

**6 STEPS TO OPTIMISING YOUR FIRM'S PROFITABILITY
THROUGH PRICING**

PROFIT **PRO**
TRANSFORMING YOUR BUSINESS



Workshop 2 Action Guide

If you are interested in building a more profitable firm this is the place to be. It doesn't matter what type of firm you are:

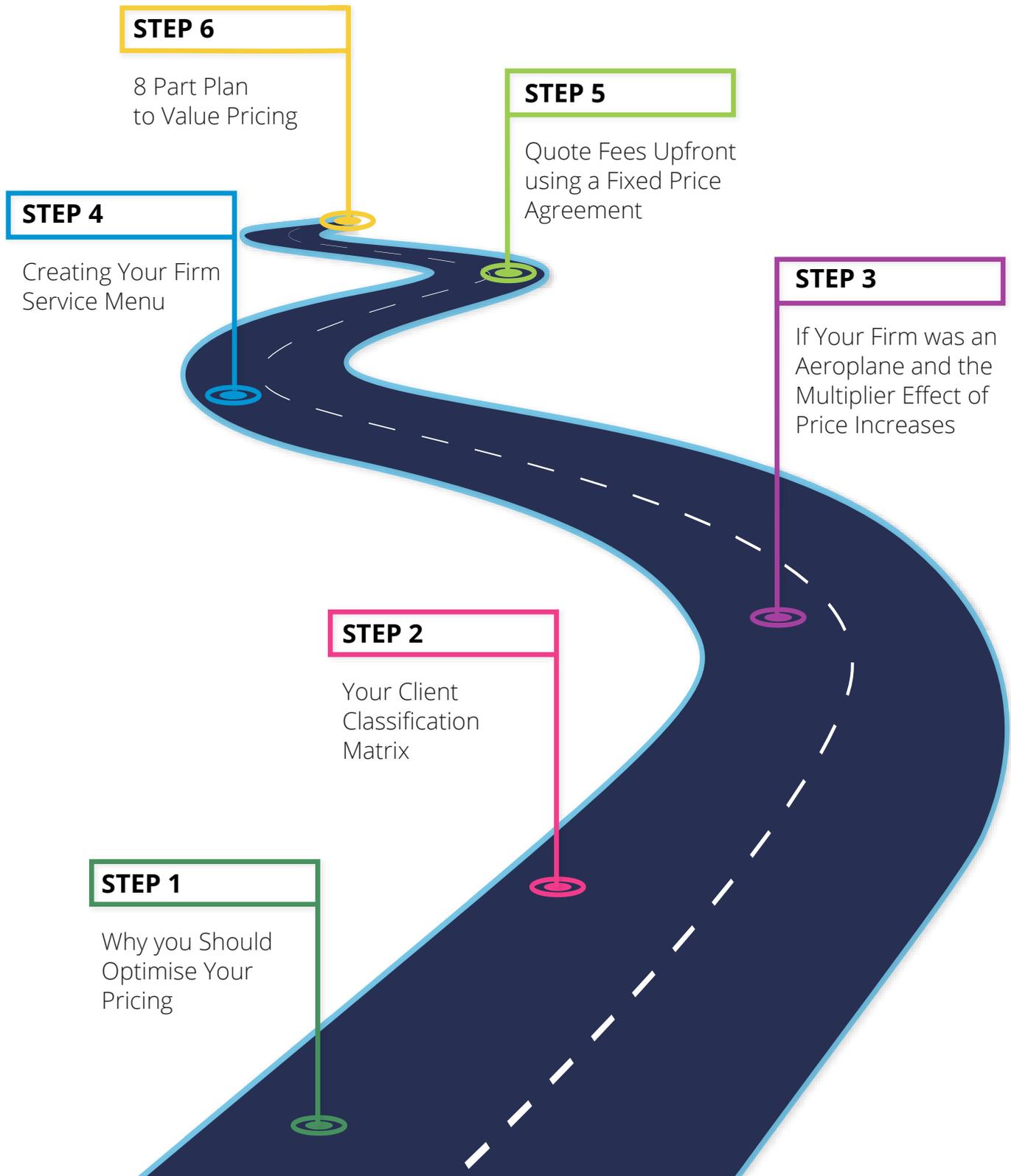
- A start-up firm or a solopreneur;
- A sole practitioner with staff; or
- A multi-partner firm

