

How To Write a Rate Increase Letter (With Examples)

By Indeed Editorial Team

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A rate increase letter, also known as a price increase letter, is a formal announcement of price changes from a business to its clients. In a [client-facing](#) role, you may need to write rate increase letters to provide information about the rising prices and promote goodwill and an ongoing relationship. If you are a manager or supervisor and your company is changing its prices, it's important to learn how to notify your clients of the change.

In this article, we discuss what a rate increase letter is, why businesses may want to increase their prices, how rate increase letters help foster business relationships and tips for writing a rate increase letter.

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What is a rate increase letter?

A rate increase letter is an announcement that a business makes about a decision to raise prices on goods or services. Often, businesses raise their prices because they are trying to compensate for increased costs of their own, and they want to explain this to their clients. The letter includes the amount the prices will increase and when the changes will take effect. You can send this letter by post, email or even as a public notice.

Related: [What Is a Pricing Strategy?](#)

Reasons for increasing rates

Here are a few reasons that businesses may want to raise their rates:

- Rising [overhead costs](#) , such as rent, utilities, transport and wages
- Improvement in the quality of goods or services
- The wish to minimize workload by focusing resources on select clients
- The need to correct previously undervalued goods or services
- The desire to align [prices with those of competitors](#)

Determine which reasons apply to your company's decision to increase prices. In the rate increase letter, you may need to justify the rate revisions to the clients, so try to gather specific data as you prepare to write.

Related: [18 Common Business Expenses](#)

Why do businesses use rate increase letters?

It is important for a business to have a [good relationship with its clients](#) , and using rate increase letters helps maintain such a relationship. Here are some reasons why a client might appreciate receiving a rate increase letter:

- It helps them prepare financially for the change.
- It allows them to make an informed decision about their continuing relationship with your business.
- It shows that your business wants to be transparent in its dealings.

Related: [How To Develop and Maintain Positive Client Relationships](#)

Tips for writing a rate increase letter

A rate increase letter should be clear and concise. By reading it, the client should have a complete idea of what is happening, why it is happening and when it will happen. It should foresee and answer potential questions that the client may have. Here are some additional tips to consider when writing a rate increase letter:

- **Use direct and specific wording.** Notify the clients in no uncertain terms that prices will be increasing. After your greeting, this should be the first thing you state.
- **Provide justification.** Explain why prices are increasing. If you have specific data, such as the average rates of competitors, you can present it in the first paragraph or a separate data table

separate data table.

- **Provide specific details.** Specify whether this is a general increase or one that applies only to specific stages in the chain of production, such as shipping. Remember to mention the effective date when the new rates take effect.
- **End on a grateful note.** In the letter's closing, express your gratitude for the clients' understanding and support. This small gesture shows that you understand the potential challenges involved and appreciate their willingness to cooperate.
- **Follow up** . Send regular reminders about the increase. It's important to be certain that your clients have received the information, understand it and can adjust to the new expectations.
- **Offer help.** For clients who might need more time to prepare for the price change, you can ask about delaying the effective date. If a client wants to explore competitors' rates, you may offer to help transfer records or other documents to the new provider.

Related: [12 Templates To Use When Writing Letters To Clients \(With Tips\)](#)

Rate increase letter template

Here is a rate increase letter template that you can use as a guide when writing your letter:

[Date]

[Company name]

[Street address]

[City], [State] [ZIP code]

[Greeting],

Because of [reason for price increase], [Company name] will institute a [percentage] increase in our rates, effective [effective date].

We thank you for your understanding and support in helping us to grow alongside you. Please feel free to call us with any questions, concerns or comments.

[Close]

[Signature]

[Position or department]

Related: [7 Common Pricing Models](#)

Example rate increase letters

Based on the above template, a rate increase letter might look like one of the following:

Example 1

November 12, 2021

*Midori Co.
1300 SW Massachusetts St.
Lawrence, KS 66044*

To Our Valued Clients,

After much deliberation, we at Midori Co. have deemed it necessary to adjust our rates in order to keep pace with manufacturing, shipping and operating costs. Beginning in the new year, January 1, 2022, there will be a 5% increase in the prices of our paper products.

This was a tough decision to make, and we understand how it affects our customers. Therefore, we thank you for your ongoing support and trust that these changes will help us continue providing you with premium quality and service.

As always, we welcome any questions or comments.

*Gratefully yours,
Franklin Ishiguro
Manager of Client Relations, Midori Co.*

Related: [A Complete Guide to Pricing Strategies](#)

Example 2

April 9, 2022

*Van Kirk Wholesalers
242 Van Kirk St.*

Philadelphia, PA 19135

Dear Van Kirk customer,

This letter is to notify you that we have decided to implement a 3% increase in shipping rates on both domestic and international orders, effective July 13, 2022. This increase is being made to meet corresponding increases in the shipping industry.

We are grateful for your ongoing support and understanding in this matter. If you have any questions or concerns, please feel free to reach out to me or members of my department at support@vankirkwholesale.com.

*Sincerely,
Kara O. Jackson
Customer Relations*