

The Liberated Practice

Accountancy in
the Age of Digital
Transformation

WOODARDTM

qb intuit
quickbooks



Session 6: Liberating Your Practice through Strategic Pricing

Learning Objectives

- The Value Concept and the Impact on Your Pricing Strategy
- A Value-Infused Pricing Model to Maximize Pricing with Clients and Prospects
- Leading Clients and Prospects to Accept Your New Pricing Model



About the Presenter

- 25+ Years of Experiencing Running a Consulting and Bookkeeping Practice
- Host, Scaling New Heights® Conference
- Top 100 Most Influential People in Accounting Award Winner – as recognized by *Accounting Today*
- Published author in *The Journal of Accountancy*, *CPA Practice Advisor*, *AccountingWEB*, *McGraw Hill*, *The Firm of the Future*, *Insightful Accountant* and *The Woodard Report*
- Career trainer to over 150,000 accounting professionals
- 20+ year contracted trainer and author for Intuit



Joe Woodard, CEO
Woodard™

Section 1

The Value Concept and the
Impact on Your Pricing Strategy



The Value Proposition

A business does not exist to be efficient;
rather, it exists in order to create wealth for
its customers.



The wealth **must** be greater than what
the customer is willing to pay.



The value of the “wealth” is made **only**
by the customer

The Value Proposition

There Are Only Two Wealth Generators

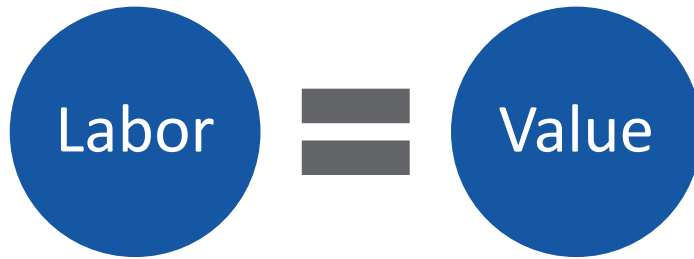
How You Make Me Feel (Emotional)

-  Therapists
-  Entertainers
-  Recreation Providers
-  Illegal Drugs
-  Etc.

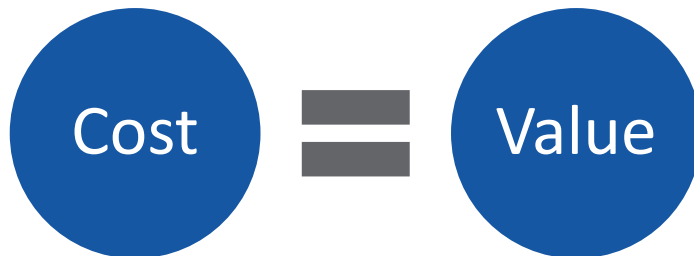
How You Solve My Problem

-  Therapists
-  Professionals
-  Service Workers
-  Executioners
-  Etc.

Challenging the Labor and Cost Models

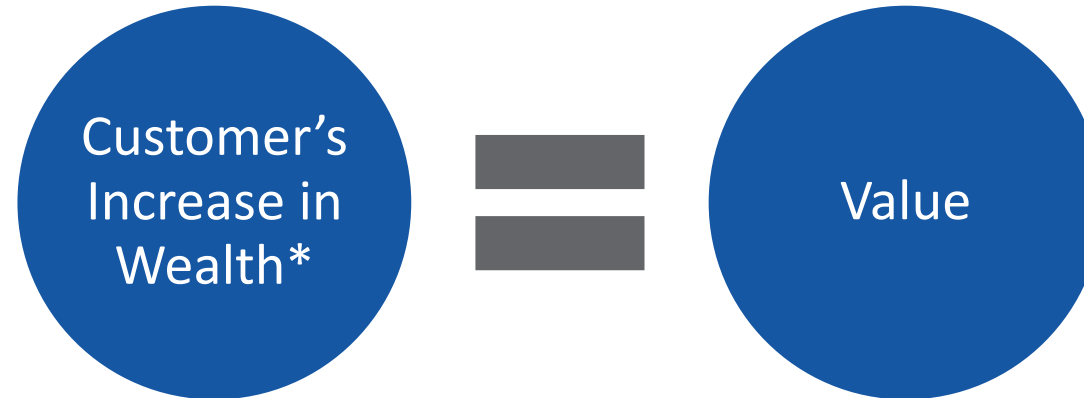


“Pearls are valuable not because people dive for them. People dive for them because they are valuable.” – Ron Baker



“The job of financial management is not to insist that prices recover costs. It is to insist that costs are incurred only to make products that can be priced profitably given their value to customers.” – Ron Baker

