

Jennifer Navarrete: Welcome to the show that shares insights into how you can Build Your Business Once with hosts Sherry Lowry, and Jennifer Navarrete.

Welcome to the show, my name is Jennifer Navarrete, and with me is Sherry Lowry who is sharing her 20-plus years in business knowledge of how to Build Your Business Once. Now this week we are really talking about the nuts and bolts of the financial and the contracting, agreement, and pricing of your business. A lot of times these are the pieces that make folks cringe a little bit. They get a little nervous. They are not quite sure how to prepare everything.

So this is the reason we are focusing on that this week. On yesterday's show, Sherry talked about how you can develop that mindset of contracts and agreements, and how you can say this is what I am willing to do, and this is the time I am willing to do it. And, how to take your prospective Client on that journey with you.

The fun piece to this as well, as it is a journey, is it is not a "you or them" thing, and it is not only this way or that way. No, you are going to go on it together. The things they are willing to do and you are willing to do and vice versa, by having that collaborative conversation as far as contracts will go, agreements will then go. It really does make for a better working relationship.

One of the pieces of that Sherry shared with us is you want to be able to go from this as the process, so you can slow them down. You don't want them to go so fast they are not able to follow along. If they are in a rush to get started working, you need to slow them down. The reason being, if we don't set the expectation for them, they will not be able to follow along and we will be at cross-purposes.

The best way for that to happen is to do it in a collaborative manner.

On today's show, we will be talking about the next phase, which involves rates and fees, setting, changing, raising, bartering.

Sherry, when we talk about setting rates, one of the things that can happen is sometimes we tend to under-price ourselves, sometimes we over-price ourselves. That is one thing to figure out: what is something that is acceptable to the marketplace, what is acceptable to your Client? Then once you set those fees, some of the challenges can be: this is what it has been for the past year, the past two or three years, and now, of course things have changed. I am

offering more services, providing more services, and the economy has changed, I need to raise that up.

A lot of times that is an awkward conversation to have when we do that. Then the last thing we will discuss is bartering. When can you exchange the value of services with one another. So, Sherry, dive right in.

Sherry Lowry: Just like I am big on co-drafting agreements and coming to those conclusions together, I am also big on you having an established range of compensations and exchanges for your services, but at the same time there is flex within that – but there is a bottom and a top for you.

This is based on your comfort zone, what you do feel your value of deliverable actually is, something you have a track record in doing. We will talk about what it is going to be about changing or raising rates in just a second, but let's set them first. You may reference market research, what the competition is, what your depth of experience is, what your experience in delivery and application is.

Your work, along with mine, Jennifer, needs to be working based on some protocols – industry standards – some best practices and all of that. But, at the same time, most of the value of our work when we deliver it is in the ability to have that customized, and applicable to the specific and unique situations of our Clients.

We will talk about that today. I like to get all of that worked out in preliminary, no-charge, verbal exchanges, ideally face to face, but if that is not possible, the phone works for that, or Skype, or Zoom, or some way to be interactive together and co-responsive a well.

Thinking about that, like right now if I were to quote a rate or fee, let's say for an individual who has been corporate, and is exiting corporate with some benefits and with some bonus reserve, possibly some on-going investment in the corporation they are leaving. So, they have some fiscal stability. BUT, They have never been in a business of their own, so they consider themselves a start-up even if they are experienced in their industry.

I may give them some idea about what the rate range is, what I would charge to work with them to get established with some lee-way and flex, but giving them

some choice and letting them permit me to place them in a comfort zone of that range. What I would like to quote ideally will be is just a little bit of a stretch for them, where they actually know they are buying something and they have quite a bit of work on their end to get the most out of it, but at the same time it is not sticker-shock for them.

JN: It is like there is an investment, they need to see it as investment in their business, and if they see it as an investment, they will spend the time that it takes to make sure it works.

SL: Exactly. Then for the people establishing all this and who don't yet have their own kind of way coming about this now, just making changes and tweaks as their business evolves. As you re-customize, or pivot, or adjust there are three basic billing or revenue models I am comfortable with as an entrepreneur owner working with owners, founders, who do get to have some choice and decision-making to do around this.

One is the hourly, time or clock-based, exchange of value and talent for time. There are people who are really confident and comfortable about that.

I found that particular approach binding for me because in my case I do have a bit of field experience, and personal experience in the business of business generally, and the business I am now in, specifically. I found I can often deliver more value in 30 minutes than customarily can be delivered in a couple of hours. Then I also don't want to be limited if something is going well and we have open-ended time to keep a session say at 50 minutes or an hour, whatever the rate is, if we are on a roll and it doesn't make sense to stop that at the end of the ticking clock-time. I don't want that to cost a Client more by billing "by the minute."

