

- Starting a Business
 - How-To Guides
 - Business Ideas
 - Startup Basics
 - Business Plans
 - Getting Financing
 - Finding Customers
 - Inventing
 - Success Stories
 - Going Green
 - View All
- Money
- Sales & Marketing
- Franchises
- Biz Opportunities
- Home Based Biz
- Online Business
- Management
- Human Resources
- Technology
- Work Life
- Magazine
- Mobile

Subscribe to **Entrepreneur** for under \$1 an issue






- More Resources
- Events
 - Business Calculators
 - College Search
 - Franchise Your Biz
 - Columnists
 - Business Forms
 - Startup Books
 - Classifieds
 - Trade Journals
 - Encyclopedia
 - Slideshows
 - Get the Magazine

Home > Starting a Business > Success Stories > How Pricing Can Power a Turnaround

How Pricing Can Power a Turnaround

A small business overhauls its fee model to woo customers and make a comeback.

By Jane Porter | May 23, 2011

Comments (2) |  102 |  Like Confirm |  Print |  Email |  Share

SMALL BUSINESS COMEBACKS

Offering your product for free may not appear to be the smartest move when your company is cash-strapped and struggling. But for Ian Aronovich, 38, co-founder and chief executive officer of GovernmentAuctions.org, an aggregator of government-auction listings, making his service free to the public for a trial period is precisely what helped turn around the company in the recession.



GovernmentAuctions.org Co-founders Ian Aronovich and Michael Pesochinsky. Photo courtesy of RS Photo Lab

In 2008, [GovernmentAuctions.org](#), which provides information on surplus and seized items being sold at government auctions around the country, was operating on the same pricing model that Aronovich and his partner Michael Pesochinsky developed when they launched the business in 2003. The Great Neck, N.Y.-based company charged customers a \$40 annual subscription fee to access to auction listings of items ranging from dump trucks and unclaimed land to electronics and jewelry. The service should have been particularly appealing to cash-strapped consumers, but when the recession hit, sales began to drop. "People liked our membership, but didn't want to shell out one lump sum for the entire year," he says.

Today on Entrepreneur

- [Six Quick-Hit Marketing Ideas for Social Media](#)
- [When You're Hungry for Sales, Consider These Lead-Gen Tools](#)
- [How Pricing Can Power a Turnaround](#)
- [For This Entrepreneur, Velvet Elvis Paintings Were Just the Start](#)
- [The Top 10 Commercial Cleaning Franchises](#)

[More Stories >](#)

Bestsellers



Start Your Own Business, Fifth Edition

From startup to year three--save time and money, minimize mistakes and maximize profits.

[Learn more >](#)



Entrepreneur Magazine's Business Plan Pro

Create a business plan today with the #1 selling business plan software. Save time, avoid mistakes and create winning plans that get results.

[Learn more >](#)

Resource Centers



Restaurant Center

sponsored by

From sandwich shops to full-service restaurants, learn how to turn your culinary passion into a business.

A Low Point

By the start of 2009, the decline was too drastic to ignore. For the month of March, revenues were down to \$54,000 from a monthly average of \$70,000 before the downturn, while monthly overhead costs topped \$30,000. Aranovich, who has a law degree and Pesochinsky, who has a background in [software](#) development, knew their service needed to be priced differently, if they had any hope of turning the business around.

That's when the partners began taking a closer look at membership rates. They realized the company was doing little to make sure members renewed subscriptions once their year was up. "The best customer from our perspective is someone who has been with you," Aranovich says. "To acquire a new customer is much more expensive than to keep an old one."

While [business](#) was shrinking, Aranovich's family was growing. At the time, he had a three-year-old at home and another baby on the way. Nonetheless, it became clear that the company, which employs three full-time and two part-time contract workers, needed to make a drastic change. Aronovich and his partner decided to give up their paychecks for three months to avoid going into debt, while putting in 100-hour weeks to come up with a new pricing strategy for the company.

Turning the Tables

The partners decided to try incentives to attract more customers. First, they established a free three-day trial that let people test out the service and decide if they wanted to cancel before paying. Market research had suggested that giving customers a chance to try a service would make them far more likely to choose it. "If we made it less risky for our customers, they would be more likely to activate an account," Aronovich says.

