

intuit.

## Value Pricing A New Way to Run Your Practice

Brought to you by:

**Intuit® Academy**

Written and presented by:

**Michelle L. Long, CPA, MBA**

**Long for Success, LLC**



# Michelle L. Long, CPA, MBA

**Owner** of Long for Success, LLC

**Author** – available on Amazon

<http://tinyurl.com/MichelleLongAmazon>

- › *QuickBooks 2014 on Demand*
- › *QuickBooks Practice Set & QuickBooks Online Practice Set*
- › *How to Start a Home-based Bookkeeping Business*
- › *Successful QuickBooks Consulting*



**Co-host** Ultimate Accounting vCon – award winning virtual conference (<http://AccountingvCon.com> – July, 2014)

**Linkedin Group** ~60,000 members – Successful QuickBooks Consultants

**International speaker** – Intuit Trainer/Writer Network

- Nationwide across the US & Canada
- Australia and London



Subscribe: [LongforSuccess.com/blog](http://LongforSuccess.com/blog)

intuit

Michelle L. Long, CPA, MBA and founder of Long for Success, LLC has helped thousands of accountants grow their business and knowledge of QuickBooks and QuickBooks Online through her training, writing and coaching.

Michelle was named one of 10 Women Who Inspire a Profession by *Accounting Today*, a Small Business Influencer Awards - Top 100 Champion by *Small Business Trends*, and a Financial Services Champion of the Year by the SBA in recognition of her dedication to helping entrepreneurs and small business owners.

As an international speaker and author, Michelle has presented hundreds of seminars and webinars for Intuit, Staples, Office Depot and more. Plus, she's been a speaker at numerous conferences for CPAs and accounting professionals nationwide. Michelle's work has been noted in the *New York Times*, *Inc.com*, *Business Week*, *Investor's Business Daily*, *WebCPA*, *Accounting Today* and more. She's also co-host of the award winning [Ultimate Accounting vCon](#).

Michelle is the author of several books including the recently released [QuickBooks Practice Set](#), [QuickBooks Online Practice Set](#) and [QuickBooks 2014 on Demand](#). Other books include [How to Start a Home-Based Bookkeeping Business](#), [Successful QuickBooks Consulting](#) and numerous courses for Intuit Academy.

Michelle is a CPA, Advanced Certified QuickBooks ProAdvisor, holds an MBA in Entrepreneurship and is a Certified FastTrac Facilitator. Her blog was named 10 Accounting Blogs Worth Watching by Accounting Today. Her LinkedIn Group (Successful QuickBooks Consultants) has nearly 60,000 members and is a great resource and networking opportunity for accounting professionals

## Agenda / Learning Objectives

---

### After completing this webinar, you will be able to:

- **Understand** value pricing vs. hourly billing
- **Summarize** the benefits of value pricing for accountants and clients
- **Discuss** steps to implement value pricing
- **Create** packages of standard services
- **Implement** the use of wholesale pricing for QuickBooks Online
- **Determine** price levels or ranges
- **Understand** how the results from Intuit's 2013 Average Billing Rate Survey apply to value pricing
- **Identify** initial clients to convert to value pricing
- **Understand** the importance of a clearly defined engagement letter

intuit

Here's our agenda and the learning objectives for this webinar..

## Define Value Pricing

---

Hourly Billing

Value Billing vs Value Pricing

What is Value Pricing?

- Fees based on **value to client**, rather than number of hours
- Don't underestimate the value of benefits you provide



You're not just selling time – you're selling **knowledge, experience, innovation and customer service**

intuit

**Hourly billing** – most accountants or bookkeepers are familiar with hourly billing because it has been a tradition in the accounting industry. With hourly billing, you bill the client based on the amount of time to complete the work. However, hourly billing is NOT a good tradition to continue.