Challenging the Labor and Cost Models

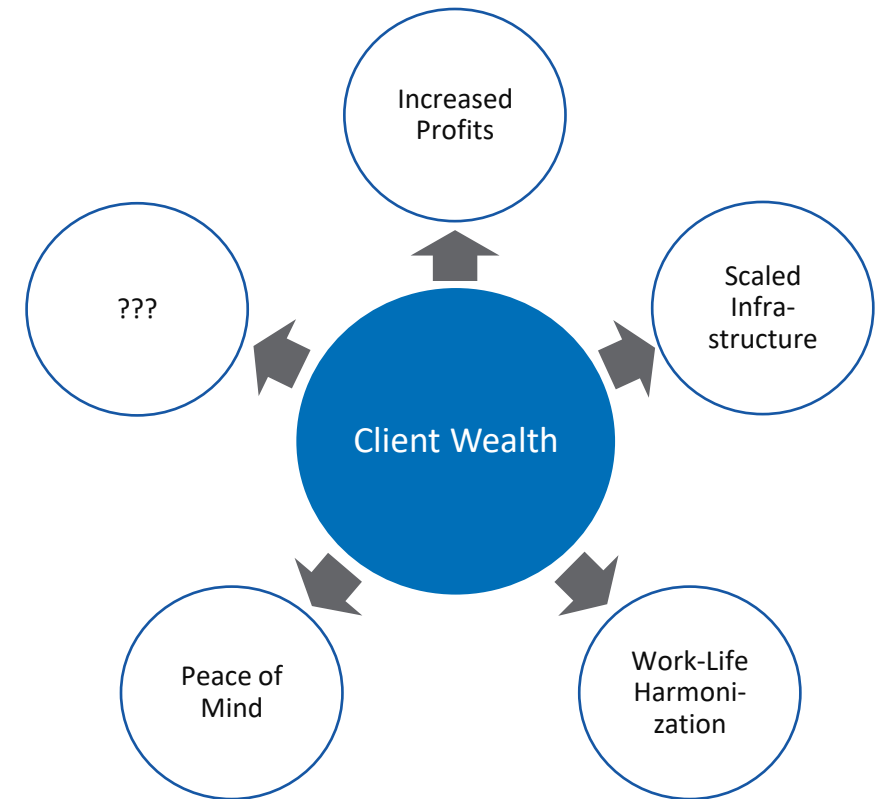


*Wealth is not necessarily (perhaps not even essentially) monetary.

