward any procedure or service, or a specific list.
Birthday Discounts. Unlike big bang, one-time promotions, people’s birthdays are spread throughout the year, so this tactic is an ongoing promotion. Mail or email a certificate to patients for a credit, say $75 toward a filler injection.

Whichever discount you implement, don’t forget that you can’t manage what you don’t measure. It’s essential to track all discounts in the practice management system, and review the fee reduction amounts on a quarterly basis. (See Figure 2 for details.) Doing so allows you to monitor the total amount discounted as well as which discounting strategies work better than others.

Discounting That Doesn’t

The fee quotation discussion is the highest risk “Discount Danger Zone.” This discussion is filled with patient comments that send staff dashing off toward discounts.

“Wow, that’s a lot for a blepharoplasty.”

“Dr. Brown is offering a Groupon deal – if I bring my friend I get half off a breast aug.”

“The other doctors offered me a discount.”

Just who are these “other doctors? Are they new to plastic surgeons or doctors with your experience? What exactly is the discount? In many cases, the patient is just trying to get a discounted price. Data show that 43% of Americans are bothered by the fact that they can’t afford everything they want. But that doesn’t mean your staff should cave in when they want to pay less for your time and talent. You can’t walk into Chanel or Escada and ask for a discount. They will call security and have you removed from the store.

In truth, when patients balk at the fee, it’s not always because they can’t afford the price. There is a three-part equation that must add up for a patient to say yes:

\[
\text{Surgeon} + \text{Plan} + \text{Fee} = \text{YES}
\]

Patients must feel comfortable with and have confidence in the surgeon, agree with the plan, and believe the fee is a good value. All three have to be in perfect alignment for patients to feel

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comfortable saying yes (assuming that your marketing is attracting economically viable patients). When patients say no, staff must determine which part of the equation the patient is uncomfortable with. Are your staff trained to find what the patient’s “hidden objections” are? Do they know what questions to ask?

An effective Patient Care Coordinator knows how to have this conversation. She understands how to overcome objections and move patients from price to perceived value. In my experience with plastic surgery practices, most Patient Care Coordinators have received little or no training on the science of pricing and sales. Their conversation about price and discounting often sounds like this:

Patient Care Coordinator: “If you go with the plan that Dr. Wonderful recommends, it’s $10,000.”

Patient: “Can I have a 15% discount?”

Patient Care Coordinator: “Wait I’ll check.” [Leaves room to chase down surgeon.]
Or…
“Wait, I’m sorry but that is what we charge.”
Or…
“She is board certified, so she is worth the fee.”

These are all unacceptable answers, and none of them will get most patients to agree to the price.

An effective Patient Care Coordinator will respond with a question: “Can you help me understand why 15% is your target number?” Then she would listen. That’s because objections are overcome by asking patients questions and listening to them talk. If you let them talk – and this is key! – patients will disclose the real issue. For example:

“Actually, it’s not so much the fee. It’s that Dr. Wonderful’s plan seems like too much surgery for me. I want the rhinoplasty, but he says I needed a chin implant, and I think my chin is fine the way it is.”

If the Patient Care Coordinator has addressed the patient’s other issues, to help the patient fit the fee into their financial situation, patient financing can be a great option. It’s superior to discounting because the provider processing rate is less than 10% for most options, when most plastic surgeons or staff will hastily discount, sometimes up to 15%.

Don’t assume your Patient Care Coordinator understands that the practice’s provider process rate (the cost to the practice) is lower than offering a discount rate of 15% (the cost to the practice). Be aware of what your staff is communicating during fee quote discussions.

If your practice has posted CareCredit’s “Apply Now” link on its Website, encourage new patients to complete an application for the CareCredit credit card before their consultation. By reviewing CareCredit’s “Available Credit Report,” a Patient Coordinator can identify which

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3 2013 Cosmetic Year End Survey, conducted by Chadwick Martin Baily on behalf of CareCredit, page 10
patients have funds available for financing their procedures, along with the amount, empowering them during the financial discussion. (See Figure 3.)

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Figure 3. The "Available Credit Report" can be downloaded to Excel, providing valuable data about how much each patient has available for procedure financing. Talk to your Practice Representative for more information.

Conclusion

When setting fees, focus less on what other plastic surgeons are charging and more on creating perceived value for patients by differentiating your practice and making their experience memorable. Implement thoughtful discounting strategies that build patient loyalty over time instead of getting a one-time patient scheduled.

A well-trained Patient Care Coordinator is essential to ferreting out the patient’s real issue when he or she says “I want a discount.” Instead of caving in to the pressure of an anxious surgeon, or empty block time slots, they’ll create an aura of luxury and boost the surgeon’s credibility and value, making price nearly irrelevant.

Karen Zupko, President of Karen Zupko & Associates, Inc., is an internationally sought-after speaker, author, and practice management consultant. For over 28 years, she has been advising and educating plastic surgeons on management and marketing issues, including personnel, billing, technology, coding, and practice expansion. Ms. Zupko and her team are featured regularly at workshops and events held by the American Society of Aesthetic Plastic Surgeons, American Society of Plastic Surgeons, American Society of Plastic Surgery Assistants, and the Plastic Surgery Administrators Association.

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