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Pricing to Maximize Value

When dealing with people, remember you are not dealing with creatures of logic, but with creatures of emotion, creatures bristling with prejudice, and motivated by pride and vanity.

—Dale Carnegie

There are at least three ways to make more money in your firm: You can lower costs, add new business, and charge more for your current clients. The last point—raising prices—is the quickest way to increase both your gross and your profits. Pricing your services is an art, not a science. However, it's safe to say that most of you are underpricing too many clients.

Recently, at Chicago's O'Hare airport, I passed a water fountain on my way to purchase a 16-ounce bottle of water for \$1.81. I was struck by the irony of the situation. I paid \$1.81 for something I could have gotten for free, just ten feet away at the water fountain. As I had 45 minutes before my next flight, I stayed near the water fountain and watched 12 other people pass it to buy water. Only two people drank from the water fountain, while 12 paid the two bucks. Why?

A few months ago I bought a similar bottle of water at the St. Louis airport. After sipping from it for a while, I noticed that fine print: "This water is a product of the St. Louis Water Works." It was tap water. I could have had the water free at the fountain, but I chose to pay for it. Why?

As in the case of the water, your clients don't always make the lowest-cost choice. Despite price competition, good clients buy on value. While they don't want to pay more for less, they don't mind paying more for more value. It's your job to provide a clear sense of increased value for clients and to deliver it.

Until recently, pricing has been relegated to a function of the accountant's cost accounting systems. Most MAP (Management Accounting Practice) studies compare billing rates to staff member costs. Because pricing is so difficult, many accountants prefer to avoid dealing with the issue. Management

consultant Dave Cottle asks participants in his meetings, “How many of you could charge \$15 more per hour and not lose any clients?” Most accountants raise their hands. Then he says, “Why don’t you?” Usually the room is silent till someone says, “Well, that would be 3.3 times our salary cost and we charge out at 3.” In other words, because of inertia the CPA is leaving \$15,000 to \$20,000 per year on the table that clients are willing to pay.

Demand Pricing

Many accounting firms are keep-busy oriented. The badge of honor is the number of worked or chargeable hours per year, not profits. As Cottle regularly points out, CPAs acknowledge they are leaving money on the table. The most important rule of market pricing is: Charge each client the most that client is willing to pay.

A few years ago I devised a simple system for an accounting firm to use. We identify the largest clients who make up 50 percent of the revenue of the firm. That usually amounts to 5 percent of the clients. In a firm with 1,000 clients, 50 clients will add up to about 50 percent of the revenue. For each client on the list, I ask the partner responsible, “Would you lose the client with a 5 percent increase?” If the answer is no, then I ask about 7 percent, 10 percent, 12 percent, and 15 percent. Answering the questions causes the partner to evaluate the client’s perception of value rather than the cost structure of the firm and the hours necessary to complete the job.

In some cases, it is best to ask the clients some questions to determine their perceptions of value. I ask clients, “On a scale of one to five, with five being the most, what value do you receive from your accounting firm?” When the client answers “five,” I know we have a client who can absorb a substantial price increase.

There are two dimensions to the pricing decision: willingness and ability to pay. The client’s willingness has a great deal to do with his own attitudes of frugality and the level of service you are providing. The ability to pay has more to do with the profitability of the enterprise or the budget allocated to your services. In evaluating these situations, you must ask yourself a number of questions: Who are you dealing with? People deep in the organization may have more price sensitivity than do the senior officers. CFOs may have more price sensitivity than do CEOs. If your primary relationship is with the CEO, your ability to raise prices is enhanced.

Are there competitors in the arena with you? If your competitors are pricier, can you raise prices? If your competitors are less pricey, can you build your value?

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How profitable is your client's or prospect's business? If the business is very profitable, the ability to pay is higher.

Who are the other suppliers to the business—the banker, the attorney, and so forth? If the business is using a higher-priced group of other advisors, your ability to price higher may be enhanced.