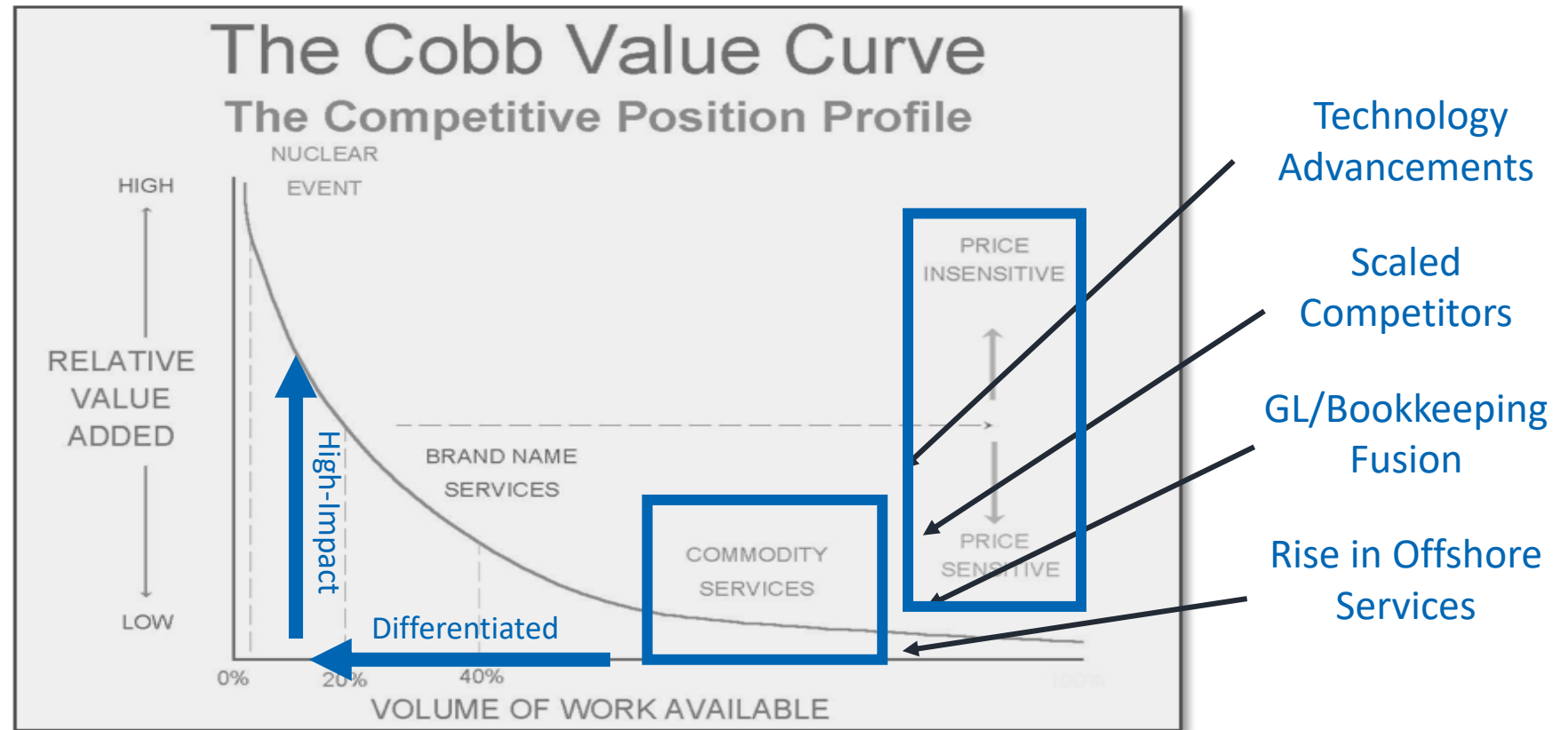
Challenging the Labor and Cost Models



“When you understand that accountants change lives, how on earth could you charge for that in 6-minute units.”
- Paul Dunn



