

Small Business eBook Series



SIX STEPS TO SIX FIGURES

Breaking the Time for **MONEY BARRIER**

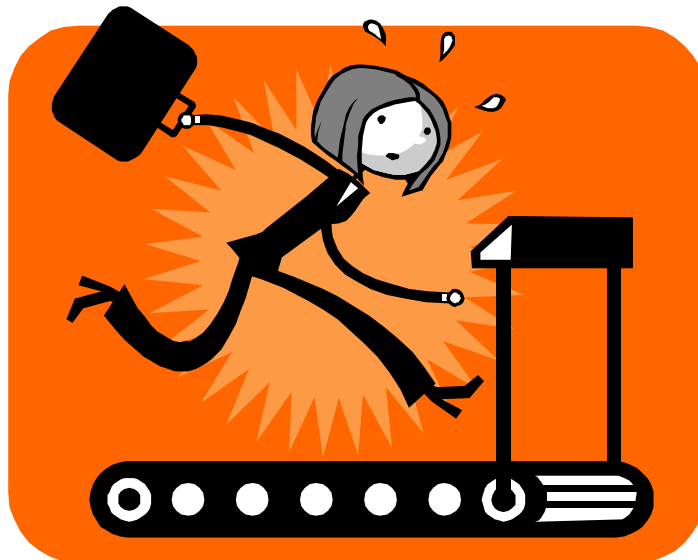
Brought to you by

BH BookkeepersHub
Connecting Australia's bookkeepers with business

Fee for service: You're Probably Doing it Wrong

Whether you're a dog walker or a designer, or a bookkeeper your approach to pricing is probably pretty similar, at least if you're relatively new to the game. You look at what other people are charging, you think you're not experienced enough to charge what the high cost providers charge so you go lo-ball. Or you take a look at your costs, figure out what you need to cover them and then add a bit on top for what seems like a reasonable profit and present the final product of these calculations to prospective clients as a daily or hourly rate.

It's a tried and true method, but it's probably costing you a bucket-load of money and creating schedule feast or famine -- periods where you stress through the lean times and run like a lunatic in the busy ones.



There is a better way.

What's the answer? Quit all that obsessing about time and focus on value instead.

Your clients don't really care how long it takes you to do something; they care about the value it creates for them; the peace of mind for having the compliance stuff done and the benefits of having a dashboard available of how the business is travelling. Clock watching isn't just limiting your income, it's also downright selfish.

Adding value to your SMB client

If you want to grow your income, you're going to help them (your SMB clients) grow their business. When looked at it like that--from their perspective--it's clear you're not selling time. Instead, you're selling a solution that is going to make an impact for your client and achieve some business objective.

By having an in-depth conversation with prospects about what they're trying to achieve and really listening to their goals, you can set value-based prices that are higher for you and also deliver more for the client, ideally, offering clients a menu of options to help them reach their objectives.

Getting hard numbers for your clients' goals is best. Selling hours actually creates a conflict of interest; it puts you and the client on opposite sides of the table. If you're selling hours, it's in your best interest to take longer, to bill more hours. But your client is interested in getting solutions that work as promptly as possible, so if you're asked what your fee is by a prospective client, you need to immediately ask the client a few questions; like "What are your needs?" "What are your biggest concerns?" "What accounting or financial issues are you facing that make you stressed?" Clients care about the value you create for them, so that's what you should be asking them to pay for.

Of course, this approach doesn't work for everyone. Hourly rates make sense for someone just starting out, someone with little experience and limited skill. But over time, you begin to outgrow the cost-plus pricing model of charging by the hour. So if you stay with that pricing model, you'll find it very limiting.

But that's not the only potential stumbling block to value-based pricing. How do you handle clients that push back against the idea of paying for value? What do you do if your skills aren't broad enough to meet the client's fundamental objectives? How can you change your image from a gun for hire to a collaborative partner in solving a client's problems? And how do you price small jobs and routine maintenance?

Talking about price

Do you steer away from pricing discussions? Are you hesitant or unconfident in negotiating prices with your clients?

When clients raise the pricing topic, professionals generally have one or more of these responses. They:

- change from their previously calm demeanour to irate, angry, hurt, or disdainful



- dig in, expecting a campaign to discount hourly rates and repeat the arguments they've previously used to defend their prices
- instantly offer big discounts on list rate and expect that instantly all will be well
- complain about how misunderstood, inexpensive, and undervalued they are compared with other expert services or competitors
- wax lyrical about the mysteries of pricing and billing
- hurriedly change the subject.

