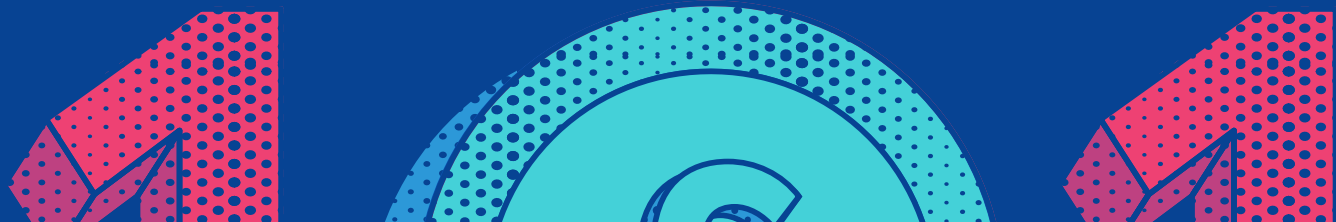


Pricing 101: A guide for accountants

Pricing models explained and top tips
for a winning pricing strategy

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Pricing 101: A guide for accountants

The timesheet, first developed by law firms in the 1950s, allowed accountants to keep a track of what to charge for their services.

But, pricing models based on time sheets and billable time are fast disappearing. Cloud technology is partly responsible: allowing accountants to offer better advice in less time, with less operational overheads.

In some instances this has resulted in the 'commodification' of compliance services, but value is not viewed the same by all clients. To derive maximum revenues, it's important to flex the pricing of services according to clients on a case by case basis.

Why pricing models have changed

The ubiquity of broadband and smart devices means that businesses are increasingly running their operations online and in the cloud, and many previously manual tasks are now automated.

For example, it used to make sense to charge for bookkeeping services by the hour, based on the number of transactions which could be manually entered by accountants in this time.

Enter cloud accounting software such as Xero and QuickBooks Online, with their application of live bank feeds, which allow for an increasing amount of bookkeeping entries to be automated.

Pricing for these services is increasingly based on how effectively automation is set up, so that as few transactions as possible are processed manually. Firms tend to charge for these services on a fixed basis, alongside statutory accounts and tax filings.

This could be in the form of a fixed fee monthly retainer (with fees made easy to collect through Direct Debit services like GoCardless).

The introduction of Making Tax Digital (MTD), is likely to accelerate this trend and increase adoption of cloud accounting, as businesses have to make their HMRC filings online.

Forward thinking accountants are embracing these changes by reinventing themselves as business advisers and offering more lucrative services such as access to finance, cash flow forecasting and business planning.

Different types of pricing

Fixed fee	Monthly retainer	Value based	Contingent
<p>Fixed fee services are easy to understand for clients, as they create certainty around liabilities. Typically fixed fees will be for one-off or annual services. This type of pricing is the most popular among small accountancy firms, with 73.7% of those surveyed in the GoCardless' 2018 Accountants Benchmarking Survey listing it as one of their pricing methods.</p>	<p>Monthly retainers typically cover ongoing services related to bookkeeping and compliance. Spreading out the associated client cost of these services over a 12 month period creates predictability around recurring revenues and certainty around cash flows.</p> <p>Offering associated services in three distinct monthly packages (i.e. basic, standard and premium), each with its own hierarchical price, may make it easier for prospective clients to choose the accounting and tax services package most appropriate to them.</p>	<p>A value based approach results in setting the price for services based on what the client is prepared to pay. While this can include fixed packages, not everyone sees the same value within a particular service offering. For example, the price that one client would be prepared to pay for their tax return may be different to another.</p> <p>This is likely to be the case for advisory-led services where clients may be prepared to pay a premium for working with professionals who have expertise within their industry, or for activities such as raising finance.</p> <p>To understand what a customer is prepared to pay, have a face to face or webcam meeting. This way you can assess what in particular they are looking for and engage them in pricing discussions.</p> <p>Quoting a client with a live price will allow you to assess whether it is something they are likely to agree to.</p> <p>Mark Wickersham FCA, author of <i>Effective Pricing For Accountants</i> says: "You have to ask the client questions to understand what they want, and what they value. Until you know what they value, you can't come up with a value-based price."</p>	<p>Contingency fees are based on taking a percentage of funds for a particular outcome. For example, this could include R&D tax credits, access to capital or debt finance.</p> <p>This can make related engagements feel risk-fee for clients, and in some instances can result in higher fee collection than by charging for time or a set cost. If you are pricing in this way, it might be worthwhile to scope out the engagement in more detail so that you have a high degree of confidence in the fee potential.</p>

Top tips for winning a pricing strategy



Make it flexible

To upsell to clients and generate additional revenues, let clients add additional, or premium services, should the circumstances of their business change. This may be attractive to early stage or high-growth businesses who may have different requirements depending on how their business develops.

Propel by Deloitte, a division of the Big 4 firm which specialises in servicing ambitious startups and small businesses, offers a monthly compliance retainer as their main package. It is also possible for clients to add advisory related bolt-on services such as investor readiness.



Bill upfront

Billing a proportion, or all fees upfront as opposed to collecting in arrears, will give you more certainty about fee collection and will also ease the cash flow of your firm. You might want to use this approach with clients that have a history of late payment.

Pricing expert Mark Wickersham FCA says: "There is no professional or legal requirement for accounting firms to give credit. We should be paid before completing the work (even better, before starting the work)."



Package it up

Creating a professional brochure (online or offline) detailing out your full service offering it is likely to enhance the perception of your firm's quality to potential clients. This will make them less price sensitive and can result in more effective conversations around value pricing.

The brochure can also act as a great crib sheet during sales conversations to make sure you articulate the full benefits of whichever services you are trying to sell. If you offer a tiered service offering make sure to clearly articulate how each of these packages delineates from the others.



Get paid

Charging for time as a fixed price and/or as a monthly retainer, as opposed to billing by the hour, makes it easier to get paid due to being able to know in advance what fees should be charged.

These fees can be collected in a hassle-free way by establishing a Direct Debit mandate from clients. Companies are already paying for a number of services (i.e. Google Apps, Salesforce, shared working spaces) via this type of arrangement so they should be open to paying for their accounting services in this way too.

Another key benefit of taking payment by Direct Debit is that this will significantly reduce the time your firm spends chasing payments.

In order to make it easier to increase fees, structure engagement letters and contracts so that they allow for fee changes to be agreed via email as opposed to issuing new written correspondence.