

# Contracts, Pricing And Getting Paid For Service Companies And Consultants

Setting your fees, writing contracts and getting paid are the crucial elements to creating profitability in consultancies and service businesses. You are selling an intangible, an unknown – your expertise. Yes, you were referred in; yes, you have testimonials posted on your website (don't you?), and yes, you nailed the introductory meeting.

But now the real stuff begins. You must set your price, close the deal, get the contract signed and get paid – all or at least some in advance. Yes, in advance. Yes, real signatures on real paper.

Don't begin working until the contract is signed and the first check is in your hand. Of course, if you and the client want to start immediately, all this can be done at the first working session, but that is the latest it can happen.

## SET YOUR FEES FOR VALUE

Each industry will expect a certain range of fees; find out what they are and stick to them. Each kind of client may have variations on these ranges, e.g. education and government tend to demand lower fee ranges than corporations.

In corporate America, consulting or services fees that are not bundled with product deliverables range from \$800 a day to \$4,000 a day. Experienced consultants, particularly with expertise in technology, tend to command \$1,200-\$3,000 a day, based on their years of experience.

But you shouldn't set your pricing on day fees; you should set your pricing on value – that is, what value are you delivering, how fast, and how much does the client need that value? This may look like a project fee, but it is different and usually higher. For example, you may be able to provide the final deliverable in four working days at \$2500/day, or \$10,000 total. But, if you can deliver it that fast because you have worked years to streamline what it takes to deliver it, and it would have taken you twice as long three years ago (i.e. \$20,000), there is no reason to charge by the day. Experienced consultants charge for value, based on what the market and the client will bear.

## GET PAID IN ADVANCE

You can get paid in advance. You have to ask for it and assume you will

get it. When a client needs to book your time for a significant period, you are essentially off the market from accepting many other clients. For this reason, you can ask for your payments to be made in advance of the work, since you are reserving the time for that client's needs. Try it.

Some industries have a standard of paying for projects and deliverables in thirds: one-third at the beginning, one-third at review, and one-third at the end. If this is your case, change the ratio to 50 percent at the beginning, 40 percent at review, and 10 percent at the end. If you have controlled the project correctly, the 10 percent will be some of your profit. Therefore, if trouble comes, you have more than covered your costs, and you are only risking this final ten percent, which you should pursue immediately (there is nothing less urgent to a client than an old overdue account).

## WRITE CLEAR CONTRACTS

Draft a comprehensive but simple letter contract, and have it reviewed by your attorney. This will become your boilerplate.

Leave a section(s) or an appendix for the scope of work, for start dates, deliverable dates, fees and fee schedules, and other variables. This approach will cut down your contract writing time. Write a contract and have it signed even for the shortest of projects – it is your long-term protection.

Do not write proposals. These give away your strategic thinking without commitment from the client. Outline the scope of work and deliverables but do not detail the work process or content of your expertise. Write this scope of work in a form that can be signed by the client. You should have a clear handshake deal prior to drafting a contract. This helps clarify the client's commitment and saves you time if the client is not serious.

Large corporations will insist you sign their contracts. Have them append your contract which will cover you for any issues the corporation has not clearly defined. Your contracts must limit your liability; must not commit you to non-compete clauses without your consent; must clarify termination and the effects of that termination.

## BE CONFIDENT

Setting value fees, assuming your right to be paid in advance, and insisting on clear contracts are the disciplines that ensure good clients and real profitability. 