This Action Guide brings you through a systematic process that you can start applying right now to instantly amplify your firm's profitability. What would your business be like, what would your life be like what would your clients be like if you could exponentially increase your profits? You can because if the strategies contained in this worksheet are fully and properly deployed they can transform your business.

Follow along with the video in the workshop. There may be some extra work to be done afterwards but the core concepts and principles you need are here.



Your 6 Steps



Step 1 — Why should you optimise your pricing?



Of course I am stating the obvious here because every accountant in the world is familiar with the phrase. "Revenue is Vanity - Profit is Sanity". If accountants know that the whole purpose of a business is to generate a profit why does our pricing strategy not always reflect that fundamental concept?

What if we didn't think about it just from a business perspective and made it a little bit more personal? What if we calculated your Number.

What's Your Number?

Calculate Your Number

- | | | |
|---|--|----------------------|
| 1 | Total Gross Profit/Salary/Bonus in Last Full Year | <input type="text"/> |
| | Total Net Profit/Salary/Bonus After Tax | <input type="text"/> |
| 2 | In Last Full Year Total Lodged to Personal Bank Account | <input type="text"/> |
| 3 | Total Hours Worked Last Year | <input type="text"/> |
| 4 | $2 \div 3 =$ Your Number | <input type="text"/> |
| 5 | Satisfaction With Your Number on a Scale of 1 to 10
Where 1 is Devastated, 10 is Ecstatic | <input type="text"/> |
| 6 | What You Believe Your Number Should Be | <input type="text"/> |

If you are not happy with your number you need to optimise your pricing. Clients take quality of service from accountants for granted. They expect good service. They are not buying time. They are buying your expertise and your intellectual capital. There is no standard price for intellectual capital and your expertise, in the same way as there is no standard price for on ideas.

As Napoleon Hill, the author of the 1937 personal development classic, Think and Grow Rich said

"There is no standard price on ideas. The creator of ideas makes his own price and if he is smart he gets it".

Before accountants can charge premium prices they need to believe internally that they are worth it. If you do not think you are worth it your customers will not believe it either.