Ron Baker, in his book *The Professional's Guide to Value Pricing*, refers to the practice of charging different prices to different customers (for the same service) as price discrimination. For me, the goal of price discrimination is to maximize profits while at the same time to keep my client. The first rule of good accounting firm pricing techniques is to bill according to the value perceived by your client. Therefore, you should charge different prices to different clients for the same service.

When performing a client loyalty survey, I want a client to rate the accounting firm with 5s (5 = outstanding, 3 = as expected, 1 = unacceptable) on quality, responsiveness, and deliverables. I really do not want my accounting firm to receive a 5 on value received. I'd prefer a 3 on value. With high marks on satisfaction and average to good marks on value, we know that we have a profit-maximized client. This client thinks our services are first rate and thinks the value she's getting for her money is about right. I want the client to say "You are expensive, but worth every penny of what I pay."

Baker is a true evangelist. His mission is to wipe out the billable hour as a method of pricing for CPAs. Reading his book or listening to his presentation will convince you how serious he is. A former KPMG accountant who is an expert on economics and pricing theory, Baker is an authority on pricing issues for accountants. Of all the books that I mention in these chapters, Baker's book is the one that I would say is a must read for the serious leader and manager in the accounting business.

You're Worth What You Ask For

The managing partner of one of my CPA clients was terrified by the idea of raising his prices. He said, "The last time we raised prices, our clients were very angry." I asked, "How many clients were angry?" He said, "Most of them." I asked, "How many did you actually lose?" After thinking for a few moments, he said, "Well, actually, none." Because a few clients were angry, he didn't want to raise prices. In many cases, you must understand that negotiating a "half cent a ton" price concession is a sport with many of your clients. What you perceive as anger is really a test of your entrepreneurial mettle. The client screams and you bend.

It takes great service, not just good service, to insure differentiation from competitors, to build solid customer relationships, to compete on value without competing on price, and to inspire employees to create repeat business.

—Leonard Berry, *On Great Service*¹

Terry Orr says, “Many of our clients are quite successful because they have made a business out of buying low and selling high. Sometimes I help clients negotiate with a supplier to reduce costs. And I know they turn those skills on me. When I have a good sense of what my client is trying to accomplish and where he is trying to go, I get a sense of the value he places on me. When I am able to get this sense, we can get a higher price for audit or tax work. But it has been the result of sitting down and understanding where the company is going. We understand they need an audit, but before we start the process of pricing we want to spend some time talking about where the company is today—what their objectives are to take the company over the next three years, and five years.”

The one-price-fits-all philosophy does not work. If you charge the highest price your most willing and able client will pay, you’ll only have one client. If you charge the lowest price so that you will get all of the clients in your market, you will never make a profit. The hourly billing method is a midpoint selection that assures you of a moderate profit but provides a wind-fall to your clients to whom you provide the most value. The clients who get the most value from you can afford to pay you the most.

Rules of Pricing

Rule 1: Bill according to the value perceived by your client.

Rule 2: Determine what your client is willing and able to pay, then provide a package of services around that price so you obtain the maximum.

Another method of pricing is to determine what your client is willing and able to pay, then provide a package of services around that price so you obtain the maximum. In some cases, the client may not want a comprehensive consulting engagement. If \$40,000 were the maximum price the client is willing to pay, would the client implement the project if you perform the investigation phase of the assignment?

How do you determine the maximum? One approach is to tell the prospect, “We have different types of clients, some who value all of the things we bring to the table and some who want the cheapest price. What do you value the most, our range of services or our prices? Another approach is to tell the prospect, “This package of services could run you \$40,000, \$60,000 or \$90,000, depending on the range of service and degree of detail. Would you give me a sense of which of these fits your budget?”

