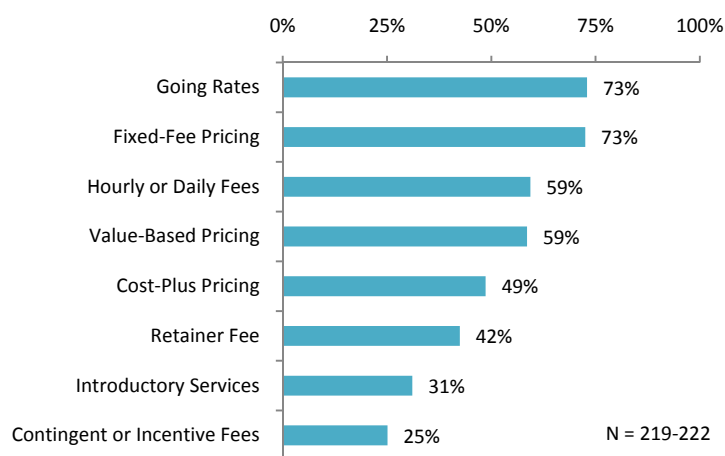


Section 2. Pricing Strategies

We asked respondents to indicate whether they used specific pricing strategies “most of the time,” “sometimes,” “infrequently,” or “not at all.” Figure 2.1 shows their responses for strategies used “most of the time” and “sometimes.”

Summaries of each specific strategy follow. In addition to these overall results, use of pricing strategies by premium-price firms, profit leaders, price-increasers, and brand leaders appear in those report sections.

Figure 2.1
Pricing Strategies Used
% Using “Most of the Time” or “Sometimes”



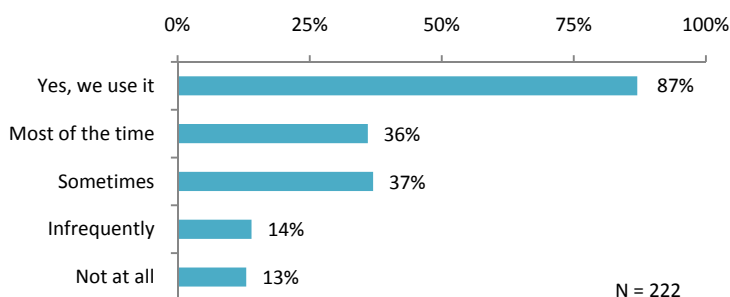
NOTE: The strategies in this figure are not mutually exclusive. For example, firms may consider the going rates for services in their area of expertise, calculate a scope based on hourly or daily fees, and then estimate the value the client would receive from the engagement and adjust from there.

Going Rates Pricing

Figure 2.2

Strategy: Using the Going Rates

Our fee structure is largely determined by the going rates for our type of services in relation to our competition in our market.

**Strategy:
Using the Going Rates**

Most (87%) accounting and financial services firms use the Going Rates Pricing Strategy, with more than one-third using it “most of the time.”

Analysis and Commentary: Break Out of the Going Rates Spiral

While many see using the going rates strategy as a necessary evil of getting new clients in a competitive marketplace, it also feeds into the lament “We are becoming a commodity.” If you cannot articulate the distinctness of what you offer, of course you are forced to charge what everyone else is charging.

Accounting firms are caught in this spiral more often than other professional services firms due to the heavy competition around commoditized tax and compliance services. Globalization and increased competition keep pushing the price of these types of services down. Accounting firms that offer only these services fall into the no distinction, commodity, going rates spiral.

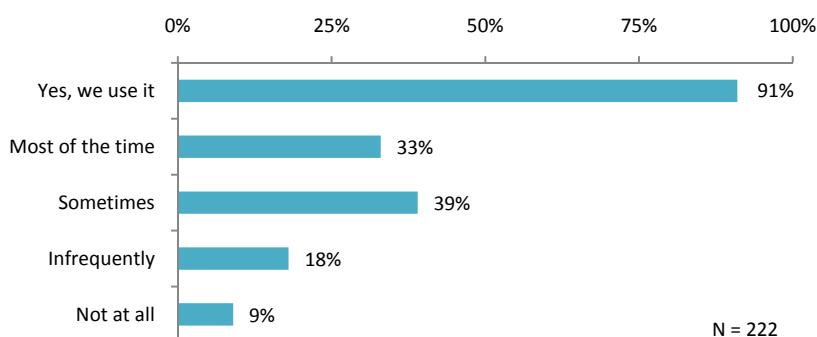
If you can be innovative and offer additional high-value services, such as business consultancy, you can then use your tax and compliance services as an entry point into the client company. You now have an inside track to build the relationship and trust necessary to up-sell your client on your value-add services, breaking your free-fall through the going rates spiral.

Fixed-Fee Pricing

Figure 2.3

Strategy: Fixed-Fee Pricing

We offer our pricing as an overall fee to deliver an engagement. While we may or may not base the fee on an internal calculation of time necessary to complete the projects, our clients typically only know the fixed fee.

