



IS HOURLY BILLING DRAINING YOUR COMPANY? 5 SIGNS THAT THE ANSWER IS YES

Jim's story:

"I never realized how hourly billing was hurting our company until one day a long-time client said to me "Jim, I can't believe after all this time that I have to pay for every \$!#\$# phone call."

That made me really **see** hourly billing from the client's point of view. Here was a great client who was steaming mad. And right then and there I decided to switch to IMPACT based pricing."

Jim Y. Founder and Managing Partner, CPA firm

We see the pain!

Because we've been advising advising knowledge based services firms for 20+ years about their pricing, Trivers Consulting Group knows the pain.

We're sharing those with you here. If you're seeing any of these signs in your company, we hope you'll explore replacing hourly billing with IMPACT based pricing.



SIGN #1: Our bills are too high!

You're getting objections to your invoices.

- Complaints may include objections to billing for phone calls, emails, and postage.
- Some clients may be incredulous about the number of hours billed. "How could it take you this long?"
- Other complaints may be about different rates for different people. "Why didn't you let X (whose rate is lower) do all the work?"

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SIGN #2: We can get same work for less

When a client or a prospective new client tells you that Firm ABC does the same work for a lower hourly rate you know you're being "shopped." The client either wants your firm to lower your rates, or they're letting you know why they're leaving.

Notice that their key talking point is: *"for the same work."*

You know your firm doesn't do the same work as any other firm. Knowledge services work is not a standardized product. But the clients don't think like that when they're charged by the hour.

They think "an hour is an hour, why should I pay more if I can pay less?"

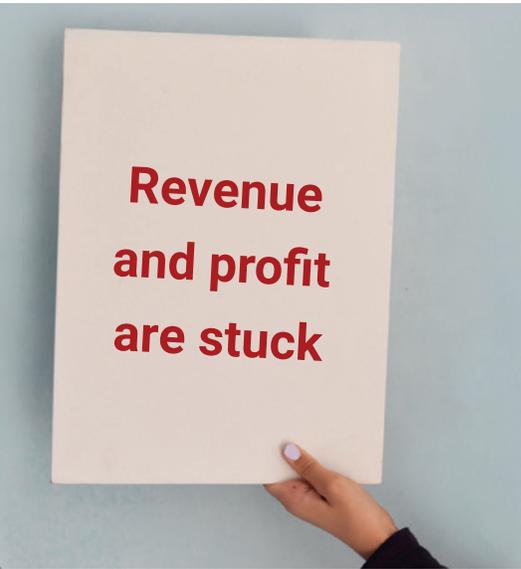


SIGN #3: You can't let go of client work.

You as the CEO (whether Founder, Owner, or Managing Partner), spend more than 10 hours per week on direct client work. You're doing tax returns, building the latest analytic tools on a website, or writing or training Dos and Don'ts for compliance related issues.

You do billable work for two reasons:

1. Your firm needs the money. You likely have the highest hourly rate, so billing for your work brings in a good chunk of revenue. You don't want to give that up.
2. You don't know what to do if you're not doing billable work. You haven't adopted the mindset that the CEO should be the chief client relationships person, developing and deepening relationships with great fit clients, learning what new needs, wants, and desires they have, and supporting others in the firm to design new offerings. All of these activities will generate far more revenue than your billable hours.



Sign #4: Revenue and profit are stuck

Hourly billing creates a concrete ceiling for revenue and profit.

Why do I say “concrete”? Because no one can create more time. And there are a limited number of billable hours in a week. So, concrete ceiling.

Even if you invoiced clients for every possible billable hour, your revenue and profit could not grow beyond the 3-5% increase you add to each hourly rate per year. Why do this? Because of the fear that you’ll price your firm out of the market. (See Sign #2)

You also know that the firm does not invoice for every possible billable hour. Admin tasks reduce billable hours. Client cancellations reduce billable hours. People are out on leave, or going to networking events, or attending professional development classes.

If you manage well, you’re likely to invoice only 75% of the total possible billable hours in your inventory.

If you want 10, 15, or 20% growth year over year, hourly billing is the concrete wall standing in your way.



Sign #5: Efficiency is reducing revenue

One of the selling points in favor of hourly billing is you can use it to improve efficiency.

What happens? You find out that efficiency—getting work done in the least possible time—reduces billable hours. Then there’s a mad scramble to increase the number of hours people can bill.

You wake up one day with a sinking feeling. After years of doing great work and nurturing relationships with clients and your staff, you realize that for several months all you’ve been thinking about is efficiency.

Relationships are deteriorating, both with clients and staff. The number of billable hours has increased (maybe to 80%) but no one is happy. There’s a competitive culture developing which was never in your vision for your firm. Clients notice both the speed and the push for hours and begin to ask what’s going on.

The increase in billable hours makes you worried, not happy. You’ve lost something important in your effort to increase efficiency. Is it worth it?

IMPACT Based Pricing Brings Welcome Relief

Pricing your services in proportion to the life changing IMPACT you deliver is the salve that heals the wounds. IMPACT based pricing is not a bandaid, it is a healing solution that relieves all the pain and suffering of hourly billing.

What's Your Next Step?

- Read the three emails coming your way in the next several days. They will show you how to take steps to cure these ills.
- Ask questions! Hit Reply to this or any of the next three emails and ask your question. I'll answer within 24 hours.

We have the solutions to relieve your suffering. Make some time to learn what they are because you can eliminate the wounds caused by hourly billing.

When you're ready, let us help your firm price for success.

Warm regards,

Susan

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