Another method is to present the job as a fixed price for the basics with optional add-ons. Recently I asked two roofing contractors to bid on replacing the roof on my home. The one I selected bid \$6,400 for a 20-year roof. But he provided me a variety of options, including a 25- or 30-year shingle, a tear-off or nail-over option, and some different venting options. I ended up spending over \$10,000, but I felt in control.

Tips from Successful Negotiators

- *Once you name your price, “shut up.” Watch and listen. Don’t say anything. Your silence demonstrates your confidence.*
- *Ask for the budget in a direct and determined voice. People will feel compelled to answer you.*

A New Way of Thinking

Using these pricing methods requires you to change the way you are doing things. Change is always difficult. Jim Belew says, “All of our partners are working to price our services based upon value. We are in the learning process. It will take time.”

Mike Kruse, whom we met in Day 6, says, “We work hard to price our services on value added. So if we’ve got a project, and we know that it is very important to a client and that we are one of the few that can deliver it, or it takes some approval and we’ve got contacts on a regulatory board that can walk it through, we value bill. As an example, we had a situation about a year ago when a contractor from out of state needed a contractor’s license. I talked to him on a Friday afternoon. The licensing board was meeting Tuesday morning, and he was in violation of the construction law. So if we couldn’t make it work, he was in big trouble. We went into high gear and set up a new company. He capitalized it on Monday. We performed an audit on that company and met with the licensing board. I had four or five hours in it and I billed him \$10,000. He wasn’t paying me for the time but for the

result. He made over \$100,000 and he wanted us to do the project. Many accountants would not have been able to act quite so quickly because of their lack of construction experience.”

Sell Wants, Not Needs

Here is a test for you to use on 10 of your friends. Open a discussion with each person on the subject of needs and wants. Talk about what some of their needs might be. Then chat about possible wants. Ask each friend to write down the name of one tangible item he needs. After it is written down, ask your friend to write down the name of one tangible item he wants. Then ask your friend to place a price tag on each item. You write the price tags in the chart shown in Exhibit 28.1.

Exhibit 28.1 Price Tag Chart

Friend's Name	\$ Amount of Need	\$ Amount of Want
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
Totals	\$ _____	\$ _____

Once you have asked 10 friends these questions and tallied up the costs of the needs and wants, answer these questions.

- Do you think your clients might react the same way?
- Do the price tags of all your friends' needs fall in the same range?
- What about the price tags on your friends' wants?

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- Is there a dramatic difference between the totals of the needs column and the wants column? (There should be; wants are generally more expensive than needs.)
- If you had this kind of information about your clients, would it help you allocate your resources if you could supply some of their higher-priced wants?

Value Your Time

Most of us have only so many hours we can work per year. In other words, we have a finite amount of time we will apply to our business. Don't apply the same amount of your resources to clients with low levels of needs and wants as you do for clients with high levels. Utilize an appropriate pricing schedule to get the highest yield from your time *and* deliver the greatest value to clients who need it.

In his book *Revenue Management*, Robert G. Cross² defines revenue management as "the application of disciplined tactics that predict consumer behavior at the micro-market level and optimize product availability and price to maximize revenue growth. In even simpler terms, revenue management ensures that companies will sell the right product to the right customer at the right time for the right price."

Many accountants separate services into Type 1 or Type 2. Type 1 services are generally those that are compliance related. Helping clients prepare tax returns or compile financial statements would be examples of Type 1 services. Type 2 services generally are those that clients want, such as strategic or tax planning. As we saw in the Day 26 chapter, Type 2 services can be further separated into three categories representing different levels of value of the service. Type 2 services are typically the more value-adding services. Firms that focus on Type 1 services tend to have clients who are very sensitive to price. Therefore, the ability of these firms to increase pricing using some of the methods I described earlier in this chapter will be very limited.

Type 1 services can be delivered cost effectively with the aid of technology. Firms that successfully compete in the Type 1 market make large investments in technology in order to drive down transaction costs. For example, through the use of technology, H&R Block attracted nearly \$1 billion in tax return business away from CPA firms who were slower to adopt new technology.