Differentiation and Value – The Connection

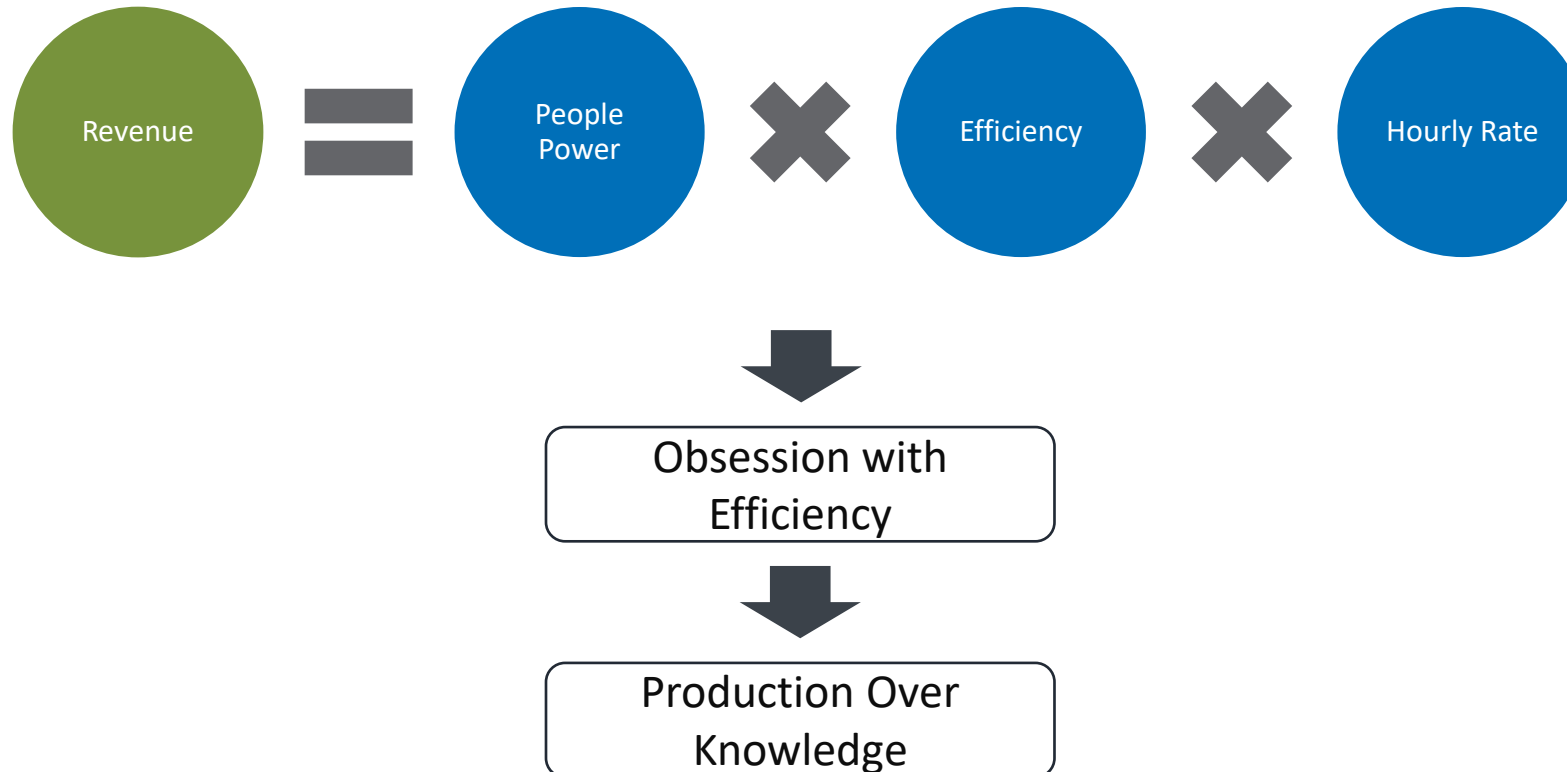


Poll

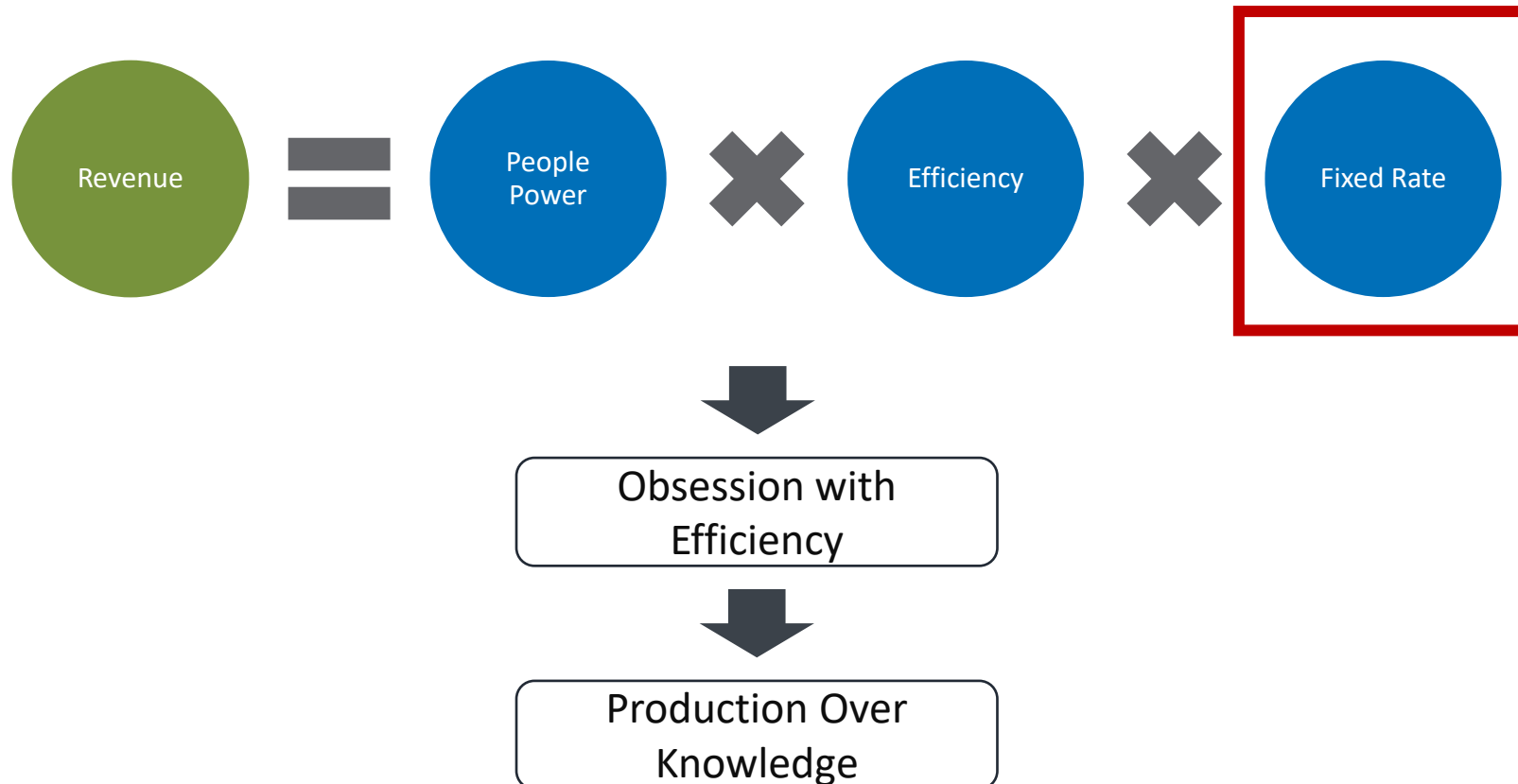
I *currently and formally* offer differentiated services that are not typical of my peers (e.g., other bookkeepers, accountants, and/or tax preparers).