The first billing model people have to come to the conclusion that what really does serve them best possibly because of the predictability of it. For another, If not all of this is that predictable to them, they still have a lot they are learning about it, they may be more comfortable, instead, in establishing what the value is of what they do deliver based on their experience, based on accessibility, custom applied to unique situations and applications of other people.

That can be on retainer, because you already have enough figured out you know you will not be losing money, and will not be outrageously over-charging, with

some kind of flat fee. Retainers often are either by the month, quarter, year, as the people who get more experienced in business with you, both Client and Provider often get very comfortable with that as well.

There is no ticking meter running in the same sense if you may have set the number of times you have appointments, each month, each quarter, and the approximate durations, but they are not limited in the way the clock-based model may be.

The third way is probably the way you have most often chosen, Jennifer. This is by the project or stage of the deliverable, or phase in terms of the early part of the project VS when the technology gets extremely involved. It is more about process with the kinds of things you differentiate with and then with implementation or deliverable at your end. Sometimes these are being more weighted at your end, or based on what your Client brings in, or a mix of both. That might be for you mixed and parceled out process.

Is there anything you would like to add, change or correct, Jennifer?

JN: I think you are right, it does sort of depend on the project, and I also give a range, and it also depends on the Client what their range of stuff. Are we looking at a start-up with a lot of hands on needed, and what am I willing to do, what are they willing to do?

I have Clients that want me to do everything; they do not want to lift their fingers to do anything. They want me to give them their logos, like here, this is everything, make it, run with it.

Then there are the “point us in the right direction” interests for others.

I am more of a project-based person, not an hourly person unless it is deliverables that are hourly, for example with five contractors charging me hourly for what they are doing and I pass that along to the Client.

I do prefer the project-based model, and some times I do have a monthly fee included in that, because that includes my contributions and management of the project. Regardless of how many times we do conference calls, or how many times we email back and forth, the launch of their project is the key, and there is a deadline for that. What does it take to meet that is most important, and if I had

to charge them for every single time I spent doing their work, it would be unreasonable. Plus, my business personality doesn't flow that way.

I am more comfortable with the project model.

SL: That makes sense to me, if there is a product involved, and I have found in most of my Client-cases who have product lines, and I have had product lines in the past, that you have to be thinking at least three times your overhead and cost of what your actual are. Put the project together, package it, deliver it, ship it, installing, if it is not three times to seven times what your actual outlay of expenses to get to that point is, you are probably not going to be making money. You also need to take into consideration, = the value of your time and experience, and add that in and still keep the whole thing not outrageous for the public market.

So, whatever the marketing is going to dictate, whatever the sale is going to dictate, including advertising, packaging, sales cost, delivery costs, implementation or installation, all that needs to be figured out. I think a lot of people try to do a rule-of-thumb kind of thing, and get burned on that and don't know it 'til their product line is not making money. I almost always refer that work when it is going to be heavily needful of ratios and actuals and that kind of thing to a person who does that type of pricing for a living.

If it is a Client of mine I am referring, and we are likely to keep working together, I would probably bring that person in as a consultant for them, or connect them to that.

So, this could lead us to say we have our fees and rates established, we realize that our overhead is changing or the demand on our services and time is changing, and it is time to change or raise our rate. How do you know that time has come, Jennifer?

JN: I have to say it has to do with the complexities of the project. As long as I have been in business, the complexities of a project that come my way and interest me in that they are that – they are complex. They are multi-level, multi-tiered, different dates, different phases, because that is the case, those projects require more of a cost than some I would do a few years ago that were like simpler. Those were more like help me set up my Twitter account and feed, or

Facebook, or Linked-In stuff for my business who are small Entrepreneurs. I would say as my business structures and complexity of it has grown, so have my rate structures and project fees.

SL: I agree with all of that, and also learned over time to trust the body for cues. My body will nudge me when I am starting to feel uncomfortable with something, or start to be too crammed in and have too many things need to be done in a high state of order and deliverable. I kind of trust that. That also can apply when I am having a pricing conversation, and setting fees are that. You can emphasize going into something like a pilot experience agreement rather than a longer or more involved project if and when your body may signal to try this out first. But you can also make decisions that make you miserable because there are too many unknowns in the beginning and you don't pay attention to when you start to sense that possibility.

