

Service Providers' Guide to Setting Fees

What exactly is the right price for my service? What is the price at which my business will attract the most clients AND produce the highest profit? Effective pricing requires marketing, financial and business thinking.

This is way too important to leave to guess work or a gut feeling. It is important to realize that "You are not your client" so what feels right to you may have no relevance to your target client market.

Financial Thinking

All fee setting must hinge around four critical areas:

1. **Expected salary level** - What is your financial need for a comfortable life?
2. **Amount of billable time to be expected** - How many days per year do you plan to work? Be sure to consider holidays, vacation time, sick time, and mental health time.
3. **Overhead costs associated with the business** - Consider both physical factors like rent and telephone as well as non-physical items such as professional insurance, licenses, memberships and professional development.
4. **Realistic profit margin** - These are the dollars that you invest in business expansion, vacations and/or your retirement.

Method for Calculating Fees:

Desired Annual Salary	\$
Annual Benefit/Insurance Costs	\$
Annual Overhead Costs:	
Office rent/expense	\$
Telephone	\$
Printing/Stationery	\$
Equipment Leases	\$
Equipment Depreciation	\$
Professional Fees	\$
Support Staff Costs	\$
Liability Insurance	\$

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Office Insurance	\$
Publications/Books	\$
Conferences/Associations	\$
Other Items	\$
Subtotal	\$ \$
Annual Marketing Costs	\$
Total of All Costs Incurred	\$
Expected Profit as a % of Costs	\$
Total Annual Billings Required =	\$
Minimum Number of Chargeable Days Expected:	
Maximum Number of Chargeable Days Expected:	
Daily Rate to be \$	per Diem
Hourly Rate to be \$	based upon 6 hour chargeable day.

Method for Testing Fees – Is it doable?

$$\frac{\text{Take home need (per annum)} + 30\%}{\text{Fee per session}} = \text{Number of sessions required to do so}$$

$$\frac{\text{Number of sessions per annum}}{\text{Number of months to be worked}} = \text{number of sessions per month}$$

$$\frac{\text{Number of sessions per month}}{\text{Number of days/mo worked}} = \text{number of sessions per day}$$

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Marketing Thinking

Some factors to consider:

1. Your skill level and experience - If you are new to the business, it might make sense to charge on the lower side until you have become efficient. However, if you are very skilled and experienced do not undersell yourself. Don't work cheap, but work free if there are advantages!
2. Who is your competition? - Are there others providing a similar service in the same geographic area?
3. What your competition charges - It is important to be aware of the going rate so that your fee is in the right ball park.
4. Will you charge by the hour, by the session, by the project, by the outcome? - Generally it is preferable to not charge by the hour. This practice encourages clients to nit-pick.
5. Will you include discounts, sliding scales, etc.? You may wish to gear your fees to specific niches (seniors' fee for example)
6. Who are your clients? What pains do they experience? Are you meeting a need or a want? Is your service considered a luxury or a basic need?
7. How will you alleviate their pains? What will your client receive? How will their life or business be improved by your service?
8. How will you differ from your competition? How will you stand out from the crowd?

Business Thinking

1. What percentage of your time will you devote to direct client work as opposed to administration and marketing?
2. What parts of business do you enjoy and which parts do you dislike?
3. What parts of your business will you delegate to other contractors or employees?