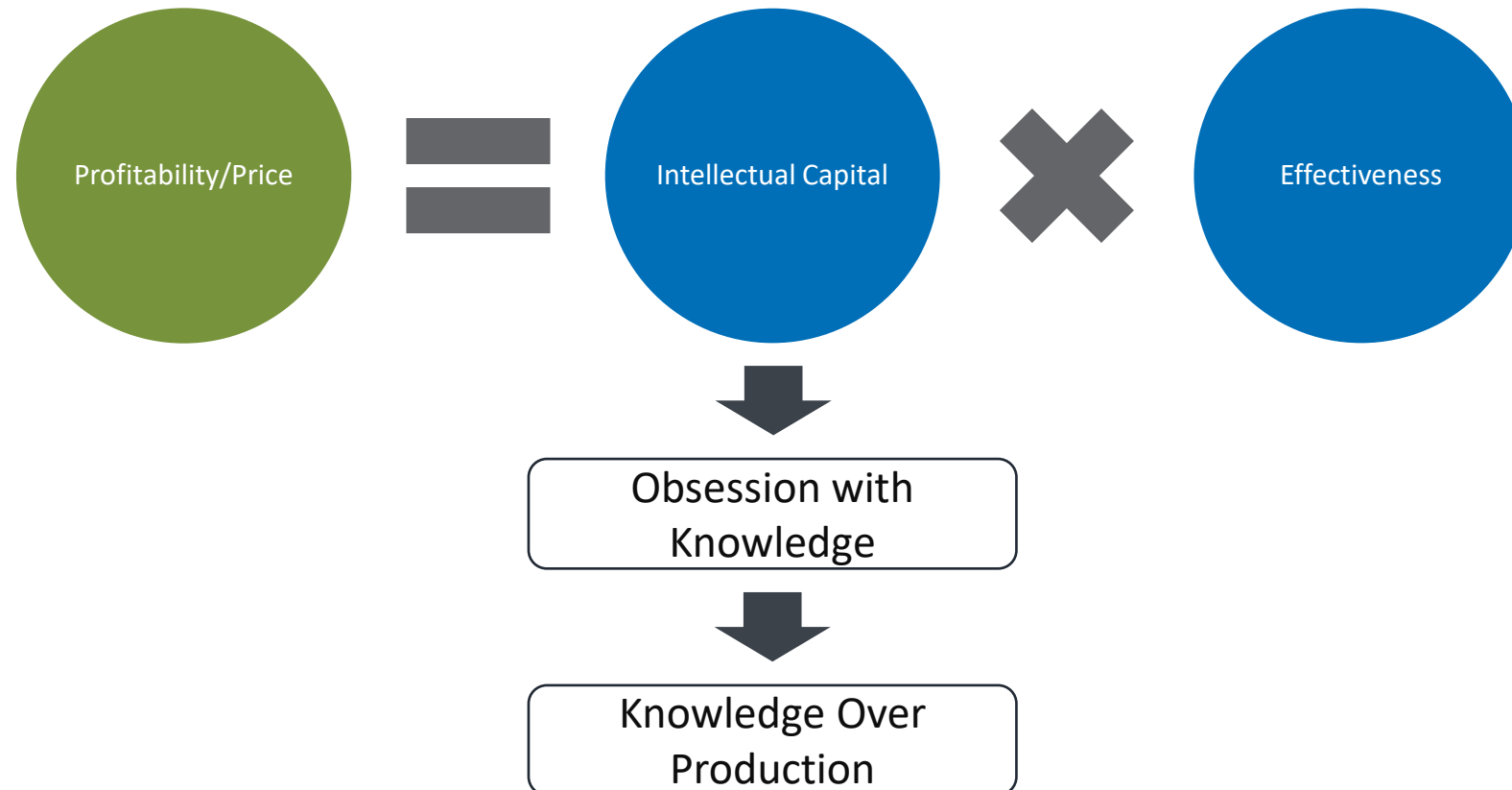
The Wrong Practice Equation



The *Still* Wrong Practice Equation



The Correct – Value Based – Practice Equation



Knowledge Work vs. Service Work



Labor Category



Professional Category

Knowledge Work vs. Service Work



Labor Category



Professional Category

Knowledge Work vs. Service Work



The outcomes you state as part of your knowledge work become your brand promise. Companies that excel, consistently (but imperfectly) keep their brand promise.

Value Focuses on Outcomes, Not Effort

Production Over
Knowledge



Time and Billings As
Key Measurements

“The timesheet...is not an accurate measurement of the results and wealth knowledge workers create for their customers.”

- Ron Baker

Knowledge Over
Production



Effectiveness as Key
Measurements

“You are looking for KPIs that will measure and reward results over activities, output over input, performance over methodology, responsibilities over procedures, and effectiveness over efficiency.”