Those firms that add at least 15 percent of their services mix in the Type 2 category will begin to see their clients' price resistance go down. Firms with larger percentages of value-adding services seem to have the least amount of price resistance for all services. You will experience the ability to price

even Type 1 services at a premium by adding the valuable brand, experiential, and unique services to your mix.

Nurture your relationship with each customer . . . selling more to fewer is more efficient . . . and more profitable.

—Don Peppers and Martha Rogers, *The One to One Future: Building Relationships One Customer at a Time*³

Value, Value, Value

Accountants have the best ability to price services based on value rather than on cost compared to almost any other professional. It is crucial that you focus on price rather than costs when balancing supply and demand. You have a limited supply of time and talent; if you focus on cost, you will never be able to maximize your profits.

Because you sell your services to segmented small markets of business-to-business users and not to mass markets, you can determine the willingness and ability to pay of each one of your clients. Once you have determined this, you must save your services for your most valuable customers. Too often, accounting firms allow the tax season to blur the necessity for this. Ask yourself these questions: Am I exhausting myself and my workforce during tax season serving nonstrategic clients? Does my focus on nonstrategic clients during tax season keep me from proactively serving my most valuable clients?

Once you have an appropriate pricing mechanism in place, it is important to continually assess your revenue opportunities. Your clients' wants and needs are changing constantly. And so are their willingness and ability to pay for your services. Your supply of talent and intellectual property may also fluctuate, as may the market's. To maximize your profits, you must continually assess your opportunities.

Factors Involved in Pricing

To develop a good market pricing system, evaluate each service you are providing each client using this list:

<i>Input</i>	<i>Output</i>
■ Time	■ Value
■ Effort	■ Results
■ Cost	■ Benefits
■ Input	■ Output
■ Hourly rate	■ Market rate

The left column, Input, represents practice management systems. If your services are focused more on the left side of this chart, you will always have pricing pressures.

In some of our Rainmaker classes on pricing strategy, we ask the attendees to evaluate the pricing strategies of other service and product providers to determine a pricing strategy for themselves. Some you might consider are:

- **Airline pricing.** There may be 50 different prices for an airliner with 120 passengers on board.
- **Cosmetics.** The same product with the same ingredients is sold in different channels at different price points.
- **Children's food prices at restaurants.** Often these meals are at lower prices or free to encourage parents with kids to eat there.
- **Broadway shows.** Expensive seats are sold first to prevent the purchase of cheap seats and patrons from moving to unsold expensive seats.
- **Senior discounts.** Seniors are not poor; but they do have more time on their hands and will patronize establishments that offer discounts to them.
- **Marriott Hotels Concierge Services.** These services provide Marriott a 90 percent margin from those willing to pay.
- **Nightclubs and bars.** Free early admission, drinks, and happy hours are used to attract crowds early so the clubs are "happening" places by evening, when owners can extract a cover charge.
- **Newspapers.** A cheap price to subscribers boosts circulation in order to increase advertising rates.
- **Daimler-Chrysler.** Mercedes and Dodge are made by the same company; is price difference same as cost difference?
- **Doctors.** They charge more to the wealthy. Do they incur a different cost? Is there a greater malpractice risk?
- **American Express Cards—Green, Gold, Platinum.** Is this cost-plus pricing?
- **Telephone services.** Phone companies charge less to residential customers. A variety of billing methods exists using price discrimination.
- **Grocery food.** Coupons issued by manufacturer are doubled by the grocery. Consumers can purchase an item for one of three price points.

I am going to propose an invoicing and collection process in this chapter that will help you cross-sell more services to your client base and collect a

higher yield on those services. You can do this without spending any additional hours. Instead, you can accomplish this by appropriately matching your service delivery and collection processes to your clients' emotions.

