

HOW TO

Price Accounting and Bookkeeping Services for **Ultimate Profitability**

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Introduction

In 2022, The Business Research Company [forecasted](#) that the global accounting services market value would reach **\$868 billion at a 9.1% CAGR increase**.

Not surprising, considering that in the first quarter of 2022 alone, over [1.4 million new businesses](#) were created. Layoffs, job dissatisfaction, economic changes being some of the reasons why people are starting new businesses.

These new entrepreneurs (and existing businesses) need [bookkeeping](#) and [accounting services](#), if they are going to make it in the long run.

On the other hand, individuals who are not starting new businesses are changing jobs, making more money, and are constantly in need of bookkeeping and accounting services.

This **\$868 billion industry is yours for the taking** but only if you know how to price your services well enough to make a profit.



Your skills are crucial and meaningful. You deserve to get paid well for them.

But what we've seen over and over again is that **many accountants and bookkeepers don't price their services well because of 3 major reasons:**

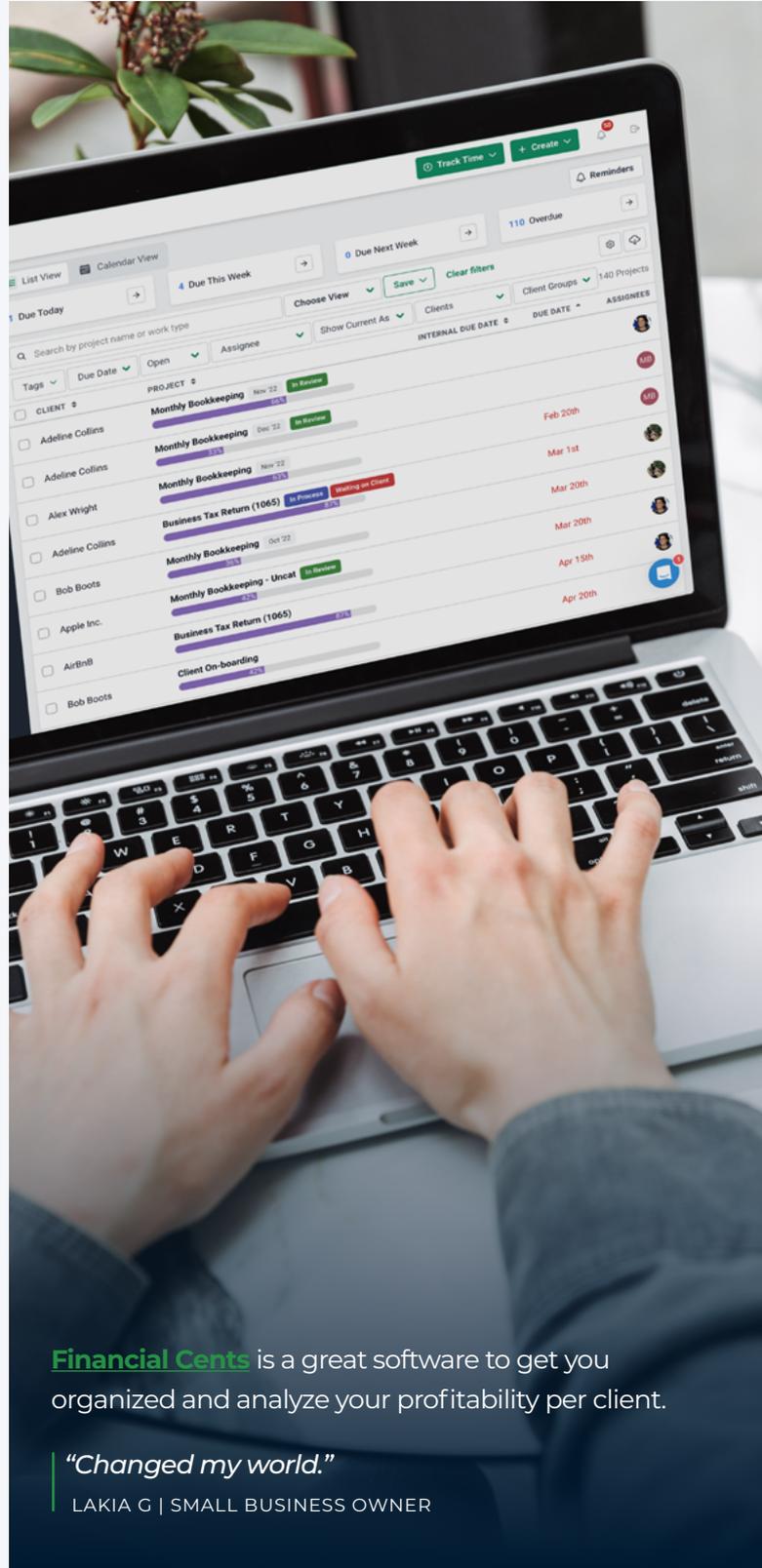
1. They don't realize they are under-charging (lack of knowledge)
2. They don't know how to price well (lack of know-how)
3. They are afraid to increase their rates with existing clients (fear)