- Ron Baker

Determining Price Based on Value

1. **Conduct a needs analysis** (i.e., discovery engagement) to determine the scope of the work to be performed.
 - a) Conduct this discovery engagement at a fixed fee
 - b) Present the client with a report of your findings
2. Using the needs analysis report, **determine what services you need to perform**, the **value of the outcome** and the **estimated cost to provide those services (the latter as a management consideration)**, and **clearly define the scope**. Services will be either:
 - a) A onetime engagement (e.g., QuickBooks clean up, amended tax returns, sales tax notice handling, etc.) → Set a fixed fee price
 - b) A cyclical engagement (e.g., bookkeeping services, income tax preparation, assurance services, etc.) → Set a fixed fee price. Note: Some levels of this pricing may be standardized throughout your firm → Pricing Tiers
3. **Determine the price** using the discovery engagement to drive a value-infused, Cobb value-curve-driven price. Confirm the price meets your minimum profit margin requirements.
4. **Adjust pricing** as follows:
 - a) Monitor scope and issue a change order for anything outside of scope
 - b) Increase fees annually and arbitrarily by at least 10%
 - c) Perpetually upsell the scope of the engagement

Section 2

A Value-Infused Pricing Model to
Maximize Pricing with Clients
and Prospects



Strategies for Tiered Pricing

- Monitor scope dutifully and issue change orders without hesitation
 - Tip: Use e-signature for change orders
 - Tip: Include payment authorization on the change order
- Use a-la-carte pricing to upsell incrementally between tiers
- Fixed pricing doesn't mean permanent pricing. Adjust pricing annually and arbitrarily
- Have a plan to transition as many of your clients as possible to subscription pricing
- When necessary, build custom packages for your clients
- Use a "Pick 1" or "Pick 2" approach to accommodate different types of clients into your fixed tiers



Three Tiers of Bookkeeping/CAS

Product: **Compilation** at 12
Times per Year Two Weeks
After the Fact

Tier 1:

- Monthly Record Keeping with Monthly Close
- Recording Adjusting Entries
- Monthly YE Closes
- Monthly Q&A about Financial Reports

Product: **Visibility, Analysis, and Actionable Information** →
Savings/Journey Protection

Tier 2:

- **Real Time Record Keeping**
 - Upgrade: Sales Tax Calc and Filing*
 - Upgrade: Payroll Processing, Filing
 - Upgrade: Payables Processing
 - Upgrade: Full Back Office Outsourcing
- **Semi-Monthly Q&A about Financial Reports**
- **Pick One**
 - Cash Flow Projections
 - AR Monitoring and Bad Debt Expense Mitigation
 - Financial Measurements
 - Budget Curation and Spending Controls
 - Fixed Asset Management