On top of the new incentive, the company restructured its pricing model. Instead of requiring an upfront fee of \$40, they offered the free three-day trial with the option of cancelling before charges were applied. The monthly recurring charge would allow members to opt out when they wanted, but also let the company charge more over time given the shorter-term commitment.

Over the next few months, the company experimented with various price points, giving their sales figures to a statistician whose number-crunching determined that the best rate to charge was \$18.95 a month.

But when the new pricing went into effect at the end of May, revenue fell to its lowest ever -- less than \$20,000 in June as the company began building its new membership base. Over time, monthly sales began to rebound, climbing from \$20,000 to \$30,000 and eventually reaching \$82,000 a month in less than a year's time.

Today, nearly 60% of the people who opt for the company's free trial stay on to sign up for a monthly subscription. The new pricing model generates nearly six times more

Small Business Comebacks



- [How to Stage a Small-Business Comeback](#)
- [How a Microbusiness Rebounded from the Recession](#)
- [Famous 'Trep Failures -- and Comebacks](#)

[More in this series »](#)

Reality Check

Aronovich and his partner had to ask a lot of tough questions to help get their company back on track. Consider how these might help you revamp [your business](#):

- Is your pricing model in need of an overhaul?
- How can you lessen the risk for your customers when it comes to buying your product or service?
- Are you making enough of an effort to understand your



Shipping & Logistics

sponsored by



What you need to know about sending and receiving packages to keep costs in line and your business running smoothly.



Small Business Resource Center

sponsored by



From how-to guides to business forms and essential tools, you'll find all the resources you need to start a business.



Finding the Right Business

Thinking about starting something of your own? This guide can help you learn how to go from dreaming to doing.



Commercial Vehicle Center

Business owners who are going places depend on their vehicles to help get there.



Insurance Center

Learn about insurance coverage options and cost savings for business owners with a range of needs.



Small Business Comebacks

How inspired companies are emerging from the recession and their resourceful strategies for staging a turnaround.



Innovators

Meet the innovators who are changing the face of business and society with creative solutions to today's problems.

Top Searches

- ▶ [Starting Your Own Business](#)
- ▶ [Start Small Business](#)
- ▶ [Start Online Business](#)
- ▶ [Internet Business Opportunities](#)
- ▶ [At Home Business Ideas](#)
- ▶ [Home Base Business](#)

ads by media.net

Business Forms

Search over 1,000 business forms and documents.

- [Legal](#)
- [Finance](#)
- [Entrepreneurship](#)
- [HR / Careers](#)
- [Marketing](#)
- [Operations](#)
- [Running a Business](#)
- [Real Estate](#)
- [Technology](#)
- [Popular Forms](#)

[Search all forms »](#)

revenue for every customer who stays for a full year compared with the original \$40 flat rate. "It offers a lot more stability in terms of knowing how much revenue comes in," Aronovich says. "Even if we get less new people in a particular month, we know we will get renewals from the previous month."

customers and their changing needs?

In 2010 the company earned more than \$930,000 in revenue, a 58% increase from the \$588,000 in annual revenue from the year before.

Lessons Learned

Reaching out to customers for feedback and testing various prices before settling on one allowed the company to come up with the most profitable business strategy. "You can always pivot your strategy to make your business more successful in troubling times," Aronovich says.



You like **How Pricing Can Power a Turnaround**. · [Admin](#)



Connect with Entrepreneur



Become a fan on Facebook



Follow us on Twitter



Free apps for iPhone and iPad



Get the Magazine

Top Searches

- 1 [Starting Your Own Business](#)
- 2 [How To Start A Small Business](#)
- 3 [Start Online Business](#)

ads by media.net



Entrepreneur

NEWSLETTERS

Sign Up for the Latest in:

Starting a Business
Sales & Marketing
Growing a Business

Online Business
Franchise News

E-mail*

Zip Code*

Submit

Entrepreneur Magazine's
BUSINESS SUCCESS SECRETS

Sponsored by
Sprint

online marketing &
social media
CRASH COURSE

REGISTER FOR FREE
IN A CITY NEAR YOU!

A Complimentary
Breakfast Seminar