That's why we partnered with [Loren Fogelman of Business Success Solution](#) to break down everything you need to know about pricing your services to achieve ultimate profitability.

Loren has helped thousands of firm owners get the knowledge, guidance, tools, confidence, and clarity they need to get paid what they're worth.

By the time you're done reading this ebook, you'll be able to:

- Understand value from your client's perspective and tie it to your rates
- Select and execute the right pricing strategy for your firm
- Identify the pricing mistakes you're making and correct them immediately
- Confidently and successfully increase your rates with existing clients
- Stay profitable even with changing economic conditions



FinancialCents is a great software to get you organized and analyze your profitability per client.

"Changed my world."

LAKIA G | SMALL BUSINESS OWNER

Why Pricing is Important

“Don’t fall into the irresponsible trap of setting low prices. It will kill your business cold. Low price attract cheap customers with luxurious demands.”

— Mac Duke The Strategist

Like a magnet, your pricing either pulls dream clients to you or clients from hell.

It determines how the value of your service is perceived by potential and current clients. Undercharge, and they will think of your service as an after-thought; something they spend spare money on and try to squeeze in every request into one small fee.

Charge right, and they’ll see it as a need that they are willing to pay **well** for.

A good pricing strategy sets you up for success, work-life balance, and job satisfaction. A bad pricing strategy, on the other hand, sets you up for failure.

Pricing is one of those things you must get right to build a successful firm (and the lifestyle you want).

KEY POINT:

Your price determines how clients perceive the value of your service.

ACTION ITEM:

Ask 5 of your clients what comes to their minds when they think about your services and your rates.



The Relationship Between Value and Pricing

*“Price is what you pay.
Value is what you get.”*

— Warren Buffet

Oxford languages define value as the regard that something is held to deserve; the importance, worth, or usefulness of something.

Connecting it to pricing, clients will only pay well for something they consider valuable. Value to them is not just the service that is rendered but the outcome or benefits from the service. They may anticipate these outcomes based on your expertise, years of experience, reputation, among other things.

“It depends on which perspective you’re looking at it from. If you’re looking at what you value as a firm owner, then you’re going to consider time, cost and profit margin. However, if you’re looking at it from the perspective of your clients, then what they value is your expertise, your years of experience, your way of working with clients. And those things are more important than what you do.”