Clients buy two things from you: solutions and emotions. Clients will tend to pay commodity prices for your solutions, but they will pay a premium for positive feelings.

Think of the goods and services you purchase. For example, your automobile provides you transportation. If transportation were all you were buying, you wouldn't spend \$20,000, \$30,000, \$40,000, or more for your automobile. Reliable transportation can be had for much less than what you are paying. Much of what you bought when you purchased your automobile was emotional. You purchased an image as well as transportation. People make decisions emotionally and then justify them with logic.

Your home provides protection from the elements; that's the solution. Could you pay less money for shelter in other parts of your community? Do you need as much shelter as you have? The emotional aspects of buying a home center around things like pride of ownership, image, and comfort.



Marketers have come to recognize that pricing strategy should take into consideration the psychological as well as the economic aspects of price.

—Robert J. Kopp and Humbert D. Hennessey,
How to Write a Marketing Plan

Clients are dealing with you in the same way. Most of them have the intellectual ability to prepare their own financial statements and tax returns and make their own business decisions. A hundred years ago most businesspeople did all of that themselves. But society was relatively slow-moving compared to today. In our fast-paced business world, smart businesspeople focus on what they do best and use professionals and consultants to help them in areas outside of their core competencies.

Pricing Emotions

Clients deal with three emotions when discussing pricing and when receiving invoices from you:

1. Price resistance
2. Price anxiety
3. Payment resistance

Price Resistance

Otherwise known as sticker shock, price resistance is the emotion people have when the immediate cost of something is higher than expected. Unless clients are able to emotionally get over the hurdle of price resistance, they will not buy your services. The only way clients can jump over this hurdle is to be emotionally convinced that your value exceeds your cost. Think of it like a seesaw with value on one side and cost on the other; the value must weigh more than the cost.

Value means a good price for the quality you offer. You don't have to be the least expensive to be the best value.

Client may feel sticker shock at many times during an engagement. For example, when they hear your price, clients may think or say, "You are way too expensive for me." That may not be the case at all, but if clients are thinking or saying this, they are feeling price resistance.

If clients get over the price shock *prior* to engaging you or committing to additional services, they feel in control. If clients deal with price shock *after* you have completed your work and sent the invoice, they feel less in control. The more in-control your clients feels, the easier it will be for them to deal with your price.

Dealing with price before allocating resources to work for clients will allow you to discuss value issues with clients at the time when they are in control. If the value discussion (convenience, peace of mind, image) is not convincing to clients, you may be able to rescope the engagement to a budget with which you will both be happy. If either clients are not convinced of the value or you haven't been able to rescope the engagement, then price concessions are your final alternative to make the engagement work.

Many experts suggest that you never lower your price to acquire a customer because these customers take time and resources away from more valuable customers who pay full price. However, I disagree. There are many reasons you want to build your value to its highest level but also come off your highest pricing in certain situations.

This is the real world. Pricing is always a negotiation with a newer client and if it takes a price concession to obtain a valuable long-term client, then I believe you should do it. In the Day 7 chapter, we discussed selling to 10s—those prospects who are both interested and qualified. The only price concessions I would recommend would be to prospective clients who are high on the qualification scale. If a prospect is a 10 in terms of interest alone, there is no reason to discount.

Some firms offer pricing discounts on certain services to entice clients into a larger relationship. Recently a few brokerage firms have been giving free stock trading to certain qualified accounts. Certain accounting firms give away personal tax returns to obtain the larger corporate relationship. Mike Kruse has used the “business physical” as a way to build an early relationship with a prospect. The business physical entails either giving away or discounting the first service. Kruse has used this process very well to attract new clients who later pay premium fees.

A key strategy to always use when discounting to highly qualified prospects is to clearly remind clients that your normal pricing will be different. Tell them that you are willing to make an early investment in the relationship, which you ultimately expect to be built on value. Most good clients appreciate this and will remember the discussion when your fees increase.