- From my public accounting experience, I remember:
  - Trying to remember what I worked on during the day (or week) which could be difficult when you're working on several different things throughout the day.
  - Using the budget to fill out the time sheet vs. actual time required for various tasks.
  - Sometimes people didn't report all the actual hours to keep the time close to the budget.
- People spend a lot of time and effort tracking and reporting time.
- Clients may be afraid to call because you'll be 'on the clock.' I see numerous questions in the Intuit Community forum from clients who are afraid to ask their accountant. Do you want your client afraid to call you?
- Clients may question the amount of time required to do the work – are you really working or are you multi-tasking.
- When you implement new tools or technology that improve your productivity and efficiency, should you make less money? If something used to take 10 hours and now you can get it done in 2 hours, I know I don't want to make less money. After all, you invest your time learning about new tools or technology – non billable time.

### **Value Billing vs Value Pricing**

Value billing – adjusting the client bill **after** the work is performed.

Value pricing – setting the price **before** the work is done based on the value for the client & what they are willing to pay.

A good example is lawyers and how they bill for things like corporate minutes, speeding tickets, etc. They don't bill based on the time or costs – they bill based on the value for the client. The price includes their college education, passing the bar exam, continuing education, and experience. It's not based on the time spent on the work.

It is important to NOT underestimate the value of the benefits we provide to clients.

We can implement value pricing for many things too. With more experience, it is easier to have an idea of the time required for various tasks. However, there may be times where we need to use hourly billing but we should try to get away from it as much as possible.

# Benefits of Value Pricing

## Benefits for **Clients**

- Know costs & expectations up front – less risk
- Not worried about how you're spending your time, high hourly rates and more
- Feel better knowing that you understand their needs & values



## Benefits for **You**

- Improved efficiency = improved profitability
- Customer loyalty

intuit

**Benefits for clients:** clients want to know the costs and what to expect up front. Think about yourself as a customer – what do you buy or pay for without knowing the price? Think about the stress and uncertainty worrying about what it will cost. For example, when you take your car in for service, they may have to run some tests and check things out to know what is wrong with it. They don't know what it will cost immediately. But, usually they will call and let you know what it will cost (and get approval) before they actually do the work of fixing it.

Clients want to know the costs and be able to budget for it – it reduces the stress & risk for them. They won't be worried about whether you're really working on their stuff or multi tasking. Also, no complaints about 'high hourly rates'. You can create a relationship as a trusted advisor – letting them know you understand their needs & values.

**Benefits for You:** Why should you make less money when you implement tools, technology & knowledge to get work done faster? With the bank feeds in QuickBooks Online, you are managing the data instead of doing data entry. What may have taken 10 hours before now may be 1-2 hours. Should you make less money?

Customer loyalty is improved because they are not afraid to contact you with questions. Plus, we can start providing more value added services.

## Impact on Client Relationship

---

- Higher level of services
  - Data management and analysis vs. data entry
- Trusted advisor vs. "just" the bookkeeper/accountant



**Win for Clients + Win for Us!**

intuit

Moving from data entry to data analysis & management allows us to provide a higher level of service to clients – such as:

- Ratio analysis – tips for improving profitability whether increasing sales or reducing expenses
- Help with cash flow
- Budgeting
- Marketing or promotions & tracking results

Overall move from being 'just the bookkeeper' or data entry person to a trusted advisor

- Story – client with sandwich shop – gross margin declining & wouldn't listen to me

It is a win – win situation! It is better for us and our clients too!

## 3 Basic Steps to Move to Value Pricing

---

1. Establish packages
2. Determine pricing
3. Evaluate



intuit

There are 3 basic steps to move to value pricing for sole practitioners. If you're in a larger firm, there would be more involved (with partners or committees, etc.). We'll discuss each one.



## Create Packages of Standard Services

---

- Basic package
  - Client does some tasks
- Middle package
  - Determine most common services provided
- Premium package
  - Additional reports or analysis
  - Priority service and response



intuit

The first step is to create packages of your standard services. Keep in mind, you can change these as needed. You want to have 3 packages because there is 'magic' of 3 choices – look at big companies – they all have 3 choices: small, med & large, Good, better & best, etc. Why? Because it works.