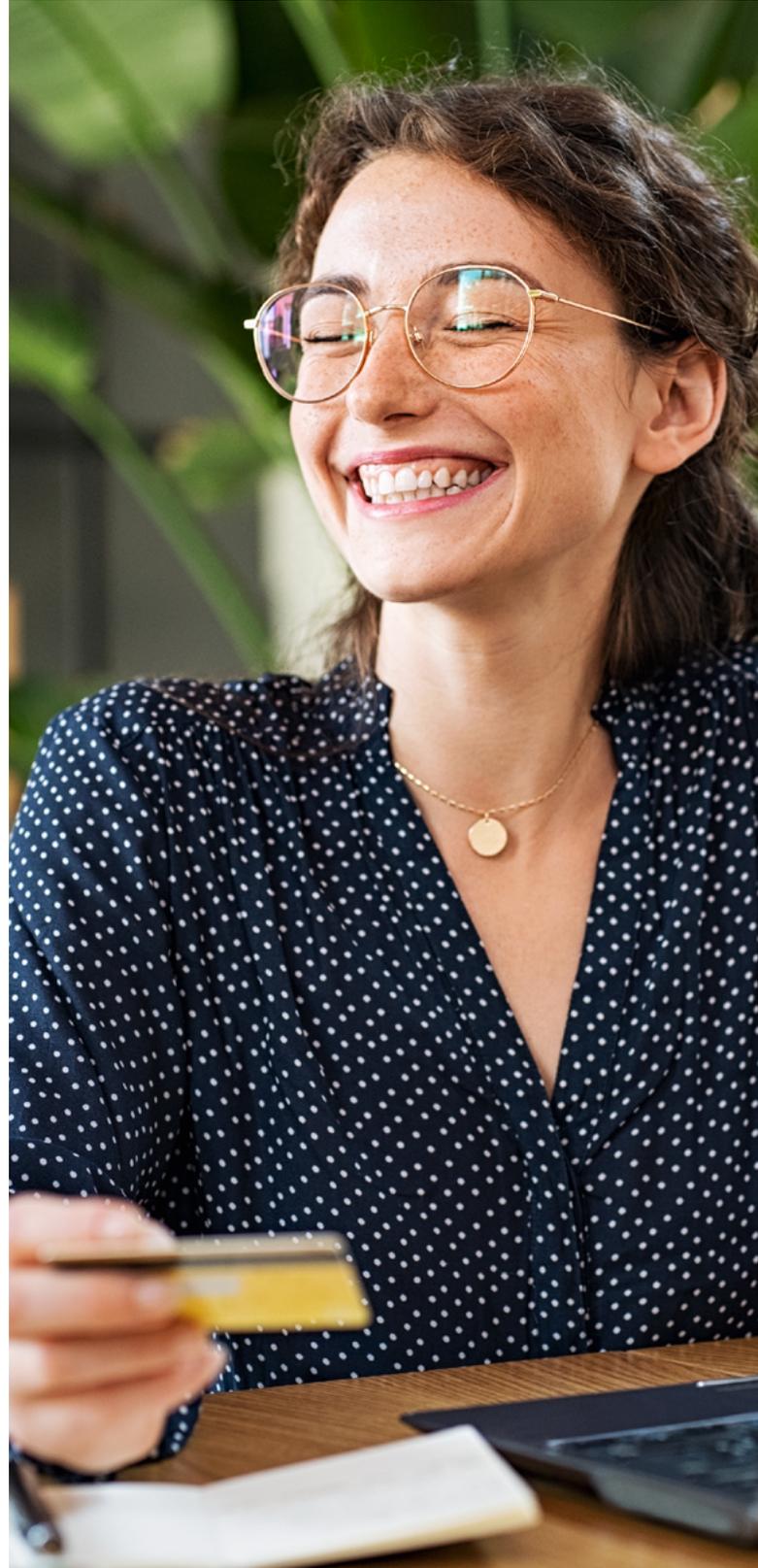
LOREN FOGELMAN

KEY POINT:

Consider what value is from your client's perspective.

ACTION ITEM:

Set up calls with 3-5 of your clients and ask them what outcomes they want to achieve from working with you.



Common Pricing Strategies for Accounting & Bookkeeping Firms

“Don’t price to please, price to match your performance, experience and worth.”

— Ned Bryan Abakah

There are several pricing strategies that work for different businesses and industries. But the nature of accounting and bookkeeping services makes certain pricing strategies popular among firm owners. According to Loren Fogelman, they are:

1. Hourly rate:

It’s easy to see why the hourly rate is the most popular pricing strategy. It’s straightforward, formulaic, and has little or no barrier to execution. You basically track time and invoice clients for the amount of time you worked for them.

Also, because most people came into the workforce with the ideology that income is always tied to time — they start their firms with the same mindset.

With an hourly rate, you’re getting paid after you’ve already done the work. It positions your service as a commodity and overlooks your expertise because it prioritizes time over knowledge. It also creates a tug of war between you and your clients where they want you to work as quickly as possible so they can pay as little as possible. This means, you’re not incentivized to work more efficiently because the more efficiently you work, the less you receive for that service.