Business Transformation

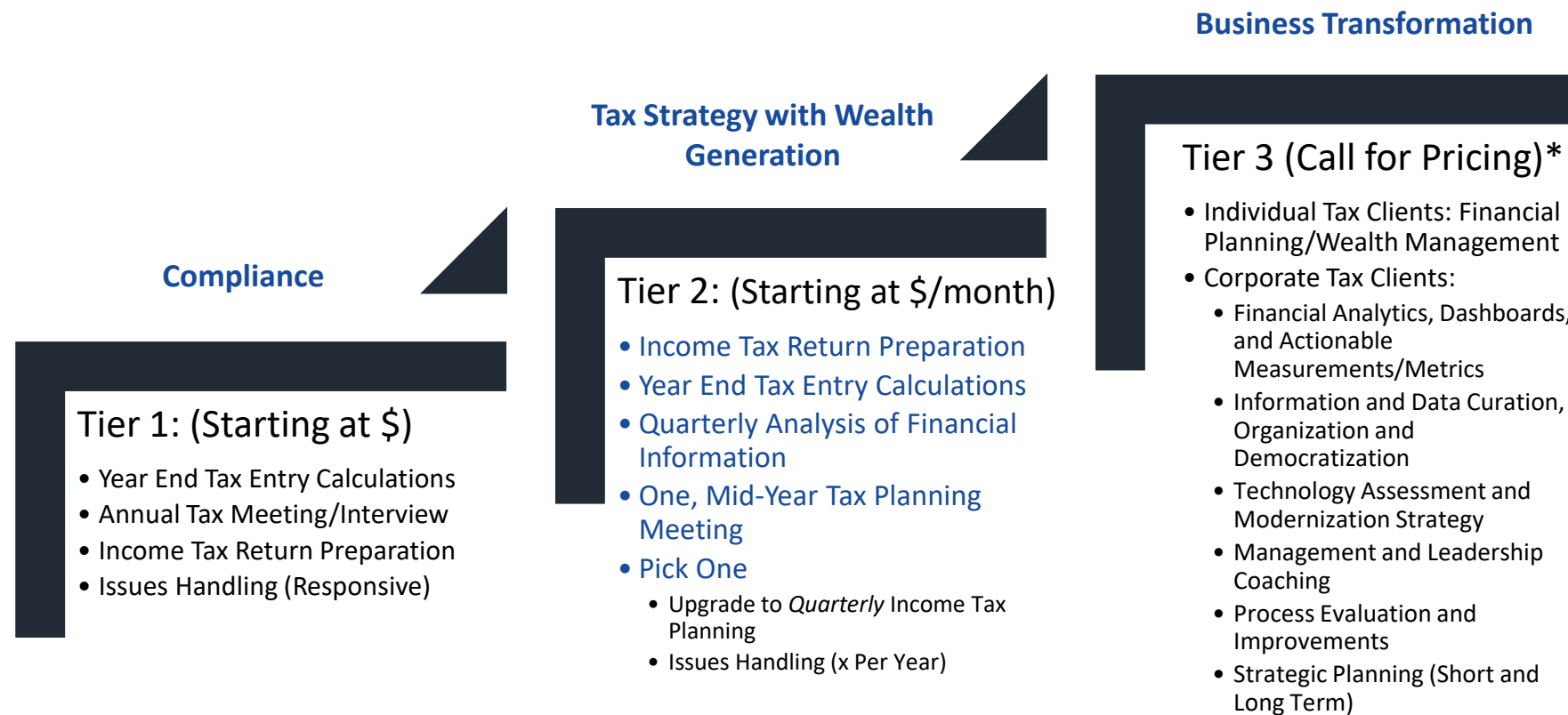
Tier 3

- Financial Analytics, Dashboards, and Actionable Measurements/Metrics
- Information and Data Curation, Organization and Democratization
- Technology Assessment and Modernization Strategy
- Management and Leadership Coaching
- Process Evaluation and Improvements
- Strategic Planning (Short and Long Term)

Note: Tier 2 requires no formal financial analysis experience or certifications
Note: Tier 3 could be Full Back Office Outsourcing.

* When offering sales tax calculation and filing, we strongly recommend access to a sales tax representation and compliance expert

Three Tiers of Tax Preparation



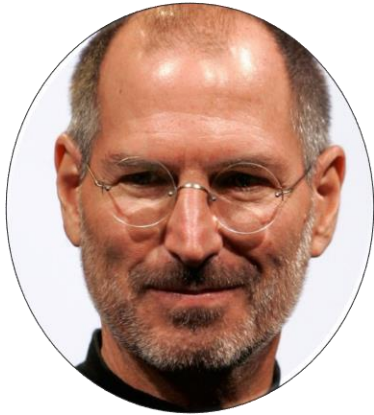
*Pricing is monthly and includes everything in Tier 2

Section 3

Leading Clients and Prospects
to Accept Your New Pricing
Model



Communicating Value to the Visionary Client



- Operating in active mode
- Operating in idle mode
- Hyperlinking
- Chasing shiny objects
- Highly relative (will entertain incompatible notions for extended periods of time)



Rushes in where angels fear to tread.

Communicating Value to the Operator Client



- Idle mode...What is an idle mode?
- Tendency to overcommit
- Dump rather than delegate
- Black and white (with actions)
- Success is measured based on three key measurement points:
 1. Getting the task done,
 2. Getting the task done, and...
 3. Getting the task done

Protects the visionary's fearless journey.

Communicating Value to the Operator Client



- Idle mode...What is an idle mode?
- Tendency to overcommit
- Dump rather than delegate
- Black and white (with actions)
- Success is measured based on three key measurement points:
 1. Getting the task done,
 2. Getting the task done, and...
 3. Getting the task done

Protects the visionary's fearless journey.