In other cases, you may set an initial price that builds in an extraordinary margin. For example, let’s assume that Joe (a sole tax preparer) is preparing 10-hour, \$1,000 tax returns during the month of March. Let’s assume he does not want to work more than 40 hours per week and he already is committed to three returns per week. Joe might price the next four returns at \$2,000 and be willing to negotiate down to \$1,500 if he really wants the clients. In some cases, rather than discounting his fee, Joe might offer to provide the client two to four hours of tax and financial planning during the summer months. This pricing process will help improve his overall yield on his business. Once Joe locks in the newer clients at the higher fee level, he has an opportunity to improve pricing on his older client base during the next year.

One of the worst practices I’ve seen among my newer CPA-firm clients is the willingness to discount pricing *during tax season*. Many accountants work themselves to death during tax season and still discount fees! They could make more money and have a better life if they would follow Ron Baker’s advice and be more aggressive with pricing.

The Great Discounting Debate. Ron Baker, author of *The Professional’s Guide to Value Pricing*, disagrees with me on discounting. He says: “I remain completely unconvinced by your arguments on when it’s proper to discount. We both know there is empirical evidence that CPA customers are not price sensitive—they don’t pick CPAs based on price and they don’t leave based on price. Once you discount, you set the precedent, and the customer will expect that treatment in the future. By definition, it shouldn’t take a price discount to obtain a ‘valuable’ client.”

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“Once you discount, no matter what you say to the client, you have cut the value of your services in the client’s eyes. Clients do not value that which they get for free.

“The next point is a classic example of cost-plus pricing, trying to price based upon internal work flow and capacity issues. This contradicts what you say in the Day 26 chapter about pricing on value, not costs. It doesn’t matter to the client what time of year Joe does the tax return, unless you focus the client on your internal workload rather than the external value. I can’t think why Joe would want to cut his price \$500, nor do I think it would make a difference to the client.”

Price Anxiety

Price anxiety occurs in two situations:

1. When clients regret that they have committed such a large and expensive project to you
2. When there is an open-ended budget and clients feel the project is out of hand

The first issue arises out of buyer remorse. The buyer made an emotional decision when convinced of your value, but later regrets the decision. The second issue is a form of delayed price resistance.

One way to minimize a client’s price anxiety is to stay connected with your client throughout all phases of the engagement. Lou Mills says, “During a significant client engagement, I visit the staff and meet with the client. I encourage my partners to be visible in the field as much as possible. This keeps the client happy with our work. They don’t feel like we have turned it over to a group of juniors.”

Staying connected and continuing to build the relationship reinforces your quality and personal service value to your client. The more fieldwork performed by partners and others at the client’s office, the less price anxiety the client will feel. Jim Belew says, “One of our strongest beliefs is that you complete the work in the field. The more the client sees you working, the less he will complain about the invoice.”

Payment Resistance

Payment resistance is the emotion people feel about paying out money. Everyone, to one extent or the other, feels this emotion. Businesspeople often delay payments to their CPAs for a long time. They place your invoices last, not because they don’t value your work, but because their first priority is to

pay for services and goods that keep their businesses running on a day-to-day basis.

Because of this tendency, it is important to establish pricing and payment terms right up front with clients. Waiting until the engagement is over can be disastrous. If you wait until the end of the engagement to invoice all of your work, clients must get over price and payment resistance after you have turned over the product. Now you are vulnerable. If a client complains, you will be more prone to discount because you have no leverage. If a client wants further delay in payment, you have no teeth. Most clients know that you probably won't sue.

Five Keys to Getting Paid

Follow this simple five-step formula for negotiating and collecting your invoices to dramatically improve your yield on your work:

1. Establish price and payment terms before you commit to the engagement.
2. Negotiate for a retainer and progress payment arrangement.
3. Clearly set forth a change-order process.
4. Communicate all aspects of your engagement process with all members of your team.
5. Follow the process.