Lastly, an hourly rate pricing strategy puts you at risk of doing work and not getting paid.



2. Fixed rate:

This is when you charge a flat fee based on an agreed scope of work. Even though there might be some adjustments to the scope of work from time to time, for the most part, it stays steady.

This is a great pricing strategy because it is steady income. It also allows the client to budget, knowing that they're paying you a certain amount, as opposed to having ups and downs when you're charging an hourly rate.

A fixed rate helps you become more profitable as you go. It incentivizes efficiency and you get paid before doing the work. As a result, you're no longer chasing money.

3. Value pricing:

This is when you charge the client based on what's important to them, and the value from their perspective instead of the value from your perspective. It's great because you can earn two to three times higher than when you charge fixed or hourly fees.

Value pricing highlights your expertise as opposed to your time or effort. You end up working with higher quality clients who are not price sensitive. It also means you're getting paid before you do the work so you don't need to worry as much about tracking time and putting an invoice together, sending the invoice and then following up with getting payment.

See these strategies as a pricing evolution where you might start out with an hourly rate, then go to a fixed fee, and finally into value pricing as your firm grows.

KEY POINT:

The three common pricing strategies are the hourly rate, fixed rate, and value-pricing.

ACTION ITEM:

Discuss these pricing strategies with your business partner or operations manager then make a list of pros and cons of each in relation to your firm.

Q: Can a new firm use the value-based pricing model?

"It's absolutely possible that right out of the gate you go into value based pricing. What I see is that the majority of firms go through this evolution where they start out with an hourly rate, then they'll go over to a fixed fee, and eventually some of them will make their way to value based pricing. And I've also worked with firms that two months into opening up their doors, they realized they didn't want to have an hourly or a fixed rate. So yes, you can go right into value based pricing."



LOREN FOGELMAN

How Firms Increase Profitability

“Business is all about solving people’s problems — at a profit.”

— Paul Marsden

When it comes to increasing a firm’s profits, there are 3 common ways firms go about it. Loren explores them below:

The factory model:

This is where, in a bid to make revenue, you take in as many clients as possible. These clients don’t necessarily pay much but you play the “numbers” game. You’re basically looking at quantity in order to meet your revenue needs.

Cutting costs:

This involves cutting all unessential costs and going lean in order to increase your profit margin.

Increasing your rates:

You can ditch the models above and just increase your rates. This directly and significantly impacts your profitability.

KEY POINT:

The best way to increase profitability is to increase your rates — or charge what you’re worth.

ACTION ITEM:

Think about what your firm is currently doing to meet revenue goals. Is it sustainable and effective?



How to Select the Right Pricing Strategy for Your Firm

“Don’t sell yourself short. No one will value you. Set a fair price for you, your book, your services, whatever it is that you have to offer. Most of us set way too low a price. Put it a little higher than you would normally be inclined to do. The worst that can happen is someone will come along and steal it.”

— John Kremer

Loren’s 5-step “Raise Your Rates Formula” is a simple way to set up a great pricing strategy for your firm:

1. Understand who your high-value clients are:

Chances are, you’re accepting a wide range of clients because you need the cash flow and the income. As you continue to grow your firm, you realize that not all clients are a [best fit for your firm](#), and that you want to have more [high value clients](#). These high value clients have different needs and will connect with a different message than low value clients. So understanding who your high value clients are, is the very first step in the Raise Your Rates Formula.

2. Communicate your value: Now that you know who your high value clients are and what’s important to them, you have the words to attract them. This applies to your website and any marketing that you might be doing. When you go to a networking event and someone asks you what you do, you’re able to really respond in a way that captures the attention of that exact right client. So, communicating your value is step number two.

3. Package your services: Next, you start to separate your fees from time. You start by looking at the different things that you do for your clients then put them into packages. This is so that you

have different options for them to consider when they’re looking to engage your services. This helps you to be more efficient so that you’re actually able to increase your profit margin.

4. Set up value pricing: This is where you price your clients based on what they consider valuable, instead of your time so that you’re able to earn two to three times more.