Step 2 — Your Client Classification Matrix



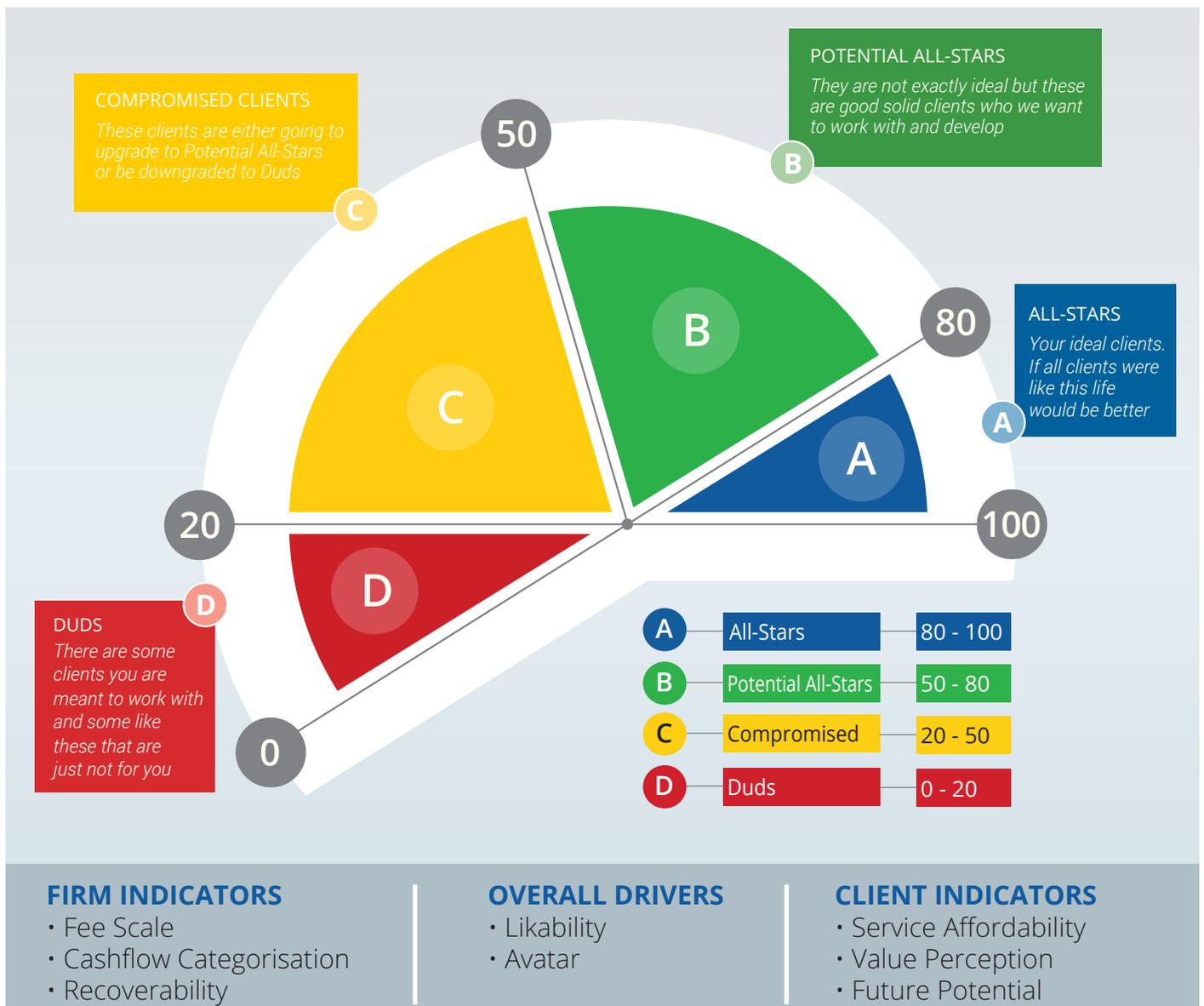
There is no such thing as the wrong price there is only wrong clients. Reed Holden of Holden Advisors the globally renowned Business to Business Pricing expert summed it up when he said

“The price isn’t wrong the client is”

This concept was backed up by the King of Professional Service Firm Pricing Ron Baker when he created “Bakers Law”.

Bakers Law states – Bad customers drive out Good customers

Do you have bad customers driving out our good customers? Take a look at our Client Classification Matrix and take stock of who you really have on board.



PROFITPRO CLIENT GRADING MATRIX EXPLAINED

FIRM INDICATORS

Fee Scale

- How much do you bill them?
 - 10 They pay high fees that are important for cashflows
 - 5 They pay fair fees for the work that is done for them
 - 1 They pay low fees that are easily replaceable

Cashflow Categorisation

- What is their track record as debtors?
 - 10 Pay effortlessly on time every time
 - 5 They pay but need a little encouragement on the way
 - 1 Getting paid is hard and sometimes they don't

Recoverability

- What is your recovery on these clients?
 - 10 They are profitable clients that always produce a margin on recovery for the firm
 - 5 They get billed for the work done and the firm breaks even
 - 1 They are consistent loss makers and the firm does not recover the time