Establish Price and Terms Ahead of Time

I am appalled at how many CPAs talk about their wonderful service, but do not discuss pricing and invoicing with clients. You must make certain that your clients deal with your price before you commit your time and resources. Otherwise, you run the risk of antagonizing clients.

Some professionals use a high price as a screening device. Because some people believe that a higher price equates to higher quality, quoting a high price screens out those people for whom price is an issue. There is an old adage, "If you have to ask the price, then you can't afford it."

Bob Gaida says, "I want our clients to know, right up front, that we are not the cheapest service provider. If they find it out after we have performed the work and sent them a invoice, everyone loses."

Quote a fixed price for every engagement right up front. Doing this avoids the mutual mystification that seems to occur when neither the CPA nor the client knows what the engagement will cost. Quote an exact fee, not a range. Don't say, "The engagement will cost between ten and fifteen thousand dollars."

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Clients will always hear ten. Instead, tell clients, “Your investment will be fifteen thousand. If I can find some ways to save, I’ll certainly do it.” That helps your clients over the price resistance and anxiety at the appropriate time.

If you’re unable to state a price ahead of time for the defined scope of work, how confident can a client be in your competence? If you’re shy about bringing up price with your client, what does this say about your relationship? Use discussions of price to clearly establish value and client expectations. Then plan to exceed those expectations.

Negotiate a Retainer and Progress Payments

Professionals like lawyers get a retainer before they start work. If the job is small, the retainer is an estimate of the total cost. If the job is larger, a retainer is followed by a series of progress payments—payments that are tied to a schedule of work completion.

These arrangements will help your cash flow and planning, increase your professionalism in the eyes of your clients, and reduce uncollected invoices.

If clients won’t accept a retainer and progress invoice arrangement, you may decide not to take the engagement. If clients will not pay a retainer, I wonder whether they will pay my invoice after the work is complete. Send the problems of collecting six-month-old accounts receivables to your competition.

Clearly Set Forth a Change-Order Process

When you are working with clients on one problem or process, it is natural for them to ask you about other issues. This is a good cross-selling opportunity. However, there are also occasions when clients may exploit your good will to get free work out of you. This is why you need a change-order process.

Change orders are probably best known in the construction industry. When owners or architects change the plans or specifications while construction is under way, it usually creates new problems. All such changes should be documented and have prices calculated.

When the scope of the work required for an engagement is different from what you were told, you need a change order. You don’t have to get too formal. A verbal understanding followed by a memo may be sufficient. This also gives you a chance to think out the implications of a surprise change. Even if you are working on an hourly arrangement (which I discourage), change orders are useful documentation to avoid client surprises when they receive your invoice later.

Don't nickel-and-dime clients with change orders. Build in to your quotes some contingency for surprises. But do protect yourself by communicating about important changes promptly.

Communicate All Details of the Engagement to Your Entire Team

Discussing the cost of the engagement up front with clients will help you clarify the exact scope of the work. Don't allow a senior partner to delegate a vague engagement to an associate who then delegates it to staff.

All staff members who work on a job should know what's involved—what the clients' expectations are. This allows all team members to understand what they need to do and to recognize when change orders are necessary. That's all part of your training process so juniors can move up efficiently.

Follow the Process

Establishing detailed procedures makes work—and getting paid—easier. Not following a set procedure wastes time, demoralizes staff, and causes inefficiencies that clients notice. Don't be afraid to adjust your invoice processes, but don't be afraid to apply them either.

Summary

Many accountants routinely discount their pricing after the fact. To receive more than commodity prices and full realization, you must deliver both solutions and good feelings. It is best to deal with price resistance and slow payment before you start an engagement. Be clear about a fixed price ahead of time and arrange for progress invoicing. Be visible at the client's site and use a change-order process. By setting up the right procedures, you can increase profits and client satisfaction, and achieve better yields on your units of work.