5. Consultation mastery: Lastly, you set up an initial free consultation with a new client, or a meeting with a current client, and talk about your fees. Either way, don’t sell or pitch them because nobody wants to be sold to. And most accounting professionals don’t enjoy the sales process anyway. What you want to do is to have a value conversation. You ask very specific questions and the client sees the value of working with you because you are able to help them achieve what’s important to them.

KEY POINT:

You don’t just stumble upon increasing your rates. It requires having a well-planned strategy.

ACTION ITEM:

Go through the 5 step formula to create a new pricing strategy for your firm.

Pitfalls to Avoid When Executing Your Pricing Strategy

“The moment you make a mistake in pricing, you’re eating into your reputation or your profits.”

— Katharine Paine

1. Not adjusting fees with legacy clients: Due to sentimental reasons, you may find it difficult or uncomfortable increasing rates with legacy clients who started out with your firm from the beginning. They believed in you when you were just a “baby” firm owner and it feels wrong to x5 the fees they pay you. This is a major mistake many firm owners make and if you’re in the same boat, it’s something to immediately correct. Thank your legacy clients for their loyalty, but adjust their fees to fit your current pricing strategy.

2. Reducing your fees to entice a new client: Another mistake is lowering your fees to make a new client sign you on, or maybe they asked for a discount and you automatically gave it to them. When you do that, it gives them the message that your fees are suggestions as opposed to set. It also teaches them that your prices are negotiable so they will continue to ask you for lower fees from that point forward.

3. Taking on every and any client: The truth is, some clients are a better fit for your firm than others. Fill your firm with clients who are a dream to work with, who you enjoy working with because they see the value of your services. As opposed to low value clients that don’t appreciate you, who treat you like an employee, or don’t respond to your communications. And as soon as you see any communication from them, your blood pressure

rises and your entire day is ruined. You don’t need to accept all clients who want to pay your fees, instead you want you to accept high quality clients.

4. Charging an hourly rate thinking that clients are buying your time: Clients are not buying your time, they are buying an outcome or you helping them to fix a problem. Or you’re giving them peace of mind because they know that this needs to be done and they just don’t have the capacity to do it themselves. Clients are buying solutions.

5. Mindset issues: Mindset affects almost everything else that you choose to do or avoid doing. Often, rates are a reflection of your self worth and how you view your services and what you bring to the table. If a firm has low rates, it’s usually because the firm owner might have low self worth. And firm owners that have higher rates tend to have more confidence and high self-esteem.

KEY POINT:

Pricing pitfalls are common and easy to fall into, you need to constantly look into your strategy to keep things in check.

ACTION ITEM:

Think about these pricing mistakes. Which ones are you currently committing?

How to Rectify Pricing Mistakes

“Lowering prices is easy. Being able to afford to lower prices is hard.”

— Jeff Bezos

Pricing mistakes are more common than many accounting and bookkeeping firm owners may want to admit. But how do you rectify them before they stall your firm’s progress? Loren has some advice:

Awareness:

This is the first step towards making a change — having that awareness that maybe there’s a way you’re getting in the way of moving forward and doing something that’s important to you.

Asking for help:

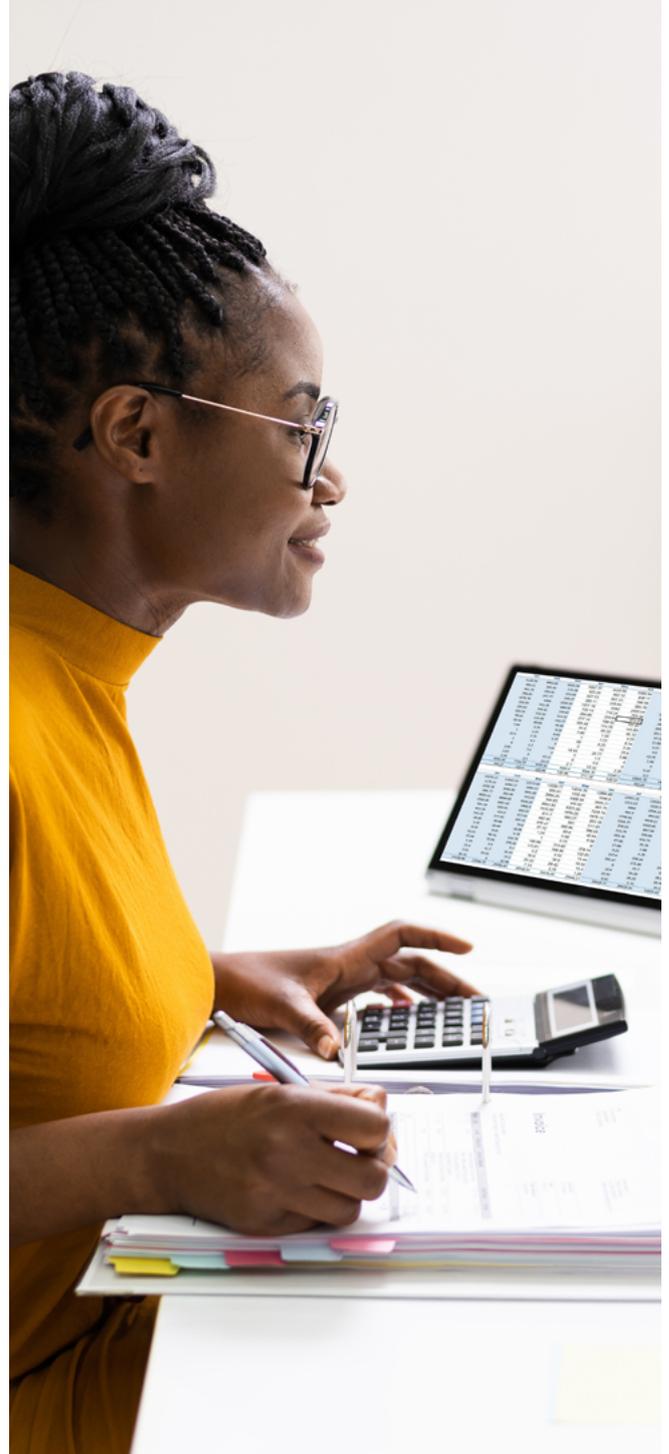
If you know what you want, but don’t know how to do it yourself, that’s where you need to reach out to someone that can help you. You’re more likely to implement when you have someone showing you a proven process than when you try to figure it out on your own by reading various content on the internet.

KEY POINT:

If you can’t rectify your pricing mistakes by yourself, ask for help.

ACTION ITEM:

Go back to the list of pricing mistakes you created in the last chapter then make a plan to correct them within a set time frame.



How to Increase Your Rates

“Pricing is by far the biggest tool for earnings improvement.”

— McKinsey & Co

If you are looking at moving away from an hourly or fixed fee towards value pricing, what you can immediately do is what Loren calls the good, better, best model:

Good: This is where you have potential new clients come to you and you figure out what you would typically charge them on a monthly basis. Ideally, it's calculated by how many hours you think it'll take multiplied by your hourly fee, coming up with that flat fee. Then you'll take that flat fee that you originally came up with and multiply it by 1.5. As a result of having clients enroll into your services at 1.5 times higher than what you initially would have charged them, it gives you the insight that clients are not as price sensitive as you thought they were. After you onboard three new clients at this new good rate, you will then move to tier 2.

Better: Once again, new clients come to you and you're going to calculate your original fixed fee. Now you want to multiply it by 2x for your new better rate. This means that you're now earning twice as much without any additional time spent working. As a result of that, you're getting better at having that initial value conversation with potential clients during your consultation. You are able to understand what questions you ought to be asking to have them see the value of working with you. After you've onboarded three new clients at your new better rate, you can move to tier 3.



Best: Calculate your original fixed fee. Here you'll multiply it by 3x and present it to new clients as your rate. This is your best rate. This means you're earning three times more with no additional time spent working. As a result of this, you're working with higher value clients. You find that they're more enjoyable to work with because they respect you, they follow through with your recommendations, and they are responsive.

Because high value clients are paying you more than what you originally would have been earning, you might not need to have as many clients in order to meet your revenue needs. As a result, you get back some of your personal time and you can work more closely with each of your clients. Finally, you'll be able to focus more on the quality of the service and the relationship rather than quantity.

