

EBOOK

Adding value to the conversation

Why value-based pricing is important to clients and how to engage them.



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Introduction to value-based pricing



Give your clients peace of mind

Unlike the traditional model of charging clients by the hour, value-based pricing sets prices based primarily on the value of the service you're providing to your clients. It's becoming an increasingly popular way to improve profitability, because you can end up generating more revenue from a client than you would by charging clients by the hour.

Clients increasingly seem to care less about how much it costs you to provide a service or what your competition is charging. Instead, they care about how much value they're receiving at a particular price.

A scenario: negotiating lower tax penalties

Calling the tax office to negotiate lower penalties on tax arrears may only take 15 minutes of your time but could save your client thousands of dollars.

Research and examples



Prepare for success

Like anything else in business, the better prepared you are, the more successful the conversation. Having a transparent discussion ensures your client understands the concept and has all the information they need to come to a mutual decision about the value of your accounting services.



Do your homework

Heading into a conversation about value-based pricing without understanding their needs and expectations is a recipe for disaster. The more you know about your client, the better. A good way to establish the fundamentals of a good relationship is to meet and find out:

- What additional services they require from you
- What kind of working relationship they're seeking (e.g. do they want basic accounting, or are they seeking advisory services as well?)
- Whether they're open to moving to a quoting arrangement before work commences (e.g. that successful call to the tax office could be quoted upfront as a \$1,000 service fee rather than an hourly charge)



Show proof of concept

Before you begin the discussion with your client, it's a good idea to do some research so you can offer examples of how value-based pricing works. Without breaching confidentiality, show them how it's worked for past clients.



Present a few options

With relevant examples in mind, offer your clients different options to choose from and help them better understand how the pricing structure works. For example:

- You can base your fees on specific criteria, such as a 2-year contract
- Quality-based services can be presented based on a silver, gold or platinum level
- Clients can pay a monthly fee which covers everything they will need
- You can quote for one-off tasks or a set fee

Staff time spent on a file is a variable cost, but staff salaries are an overhead cost that you'll incur anyway.

Conversation starters



Cover the basics

When it comes time to sit down with the client and discuss how the value-based pricing will work, there are some important areas to cover.



1. Determine business objectives

Depending on what services the client needs, and what their business does, work out a time frame to achieve their objectives.

Sample conversation:

Accountant: "I understand you want to groom your business for sale. What is your preferred timeline to sell the company?"

Client: "I'd like to be in a position to sell the business in five years for \$2 million."

Accountant: "We can design our advisory services to get you there, and price our services based on that five-year objective. It will include an annual progress review."



2. Identify pain points

All business owners have specific areas, mostly financial, where they need the most support. They're more likely to value certain services above others if they resolve particularly troublesome pain points.

Sample conversation:

Accountant: "What worries you the most right now?"

Client: "Tax arrears and penalties. I'm worried the tax office will come after me because we owe \$36,000 in back taxes plus interest and penalties."

Accountant: "For \$1,000, we will negotiate interest and penalties with the tax office, work out an affordable repayment plan, and complete required paperwork. Do you want this service?"

Client: "Yes!"



3. Discuss your services

Talk about the services you offer and decide which are most valuable to the client based on what they need now, and what they could need in the future. This is a good time to share industry examples to help the client to gain a better understanding of how value-based pricing works.

Pricing and value



Don't get stuck on a certain price

The price one client pays for a service may be different from what another client pays. Remember, each client will value your services in a unique way, so it's important to come up with a pricing grid.

Consider your colleagues

Gather feedback from people in all areas of the practice, then try to identify at least three price levels per service:

1. Reservation price: the lowest you can sell a service and still make a profit
2. Expected price: a fair margin for your practice and good value for the client
3. Ideal price: the highest price you can possibly obtain while delivering massive value to the client in terms of their business objectives and pain points.

Sample conversation:

Accountant: "To help your business obtain a \$100,000 bank loan, our advisory service fee is \$2,500." [The ideal price]

Client: "What if the bank doesn't approve our loan application? I can't afford to pay if we don't get the money."

Accountant: "I understand. How about we keep the fee at \$2,500 but support you in making up to three applications to different banks—that way our costs are covered and you get to approach two additional financial institutions if the first one rejects the application." [The expected price]

Client: "Perfect!"

Summary

Get your employees on board

It's not just your clients you need to consider when implementing value-based pricing. It's important to get your employees to buy into the new model as well, since they'll be doing the work for the clients and adding value.

Making the shift to a value-based pricing model will benefit both you and your clients. It's becoming the best and most effective way for you to improve profitability, and it also means the client pays based on the value of your expertise—not how long it takes you to perform those services.

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