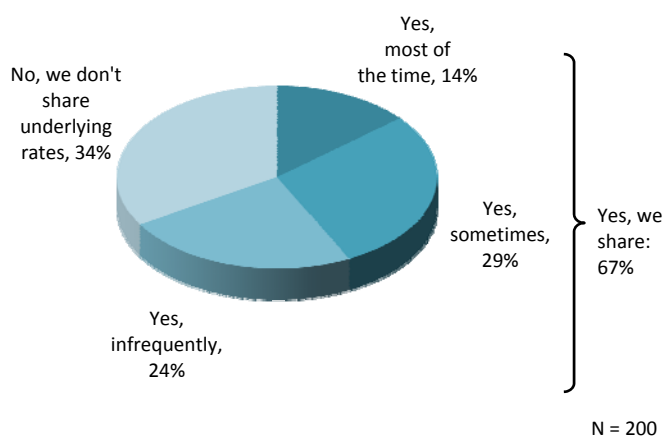


Strategy: Fixed-Fee Pricing

Nearly all (91%) accounting and financial services firms use Fixed-Fee Pricing as a strategy, with one-third using it "most of the time."

Figure 2.4

Does Your Firm Share With Clients the Underlying Rates to Fixed-Fee Pricing?



Sharing the Details Underlying Fixed-Fee Rates

Most firms (67%) who use Fixed-Fee Pricing share with clients the underlying rates used to reach the price offered to clients, under at least some circumstances.

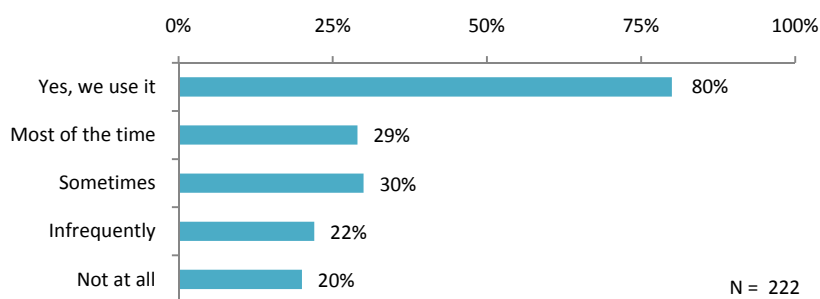
Only 14% of those who use the strategy share this information with clients "most of the time."

Value-Based Pricing

Figure 2.5

Strategy: Value-Based Pricing

Pricing is determined by the subjective level of value, specific to individual clients, that they receive from your services.

**Strategy:
Value-Based Pricing**

80% of the accounting and financial services firms use Value-Based Pricing as a strategy, with nearly 30% using it “most of the time.”

Why Don't They Use Value-Based Pricing? Respondents Say:

“It doesn't seem ethical to us.”

“Value-based pricing has not become the norm in our firm.”

“We estimate the hours by levels to complete the project and that determines the price.”

Why Do They Use Value-Based Pricing? Respondents Say:

"All the time. It works and clients love it."

"Our work is helping technology firms to claim tax benefits on their R&D work, so the fruits of the engagement are very tangible."

"Tasks that need to be done but do not add the real value (e.g., gathering research) are billed by the hour. However, value-based pricing is used for the interpretation of the research into strategy. We find clients take 'comfort' from seeing some work as billable hours."

"Value pricing is without surprises, an agreed service for an agreed price before the assignment is commenced."

"We also consider how large we suspect the client's budget is. We will then scale the value of the deliverables to that budget."

"We challenge all the time the hourly rate approach, preferring a value-added one, where we are able to challenge the ability of the competitors to demonstrate the value they are intending to provide."

"We feel the value of our work to the client is the most important factor in the price and we try to determine that as accurately as possible."

"We meet with prospects to understand their issues, not just tasks that aren't getting done. Finding out how important the work is helps determine what the customer will pay based on their perceived value in getting the work done."

"We try our best to sell the 'value' of our services rather than our 'time'."

"Tax services begin by pricing by form with value-based adjustments."

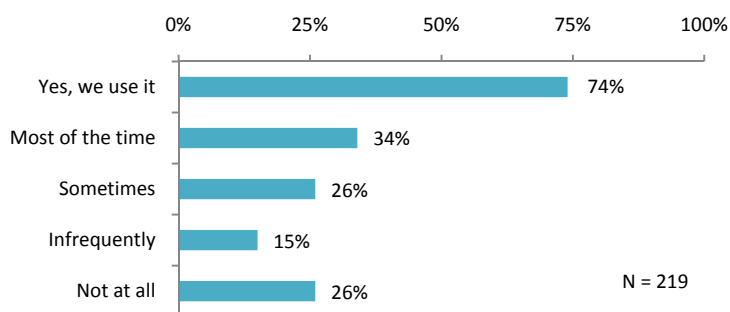
"Value pricing is only used when a very time consuming project is repeated. It is not fair to charge the second client less because we already have done most of the work for the first client."

Hourly or Daily Fees

Figure 2.6

Strategy: Hourly or Daily Fees

We let clients know our “hourly or daily fees” for different levels of professionals at our firm, and bill our clients for our time based on this schedule.

**Strategy:
Hourly or Daily Fees**

Nearly three-quarters of the accounting and financial services firms charge Hourly or Daily Fees as a pricing strategy, with one-third using it “most of the time.”

What Respondents Say About Hourly Fees:

“We do not publish our fee structure, but have determined that these fee levels will allow us to deliver a project and meet profitability requirements. Key is proper scoping.”

“We don't publish fees or think in terms of hourly rates. The only time we'll ever do so is if forced to put some schedule in a statement of work for a project we've already won. Then, we'll take the full project fee and back into hourly rates that make sense.”

“We won't engage a client unless we can get over 80% realization, but for the last two years we are better than 90% across the board.”