OVERALL DRIVERS

Likability

- Do you and your team like working with these people?
 - 20 We truly enjoy working with them and are energised after every contact and connection. There is a relationship of trust and mutual respect.
 - 10 They are not difficult people to deal with. They have reasonable expectations and are not problematic. Decent honest people.
 - 1 They sap the life out of us and we dread every interaction with them. Sometimes it is hard to believe what they tell us and working with them can be very frustrating

The Ideal Client Avatar

- Does the Client match the Avatar of the Ideal Client you are trying to attract?
 - 20 The client works in a niche that we are targeting and already operate and manage their finances in a way that matches how we train our clients and they have a positive and progressive mindset.
 - 10 Although this is not a niche that we are targeting, clients in this industry sector are often good steady clients and although their systems and approach is not exactly as we would like it we can work with them. They are never going to take over the world but they are open to ideas.
 - 1 The client is an industry sector that we have decided is not one that we want to work with and their current operations and financial management system is not ideal. They have a negative mindset and are closed to progress and other ideas.

CLIENT INDICATORS

Service Affordability

- What is their economic situation?
 - 10 They are a highly profitable business that generates enough income to pay themselves handsomely and have still have ample profits in the business
 - 5 They are a stable business and they earn a living by working hard and watching the costs
 - 1 They struggle financially all the time and never have cash for anything

Value Perception

- Do these clients see you as a trusted advisor or just another business expense?
 - 10 They truly value our advice and listen to us. We can do our best work with them.
 - 5 They take on board what we say but they do not hang on every word. They expect good quality service.
 - 1 They don't care. We are just an overhead and a necessary evil. Any accountant would do.

Future Potential

- What business impact are they going to have? Are they a high potential growth business or are they on the decline?
 - 10 These people are going places and attract others who are going places too
 - 5 They are an average small to medium sized business - steady
 - 1 As a business they are not going anywhere

A	All-Stars	80 - 100
B	Potential All-Stars	50 - 80
C	Compromised	20 - 50
C	Duds	0 - 20

Step 3 — If Your Firm was an Aeroplane and the Multiplier Effect of Price Increases



Client classification is critical because you have a capacity issue. There are only so many customers you can support. If you are supporting too many non-ideal customers your ideal clients are suffering. The airlines worked this out a long time ago. What if your firm was like an aeroplane?

Classify your customers. Identify the revenues generated by each category and consider the resources and energy you devote to each category. If you apply the 80/20 Pareto Rule to your client base it is likely that 20% of your clients generate 80% of the profits.

Where are you putting your focus and what would happen if you changed that focus away from non-ideal customers and invested it in your First and Business Class customers.

“There is no victory at bargain basement prices”

– Dwight D Eisenhower
(34th US President)

FIRST CLASS/BUSINESS	
PROFESSION AVERAGES: 5% - 15%	
1.	
2.	
3.	
(A) ALL - STARS	

PREMIUM COACH	
PROFESSION AVERAGES: 30% - 50%	
1.	
2.	
3.	
(B) POTENTIAL ALL - STARS	

COACH	
PROFESSION AVERAGES: 20% - 40%	
1.	
2.	
3.	
(C) COMPROMISED CLIENTS	

DISCOUNT FLIERS	
PROFESSION AVERAGES: 10% - 20%	
1.	
2.	
3.	
(D) DUDS	

1. Input Your Client Percentages - Per Client Category
2. Input Your Profits - Per Client Category
3. Input Your Resources & Energy - Per Client Category

Maybe this is not practical but just think about the concept for a minute. What if you did nothing else but raised your fees by 10% across the board from today? Assuming nothing else changes in terms of costs what impact would that have on your bottom line. You see a 10% increase in prices can have an amplified effect on your bottom line profit. Then using your firm results whatever they are calculate the impact of a 20% increase in fees. Just do the calculation and think about the possibilities.