For example, Wendy's wanted to increase the sale of their Double Burger. But customers were hesitant to order a double – they didn't want to look like a pig. They were advised to add a Triple Burger to the menu to provide 3 choices. Now, if you order a double you're not a pig because you didn't order a triple. Wendy's doesn't sell many triples. But they did increase the sale of Doubles – which was the goal. It's the 'magic' of 3 choices. Most people will choose the one in the middle. Keep this in mind when creating your packages.

## Examples of 3 Monthly Packages

- **Silver**
  - Monthly Bank reconciliations
  - Email support
- **Gold**
  - Monthly Bank reconciliations
  - A/P management via Bill.com
  - Email support
- **Platinum**
  - Monthly Bank reconciliations
  - A/P management via Bill.com
  - A/R management
  - Payroll for up to 5 employees
  - 1 hour of phone support



intuit

Here are some examples of 3 monthly packages to help you get started.  
– notice how each one adds more services onto the package below it.

When creating your packages, keep in mind that most people will pick the one in the middle. It should be the most common services you want clients to choose.

## QuickBooks Online Wholesale Pricing

- Sign up for FREE – <http://tinyurl.com/QBOWholesale>
- Save 30% every month
- Only for new clients on Essentials & Plus– at this time
- One bill for all your clients

	Online Essential	Online Plus
Reg. Monthly Price	\$26.95	\$39.95
Your Price	\$18.87	\$27.97
Yearly Savings per Client	\$96.96	\$143.76
Sign up 10 clients and this could be your yearly savings or profit	<u>\$969.60</u>	<u>\$1437.60</u>

intuit

When creating your packages & pricing, keep in mind the new wholesale pricing for QuickBooks Online.

You can get QBO Essentials or Plus for 30% off for the life of the subscription – not just the first 12 months.

You will get one bill for all your clients. By managing the billing, we have the benefit of being the one to initiate the set up of the books – get it right from the start!

Many people are including the cost of QBO into their package prices since it is less than \$28/month. It is a good way to add value for client.

For example – many tax professionals include the efile fee, PPR or tax software – included in price of tax return,

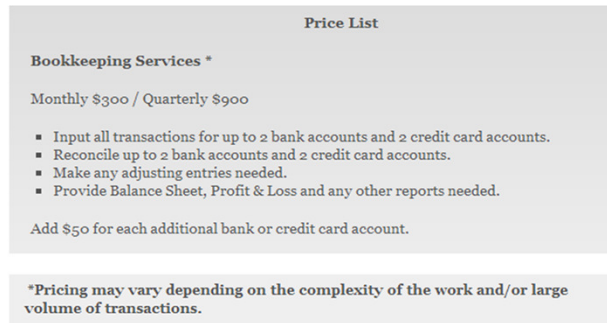
OR some people may choose to add on a 'technology fee' to cover the cost.

You can check out the details of the wholesale pricing – there is a notice at the top of QBOA or you can use this link: <http://tinyurl.com/QBOWholesale>

## Determine Price Levels

---

- Review annual fees of current clients
- Review results of billing rate survey
- Determine base price for each level with parameters



The screenshot shows a 'Price List' for 'Bookkeeping Services \*'. It lists a monthly fee of \$300 and a quarterly fee of \$900. A bulleted list of services includes: inputting transactions for up to 2 bank and 2 credit card accounts, reconciling up to 2 bank and 2 credit card accounts, making adjusting entries, and providing financial reports. An additional \$50 fee is noted for each extra bank or credit card account. A disclaimer at the bottom states that pricing may vary based on the complexity and volume of transactions.

Price List

Bookkeeping Services \*

Monthly \$300 / Quarterly \$900

- Input all transactions for up to 2 bank accounts and 2 credit card accounts.
- Reconcile up to 2 bank accounts and 2 credit card accounts.
- Make any adjusting entries needed.
- Provide Balance Sheet, Profit & Loss and any other reports needed.

Add \$50 for each additional bank or credit card account.

\*Pricing may vary depending on the complexity of the work and/or large volume of transactions.