After a while, you might find that you want to recalibrate, and your best rate needs an adjustment. Once again, you go through the good, better, best pricing model.

That's the way to start moving away from an hourly or fixed rate to value pricing.

KEY POINT:

Follow the good, better, best model to systematically and effectively increase your pricing.

ACTION ITEM:

Calculate your current rate then go through the good, better, best model. What's your best rate?

Q: When is the right time to increase rates?

"There's no hard and fast rules about the right time to increase your rates. The simple answer is — it depends.

You can choose to increase your rates on the first day of the new year or as your capacity and clientele increases. The most important thing to look at is the value from the client's perspective as opposed to pricing it according to what's important to you."



LOREN FOGELMAN

How to Inform Clients of a Price Increase

“Pricing is actually pretty simple...Customers will not pay literally a penny more than the true value of the product.”

— Ron Johnson

Informing clients of a price increase can be quite uncomfortable but in business, we learn to do uncomfortable things.

Scared you'd lose all your clients if you increase your rates? Here's Loren's perspective:

“Well, first of all, we cannot guarantee that 100% of your clients will convert. Is it possible? Absolutely. I have seen my clients convert 100% of clients to their new rates, even those legacy clients that have been with them forever. I have seen them increase their rates by three times and those legacy clients were happy to engage the services at that higher level. Statistically, you ought to be able to maintain 82% of your clients converting to your new rates. And this is by doing it through a clear process rather than by trial and error.”



LOREN FOGELMAN

So what's this clear process? She explains further:

- The first thing to recognize is that you're more likely to have clients see the value of moving forward at a new rate when you connect to the value that you offer. So you need to connect to your own value first, before you can expect them to see the value of moving forward with you in that direction.



- The other thing to look at is when you're explaining your new prices and your model, I suggest you take them away from a fixed fee or an hourly rate into a package. This is where you want to have a value conversation with them instead of a pitch. Don't tell them that you've had rising costs and that's why you're having to charge them more — they don't care about that. During the value conversation, come to them in an advisory position, focusing on them, and what is in their best interest instead of what's in your own best interest.

You want to understand their wants, needs, and desires. Their **needs** are the essentials, in order to make sure that they are getting the fundamentals to make good decisions in their business. Their **wants** are things that they know they ought to have in place, but either they don't know how to do correctly, or they don't have the time to do it themselves. And then their **desires** are future focused. This is understanding what it is that they want to achieve over a certain period of time, and being able to show them that you can help them to achieve that result.

The more you are able to connect your service to their desire — that future focused thing that's important to them — the more it raises the value of your service in their eyes. By doing this, you position your services as an investment as opposed to a cost.

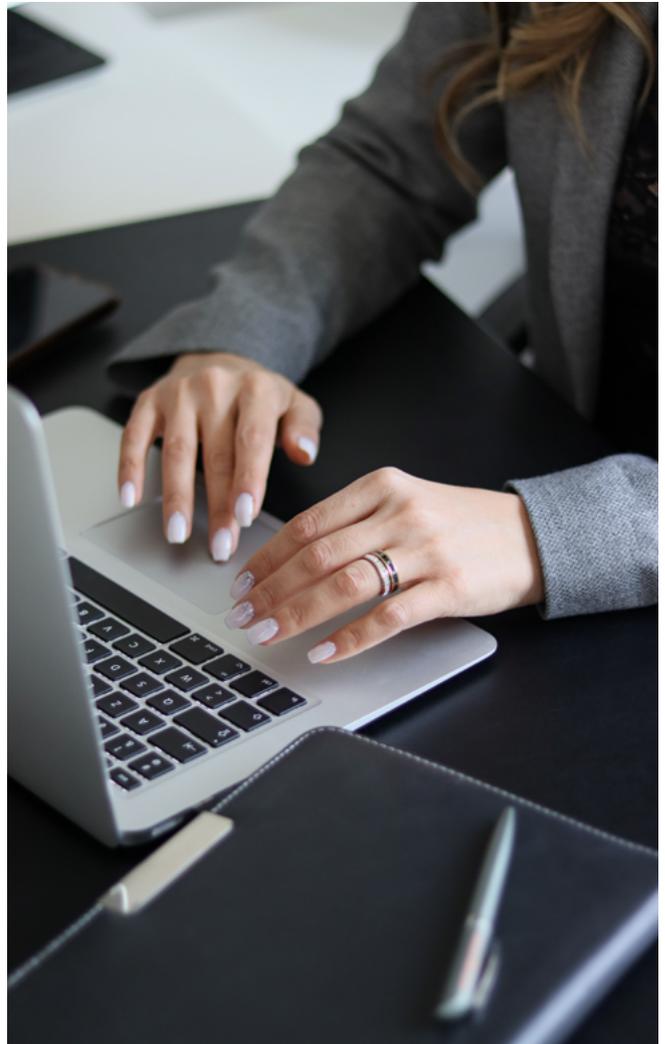
- After the value conversation, make things official by sending them a [price increase letter](#) notifying them of the new agreed rates.