Communicating Value to the Processor Client

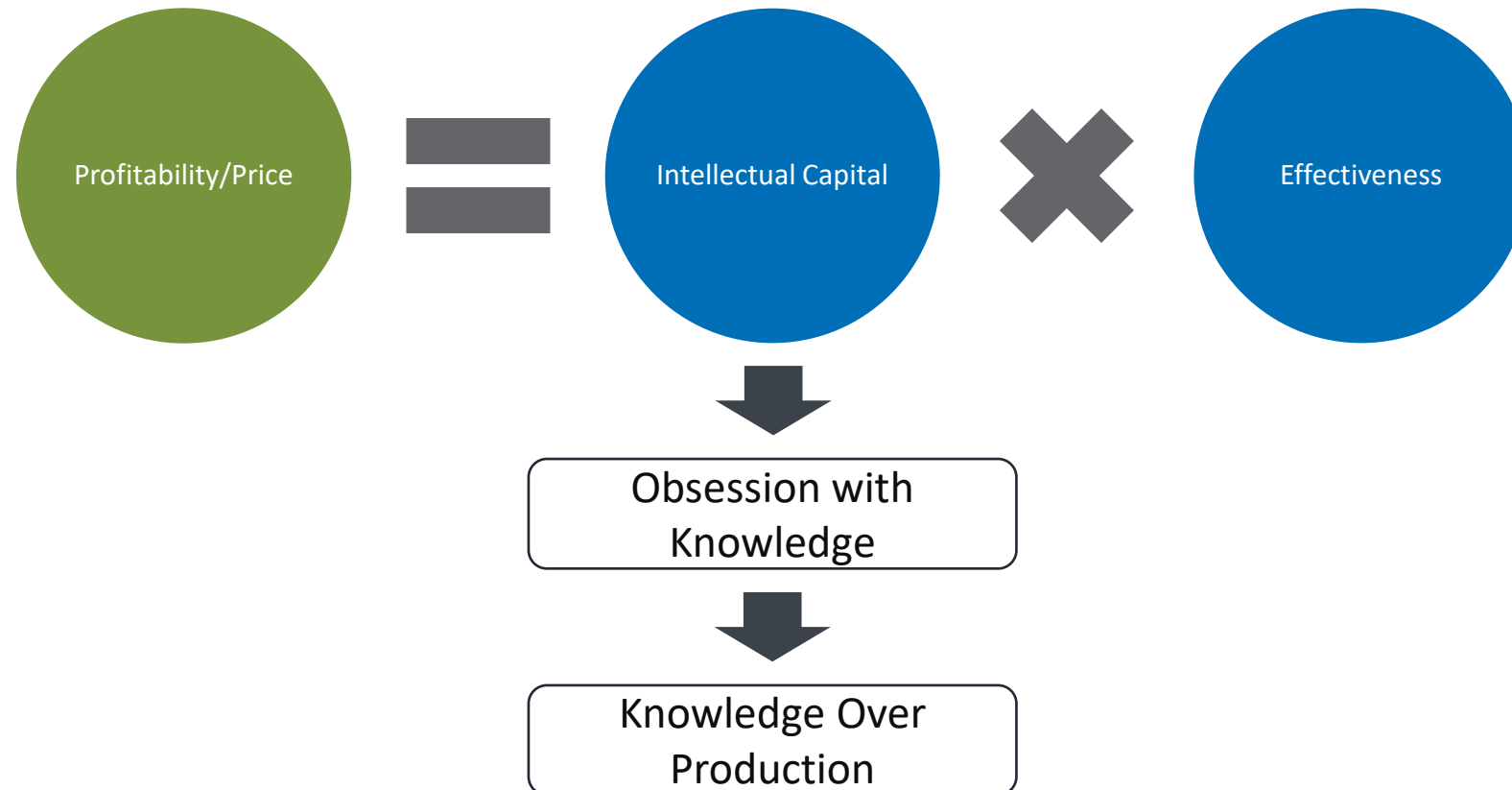


Disney

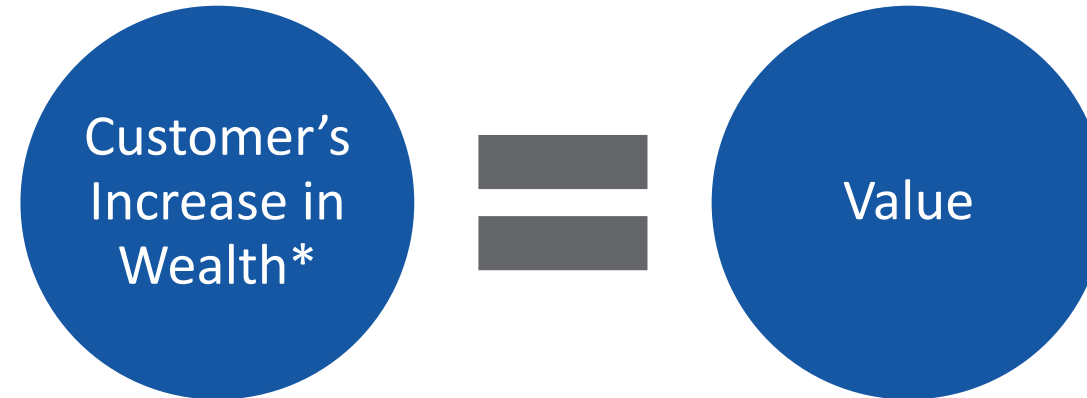
- Chaos = Cripple
- Risk averse
- Data driven
- Black and white (with information and interpretation)
- Function trumps form (... or in the extreme function dictates form)

Creates maps, paves roads, and creates a requisition process for the angels to have a safe journey in the future

Apply the Correct Practice Equation



Remember the Value Equation



Use the assessment phase to determine the value you will generate!

The Outcome-Driven Pricing Conversation

Focus on the Return on Investment

Present a formula for value calculation with sample data showing a return on investment of at least 2-3 times the price you quote to the client.

The client will likely challenge the numbers, but almost never the formula but at the end of the negotiation, you can get the engagement even if there is no multiplier.

Get the client to think...at a minimum: “Engaging with this adviser will not generate a net cost for my company.”

What Comes Next?

- Parts 7-8 of the Series will Take Place over the Coming Weeks
- Watch Your Emails for Updates on Dates and Times of Future Segments in the Series
- Bookmark the page www.woodard.com/liberated_practice_series
 - Handouts from Each Segments Presentation
 - Q&A from Question-and-Answer Segments
 - Polling Data (Anonymous and in Aggregate)
 - Links to Resources Mentioned in the Series



The Liberated Practice

Accountancy in
the Age of Digital
Transformation

WOODARD[™]

qb intuit
quickbooks

