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CASE STUDY: WENDROFF & ASSOCIATES

How a New Pricing Model Helped 'Double' Revenue



Brian Wendroff,
MP of Wendroff & Associates

Waiting to see the bill at the end of tax season can be a dubious prospect for a client looking to control costs. CPA firms trying to capture the attention of new clients and keep a grip on existing ones are making the move to fixed pricing.

Wendroff & Associates, CPA, is one such accounting firm that has transitioned most of its hourly billing to a fixed-pricing model. Based in Arlington, Va., the five-year-old firm offers tax consulting, CFO Services, and outsourcing. It has already incorporated some new ways of thinking with social media—it has 13,000 followers on Twitter—and with flexible workplace policies that allow its staff to work remotely. But the innovation that has had the biggest impact on how the firm defines itself is its fixed-rate pricing.

The change has really come about in the last year and a half after the firm started exploring different ways to bundle tasks for clients so that it could offer one price for a range of services, said Brian Wendroff, managing partner and one of three CPAs at Wendroff & Associates.

"A lot of clients were looking for [fixed pricing] so they could include the costs in their budgets," he said. Over the last several months, Wendroff &

Associates has expanded its fixed-pricing model to include existing clients as well as new ones. Today, between 70 percent and 80 percent of the firm's revenue comes from fixed-price billing and, since its founding, Wendroff & Associates has doubled in size each year.

So far, clients have shown lots of interest in the way the firm prices its services, said Rita Schooley, a CPA at Wendroff & Associates. With 30 years of accounting experience mostly in "Big Four" accounting firms, Schooley said that it's the client's reaction that makes all the difference. "I say, 'This is an S corporation return with one state, and this is how much it's going to cost.' And they say, 'OK, great!'"

Fixing the glitches

As the firm rolled out its new fixed-pricing model, though, a number of issues had to be resolved. One of the biggest challenges was when clients walked into the office with a shoe box filled with loose receipts from the previous year, and they wanted accountants to sort it out for them. "It could take an hour to clean up, or it could be a 15-hour mess," she said.

"The biggest issue was making sure that the information we got from clients was usable," Schooley said. So to help clients organize their tax information, Wendroff & Associates decided to offer bookkeeping services at a separate hourly rate. That way, clients could get their books in order before any fixed-rate fee would apply. The firm has also developed templates for clients

who decide that they want to organize their tax documents on their own.

Once all the client's financial information is in a usable format, CPAs analyze the job so that they can price it accurately. To streamline the pricing process, Wendroff has developed an internal bidding checklist so that CPAs will ask all the appropriate questions to understand each client's situation. Next, Wendroff created an internal spreadsheet to help CPAs get a good idea of the prices they should charge clients. Putting these internal systems in place was hard work, Wendroff said, but now that they're there, everything goes more smoothly, and CPAs in the firm can be more efficient and faster.

Price = instinct + science

As for the checklist and the spreadsheet, "some of it is instinct, and some of it is science," Wendroff said. When necessary, past experience with that client or others are considered when setting the price. "If a client is disorganized, we need to factor that in."

To keep the firm's costs under control, each hour for each project is tracked. "We have an internal budget for each project, and we know how much time we should be spending with each client," he said.

What do clients say about fixed pricing? "If anything, their reaction is relief," Schooley said. "They know how much it is up front, and they can say yes or no," she said. "It makes it comfortable for them because they can budget." Potential clients are quicker to engage with the firm when they know prices are fixed, Wendroff said. "It's a win-win for us and for them," he said.

Occasionally, Schooley said problems can arise when CPAs get something different than what the

client specified, and the process doesn't go as expected. "It's a learning experience, and you take the hit," she said. "Other times, you renegotiate with the client, but it's done up front before any work is started."

When that happens, the client's reaction can vary. "Sometimes they acknowledge the problem, and then the price changes," Schooley said. "Sometimes they don't."

How to improve the process

With more than a year of fixed pricing under his belt, Wendroff said he is working with other members of the firm to improve the process so that it can be even more efficient. In addition, they are getting smarter about who they offer fixed-price services to and at what price. "If the client is too disorganized or is not a good one, we'll bid them higher," he said.

"We've put in some extra steps," Schooley said. "For an S corporation return, it used to be one step. Now with added sophistication, it's now two-step pricing," she said. "Having that experience behind us, it makes it easier."

Wendroff & Associate is also looking at training as a way to help its employees improve their problem-solving skills and, thereby, boost their efficiency. The firm also plans to review existing templates and technology and tweak them as needed.

Other CPA firms have already embraced fixed-priced billing—some for many years—but the industry as a whole is slow to make the transition. CPA firms must begin to embrace the concept of fixed pricing, said Schooley, "because so much of what we do now is looked upon as a commodity." □

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