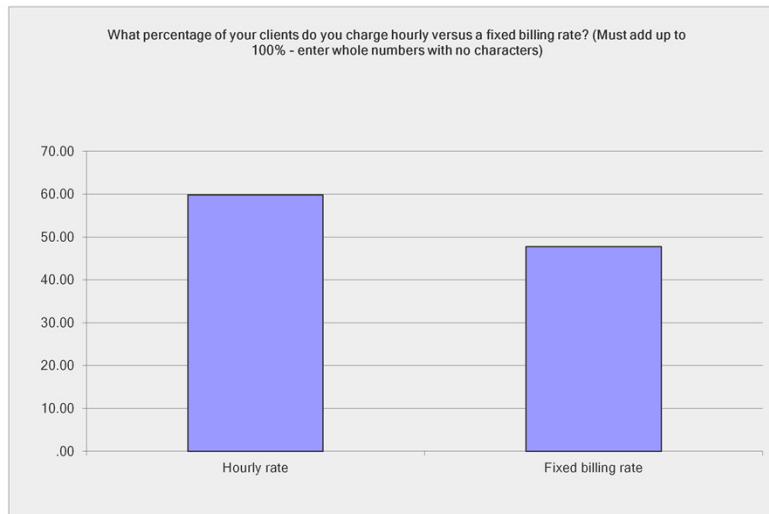
intuit

- Review annual fees of current clients -- identify some clients with fairly consistent services throughout the year. Review their annual fees & calculate a monthly amount.
- Review results of billing rate survey – get an idea of the rates others are charging <http://tinyurl.com/2013billingrates>
- Determine base price for each level with parameters.

Sample website to check out:

<http://topnotchbookkeeping.com/price-list/>

## Results of Billing Rate Survey



intuit

Trend / increase in fixed fees – more accountants and bookkeepers are moving to value pricing or fixed fees. I'm seeing this everywhere too – not just here in the US but across Canada, in London and Australia too.

## Results of Billing Rate Survey

---

### Fixed

Service		2013	2011	2009
Accounting	Average	469	319	251
	Mode	300	500	250
Payroll	Average	123		
	Mode	100		
QuickBooks Consulting	Average	220	348	279
	Mode	500	250	375

intuit

Based on the survey results, average fixed fees have increased over the years. However, over the same period, there has been a decrease in hourly rates (not shown in this image).

Again – moving to value pricing is a win – win for us and for clients.

## Identify 3 Initial Clients to Convert

---

- Regular services
- Good candidate for QuickBooks Online
- Not complex transactions
  - Not a lot of items or inventory per transaction
  - Keep business & personal separate
- Helpful to have a good relationship with them

intuit

Look at your current clients to identify 3 to start with implementing value pricing.

Look for clients with regular services throughout the year. Also, look for clients that would be a good candidate for QuickBooks Online because you get the benefit of automatic bank feeds and online access for multiple users.

Join me for a webinar on Which QuickBooks Online is Right for my Client (or look for the recording of it) and Converting Clients to QBO and What to Expect.

## Engagement Letter

---

- Clearly define services and support included in monthly fee
  - Use it as a tool to clearly communicate with client
- Identify possible add-on services
- Check with your insurance company for templates
- Include details about payments
  - Set up automated payments
- Include provision to re-evaluate on a regular basis
  - Frequency depends on growth or stability of client

intuit

Check with your insurance company for templates for engagement letters.

Clearly define services & support included in the agreement vs. add on services.

Include info about payments – set up auto payments each month.

Include provision to re-evaluate on a regular basis.

Increase prices every year.



## Summary



After attending this course you should be able to:

- **Understand** value pricing vs. hourly billing
- **Summarize** the benefits of value pricing for accountants and clients
- **Discuss** steps to implement value pricing
- **Create** packages of standard services
- **Implement** the use of wholesale pricing for QuickBooks Online
- **Determine** price levels or ranges
- **Understand** how the results from Intuit's 2013 Average Billing Rate Survey apply to value pricing
- **Identify** initial clients to convert to value pricing
- **Understand** the importance of a clearly defined engagement letter

intuit

We have come to the end of the course. Here is a summary of our learning objectives for today.