Your pricing is a financial tool, most definitely. Your pricing is also a powerful business development tool to:

- position you in the wider market
- differentiate you from competitors
- communicate with prospective clients

- distinguish your offering from others
- eliminate unsuitable prospects and time wasters
- qualify opportunities as the right fit for you and your firm.

When you talk about your pricing:

- consider both price certainty and dollar amount
- think hard before you give a quick and simple yes/no answer
- price in ranges to maintain flexibility until you have the details
- price so clients can understand where you fit - minimum cost, premium service, or mid-market
- remember that for all except a few, stating your hourly rate is a non-answer to a question about price, except to say that you're expensive !

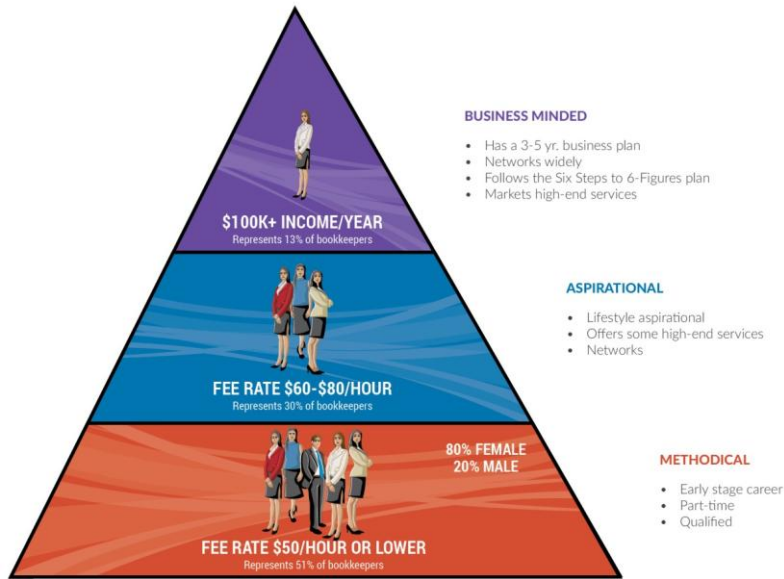
The challenges

For one, you will almost always be competing for the business, sometimes against cut-rate bookkeepers or services that offered inexpensive, do-it-yourself software solutions. Typically a new bookkeeper would try to explain why she was the better choice, but in the end, she may be excused for feeling that if she stuck to her rates, she'd lose out. And at this early stage, she badly needed to build a clientele. So she would often offer discounts, sometimes below her breakeven rate. She wouldn't be happy about it, but it seemed to be the only way she'd stand a chance to get the business.

By quoting fees based on conservative estimates, it may work a lot of the time, but it usually means you have to put in more time to finish the jobs. Plus, a lot of clients tended to grind fees down, insisting on extras here and there. The result is you might end up making significantly less per hour than the rate you billed.

You need to be aiming for a higher fee structure; to try to increase your rates so it gets a little fairer. For example by quoting a higher rate for added-value work:

BOOKKEEPERS SUCCESS PYRAMID



Is a six figure income feasible? What is certain is that if you o-ball your rates and get squeezed for extras without billing your six figure income is in doubt. With a six-figure income looking like a pipe dream, it is a more strategic approach that is needed.

To be honest, when starting out, charging an hourly rate make sense for someone just starting out, someone with little experience and limited skill. But over time – and with your other work skills, hopefully little time, you will have established yourself and your credibility, which leads to great references. When that happens, you begin to outgrow the cost-plus pricing model or the base market rate model of charging by the hour. So if you stay with that pricing model, you'll find it very limiting.

Since there are only so many hours in a year, it puts a cap on how much revenue you can collect in a year, and it means that the only way to make more money is to work more hours. These are limits...and the truth is, they are false limitations that lead to bad behaviours, like burning yourself out by working around the clock in an effort to earn more.

For sure some prospects, though, will still insist on knowing your rates up front and don't want to get into a dialogue first. It is important to recognise that grinders like this would just drag your business down, so over time and with a strategic approach to building your bookkeeping practice, you can begin to weed them out. That might mean giving up the chance to earn a little money, which may cause some short-term pain, but it will also free you up to search for better clients.

Want to learn more about how to grow your income? Check out our member-exclusive resources:



Six Steps to Six Figures
www.bookkeepershub.com.au/six-steps