With pricing, I have found as the first \$-deposit after the engagement solidifies, that actually solves a great deal of the feeling of a new stretch, but doesn't do a lot for misery. So, if you really misjudged the deal and begin to have project creep, and scope starts to change after you get into it, you need to ask to re-negotiate. You begin to develop a sense of when that potential is there or likely to happen. That is when I make our agreement to be more than a pilot run, and re-negotiate or decide at the end of that to see if we, both of us, want to continue with it in the way we have gotten going. It does not create sticker-shock for anybody, it let's everybody ease into the rhythm of what their responsibilities are, it clarifies what your responsibilities are, what the billing process is going to be like, the cost is going to be like, how comfortable everybody is with that. It has become really handy for me.

If I am going to quote a rate that is different than my usual rate, I also want to pre-prepare that Client or audience for what my customary range would be for that as well.

There are times when I come off a rate simply because it would make it possible for the other person and would give us a chance to start. But if it is not what will be the standard going forward for referrals for them, I want to educate them right up front.

I also have a couple of things you already referenced I will pull back in here. Part of my rudiments of what my quotes are built upon, like you, will be frequency of meetings, but also, the duration of them. There is not this sense of a ticking meter with either of us. AND, Not the trouble of keeping up with it all for me, nor the building expense sense for them.

In my case, and I think you do this as well, I have an on-going access as all my Clients tend to be mostly willing, thoughtful people. They are not calling me in the middle of the night, and very infrequently call me other than during the workweek. If I hear from them, I know there is a good reason. They are taking their end seriously, and I want to be accessible for that.

I have found it is a lot easier to keep things on-track if something comes up than it is to get things back on-track later, after something at their own end maybe got more complicated. I actually started that “on-call” thing for my convenience, and my sense of real security around that is to know we were making progress together.

In my case, sharing resources includes sharing connections that I may have, including making introductions, I don’t charge anything for that. I also have several industries I contract for I don’t put profit on top of their rate.

There are other contractors where I need to work closely with them to coordinate with the Client, and in that case I do have a rate on top of their rate, but like you I track all that to be inclusive and transparent in the billing, in advance.

So, what I find in the “on-call,” it is like the insurance business, aprox 15% to 20% of Clients may use but use this reasonably but appropriately as a periodic on-call service. That is about one out of five Clients I actually hear from between sessions unless there is some special thing happening when we did not expect changes. Or, it can be triggered by good surprises, or waiting for good things that happen and they want to tell me about before our next scheduled meeting – AND I do want to hear in whatever case.

So, in that case, I always make the commitment to try to get back to them quickly, and the time we will spend together is going to be about present time stuff and will take from 5 to 15 minutes. If it runs over that, I don’t really keep a meter on

that, but we both know when it is time to move up our formal appointment time we have set for the future.

Or, to go ahead if we have time right now and try to do some kind of fair, additional billable type thing. That is rare in my case, by the way.

I don't know how you handle that, but assure you have learned over time that you need to do this, Jennifer.

JN: Absolutely, also talking to people in your field about some of the things that they have used and have been helpful as to some of the things to avoid, which is why this show has been so helpful. So, Sherry, the next phase we are talking about is bartering, this is a thing both parties need to know the value, what they can offer one another.

SL: That is right, well, I have a couple of kind of standard protocols around that. The first rule of the day for me is I don't do barter with people I would not legitimately hire. Often for me if someone shows up who has something to offer that is valuable to me and I can use, but may not be as timely as something else, I might not hire him or her then, but they may be on my short-list for the future.

In that case, if I can do an equal barter with them, but put my part of collecting on that on hold 'til later, I may do that. Otherwise, it is an on-going exchange at a specific rate we came to agreement on that is representative of the value of what the other person will put in from their perspective, and the value of what I will be putting in from my perspective. That is actually that I bill that, they bill that, something is legitimately on the books, it can show up in the accounting in that way, and it is on the up and up in all ways accounting-wise.

Another factor or standard for how I do barter is I really would be willing to refer this person without exception, and often will in the future. Another may be when it is time for me to do my fieldwork, or for them to do their fieldwork, we both commit up-front we will take it seriously and do the work. This may be better stated – is we have credit with each other “in the bank” – reciprocally, that we can tap accordingly when the need arises. Of course, these you only do with highly trusted colleagues, at least in my case.

Rates & Fees –Setting & Changing

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My Achilles heel, and I had to learn this as well, I may not ever collect on my end if things change and it went well for them or does not continue to be crucial for me. I have standing credits with people some times going on for years.

I am not too comfortable with that, but that is a full-confession type of thing. Barter is not the thing I do best, and I do some degree of it. I don't make a regular practice of it.

JN: That is good to know, I also think you can do an exchange of services as a form of barter if you are each providing something to one another. So, Sherry, thanks so much for another great show. If you are here I hope you are getting your pens or pencils out, or your fingers are flying fast and furious over your keyboards, to get all these gold nuggets from Sherry.

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