The Compounding Impact of Price Increases

	Current	10% Increase	20% Increase
Turnover			
Staff Costs Excluding Partner/Principle			
Gross Profit			
Overheads			
Net Profit			
Net Profit % Increase			

Step 5 — Quote Fees Upfront using a Fixed Price Agreement



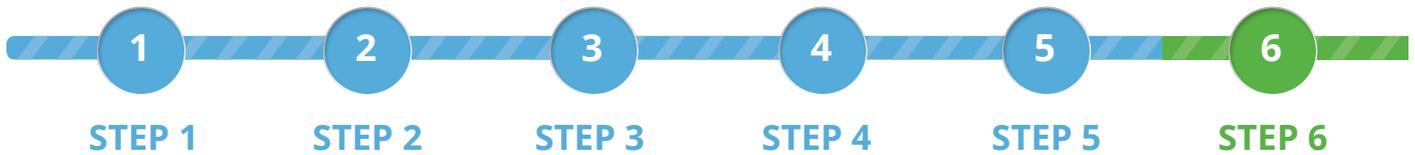
When you personally are buying third party services do you prefer open ended time for money trade arrangements or do you prefer to get a quote and agree the prices up front? Most accountants prefer to get a fixed price where possible and it has been proven in multiple industries and multiple sectors that customers will actually pay a premium for pre-agreed fixed fees. The resistance to quoting fixed fees up front for many accountants, arises due to concerns in relation to clients not keeping their end of the bargain and doing what is required of them along with a flow of potential “extras” not factored into the original price.

An appropriately structured and worded Fixed Price Agreement resolves these issues and creates a situation where if the client does not play the game or the engagement deviates that the accountant has the ability to put a timely Change Order in place. Here is what should be in your Fixed Price Agreement.

Fixed Price Agreement Checklist

Item	Completed	
	Yes	No
Professional Services	<input type="checkbox"/>	<input type="checkbox"/>
Unanticipated Services	<input type="checkbox"/>	<input type="checkbox"/>
Service and Price Guarantee	<input type="checkbox"/>	<input type="checkbox"/>
Payment Terms	<input type="checkbox"/>	<input type="checkbox"/>
Revisions to the Agreement	<input type="checkbox"/>	<input type="checkbox"/>
Other Issues	<input type="checkbox"/>	<input type="checkbox"/>

Step 6 — 8 Part Plan to Value Pricing



You are on a roll now and if you act on the first 6 steps it will potentially be transformative for your firm. If you want to take it to the next level of transformation the most profitable and rewarding accounting firms in the world have followed Ron Baker's 8 Step Plan to Implementing Value Pricing as summarised below.

This is not going to get done in a couple of days but if you are really ready to do something different this is an ethos, a culture and a philosophy that progressive firms must explore.

"Price is what you pay value is what you get"
 – Warren Buffet

The 8 Steps to Implementing Value Pricing (by Ron Baker)

Step 1: Customer Conversation - To determine their needs and wants	Completed	
	Yes	No
To determine your customers' needs and wants you need to ensure you address the following:		
• Know the Value that you can add	<input type="checkbox"/>	<input type="checkbox"/>
• Create maximum value	<input type="checkbox"/>	<input type="checkbox"/>
• Communicate the value that you can add	<input type="checkbox"/>	<input type="checkbox"/>
• Convince the client to pay for this value	<input type="checkbox"/>	<input type="checkbox"/>
• Capture the value	<input type="checkbox"/>	<input type="checkbox"/>
• Establish the scope of the value	<input type="checkbox"/>	<input type="checkbox"/>
• Establish the scope of the work to be performed	<input type="checkbox"/>	<input type="checkbox"/>

Step 2: Pricing the Customer	Completed	
	Yes	No
Based on the information obtained in the conversation		
• Price the customer not the service	<input type="checkbox"/>	<input type="checkbox"/>
• Assess the price driven by value -not hours and costs	<input type="checkbox"/>	<input type="checkbox"/>
• Consider your 3 Pricing options	<input type="checkbox"/>	<input type="checkbox"/>
– Reservation Price		
– Hope For Price		
– Pump Fist Price		

