

# Are you ready to change your pricing model yet?

*By Michelle Golden, published in Crosley+Company's Practice Growth Newsletter*

How do you know if your firm is ready to stop billing for time and start pricing in advance? Though nearly everyone perks up at the idea of escaping the downward-fee-pressure spiral the CPA profession has gotten itself into, rationale for a change this big isn't so cut and dry. Ever wonder the real reason other firms change?

In the early days of new-model exploration, CPAs saw "value pricing" as an opportunity to lift the artificial revenue ceiling "hours X rates" creates. Others defaulted to fixed prices because they detested timekeeping or did it so poorly their bills were just guesses, anyway. Some felt it was a more ethical or appropriate way to price—that a seller should be able to answer a buyer asking "how much will this cost?"—not expecting clients to hand them blank checks. And others figured up-front pricing would be a competitive differentiator. These motivators still exist, but we have new factors at play now, as well.

## **Why Firms Are Changing Today**

The last few years, firms said they're shifting to new pricing models based on two key factors: observing desirable outcomes from early experimenters, and seeing big changes coming from technology along with a new breed of buyers who don't value compliance services.

The great outcomes observed among advance pricers include better win rates, higher sales on average, and increased client loyalty. Buyers loved having more control of their purchases and richer conversations through which their trust grew. Client satisfaction (measured in longevity and wallet share) in firms that institutionalized up-front pricing is much higher than in traditional firms—mostly because communication is so much stronger.

Early adopters also inadvertently improved their client lists—doing more for fewer customers who valued them more highly. Many felt empowered to fire clients who repeatedly challenged their prices seeking "deals" rather than real impact. This led them to become more selective about future clients. These CPAs found themselves happier in doing higher-level, more interesting work for people who actually appreciated it. This is the real impact of breaking away from commodity buyers.

As good as those advantages sound, they don't create the urgency the newest reason to shift inspires: that the current time-at-rate model makes no sense with imminent technology changes affecting audit and tax. In other words, the work CPAs spend most of their time on now will be completed in minutes or seconds. What will that do to revenue? How will firms charge? And what will CPAs work on when this work is more automated?

Many firms are hurrying to build higher value services offerings that include data analytics and much richer consulting. This has a lot of managing partners feeling antsy, worried that their CPAs—including line partners—aren't operating at the level they'll need to be, that they need to retool as business advisors and shake their historical, compliance-orientation. Other managing partners are confident their people can operate as advisors if only they'd see themselves as such, believing it's more a matter of viewing their worth differently.

A great pricing process will reveal the work's purpose and the worth of client outcomes. Doing this helps CPAs understand where their true value resides and it builds their confidence. And for sales success, you cannot beat this approach. Gale Crosley talks about “developing value at the individual buyer level” in her article [The Value Train Has Left the Station. Are You On Board?](#) and this is exactly how.

### **Making the Shift**

As with all strategic change, success begins with clarifying your intent. What are **you** trying to accomplish with a pricing-model change? Know what you want to achieve and *why*—and know who is along with you for the ride. Are you trying to institutionalize the model, pilot a small group, or just go rogue? If you're ready to explore, start with deciding your reasons, state your purpose, and set goals appropriate for your situation. What do you have to lose?

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