The 8 Steps to Implementing Value Pricing (by Ron Baker) *continued*

Step 3: Pricing Options	Completed	
	Yes	No
Offer pricing options		
<ul style="list-style-type: none"> • Don't do a take it or leave it price. Create a 3 tier pricing model options <ul style="list-style-type: none"> - Silver - Gold - Platinum • Allow customers to convince themselves of the value. Don't oversell and let your clients reveal their own price sensitivity. 	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
Step 4: Presenting Options to the Customer	Completed	
	Yes	No
<ul style="list-style-type: none"> • Present your 3 tier pricing options to your customers and deal with price objections 	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
Step 5: Customer Selection and the Fixed Price Agreement	Completed	
	Yes	No
Draft your Fixed Price Agreement to include the following:		
<ul style="list-style-type: none"> • Scope of the work • Customer responsibilities • Information to be provided • Timelines for delivery • Timelines for completion 	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
Step 6: Project Management	Completed	
	Yes	No
Treat each engagement as a project and review the following:		
<ul style="list-style-type: none"> • Scope of the work • Who will perform the work • Timelines for delivery to the client • Other planning details 	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>

The 8 Steps to Implementing Value Pricing (by Ron Baker) *continued*

Step 7: Scope Creep and Charge Orders	Completed	
	Yes	No
Whether caused by the firm or the customer		
• Inform the client of scope creep	<input type="checkbox"/>	<input type="checkbox"/>
• Allow the customer decide how they want to proceed	<input type="checkbox"/>	<input type="checkbox"/>
• Issue Changer Orders	<input type="checkbox"/>	<input type="checkbox"/>
– Additional Work		
– New Work		

Step 8: Pricing After Action Reviews	Completed	
	Yes	No
After each completed project complete a review to determine:		
• What was supposed to happen?	<input type="checkbox"/>	<input type="checkbox"/>
• What actually happened?	<input type="checkbox"/>	<input type="checkbox"/>
• What worked well?	<input type="checkbox"/>	<input type="checkbox"/>
• What didn't work so well?	<input type="checkbox"/>	<input type="checkbox"/>
• What have we learned?	<input type="checkbox"/>	<input type="checkbox"/>
• What can we do better next time	<input type="checkbox"/>	<input type="checkbox"/>
• What can we do better across the firm	<input type="checkbox"/>	<input type="checkbox"/>

Action Plan — Optimising Your Firm's Profitability Through Pricing

Here is your action plan. We decided to help you out by suggesting your first 4 actions. You can fill in the rest yourself.

Action Item	Action	Who	By When
1	What's my Number	Me	ASAP
2	Classify my clients	Me	ASAP
3	Raise all prices	Me	ASAP
4	Price everything up front using a Fixed Price Agreement	Me	ASAP
5			
6			
7			
8			
9			
10			

Winning Firm Workshop Progress Plan

Workshop 1

Already Released

Your Core Client Growth Strategy

You are going to learn WHY getting specific about who your ideal client is, is so important. You are going to see WHAT you need to do to create a system and a sequence that will create a steady stream of those ideal clients flowing to your firm and HOW TO apply these strategies for maximum results.

Workshop Completed	Quick / Action Guide Downloaded	Checklist Completed
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Workshop 2

Already Released

Optimising Your firms Profitability

You are going to learn WHY having a defined pricing strategy is so important. Your are going to see WHAT your choices are in terms of your pricing strategy and HOW TO price and position your firm for profit.

Workshop Completed	Quick / Action Guide Downloaded	Checklist Completed
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Workshop 3

Coming Soon

Your Practice Management Blueprint

The 3rd part of the Winning Firm Workshop looks at The Practice Management Blueprint and our training video does a full walk through on the key operational parts of successful firms and the process that you need to follow.

Workshop Completed	Quick / Action Guide Downloaded	Checklist Completed
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Video 4

Coming Soon

Your Next Steps

To continue building the business you truly want rather than the accountancy practice you have

Video Watched	Chose Progress	First Next Step Taken
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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