KEY POINT:

Connect to your client's value so you can position your service to them as an investment.

ACTION ITEM:

Think about the questions you will ask your clients so you can understand what it is that's most important to them and have the "value conversation" with them.



How to Package Your Services

“You know you’re priced right when your customers complain — but buy anyway.”

— John Harrison

Loren’s proven framework for creating packages starts by forcing you to think about what your high value clients consider valuable:

1. Start by thinking about who your high value clients are. This will help you to create packages that appeal to them.
2. Next, you want to get clear about their challenges, frustrations, and needs. Tie them to your services and how you can achieve their goals.
3. List all your services out on an Excel spreadsheet — both the small ones, the significant ones, and the ones that you do without compensation because you don’t know how to charge for them.

After the steps above, you then go ahead to bundle your service into silver, gold, and diamond:

The silver package will be the basic essentials necessary for them to have up-to-date, accurate financials.

The gold will be for businesses that want more than just the bare basics, they want to have more insights. They want specific metrics to help them understand and track business decisions. Or, maybe they want to have more access to you.

The diamond is going to be similar to outsourced CFO services where you become an outsourced accounting department for clients. Clients that choose this package want more access, have more complexity, and recognize the value of having up-to-date financials in order to make business decisions going forward.

After you create your packages, you want to start to value-price them:

You look at the value from the client’s point of view, instead of your point of view. And as a result, you price each of those services two to three times higher than what you’re currently asking for.

KEY POINT:

Create your packages based on what your high quality clients consider valuable.

ACTION ITEM:

List out your services, categorize them into packages, and value-price them. What services does your gold package include and how much does it cost?

How to Remain Profitable by Staying on Top of Your Pricing Strategy

“The reason it seems that price is all your customers care about is that you haven’t given them anything else to care about.”

— Seth Godin

There are different ways that you can go about staying on top of your pricing strategy:

1. DIY (do it yourself):

Where you read as much as you possibly can to figure things out on your own.

2. Enroll in a Pricing course:

Where you have access to those who do this, day in and day out. They will be able to give you insights on how to apply this to your particular firm, and for your clients.

3. Work with a pricing coach: Where you work with a pricing expert who guides you and gives you the tools to earn more revenue without additional hours.

4. Invest in a software solution that gives you insights on your profitability:

[Meghann M, a Certified Public Accountant said Financial Cents “helps me prioritize my work, and identify the profitability of my clients.”](#)

With our effective billing rate report, you’ll get the insights and data you need to set your rates and stay profitable.

KEY POINT:

Invest in a great software that helps you track profitability. Decide if you want to stay on top of your pricing strategy by yourself or by working with a coach (or course instructor).

ACTION ITEM:

List 1-2 things you will do to keep track of your pricing strategy and profitability on a quarterly and yearly basis.

Q: How often should I update my bundles or packages?

“The good thing about packaging your services and value-pricing your clients is that packages are finite. That means, once someone enrolls into a package, it’s for a set amount of time. It could be for six months or 12 months. I wouldn’t do it for any longer than 12 months. So you want to have a conversation with your clients every year about having the price for their package reviewed and changed, taking into account scope of work. That way, you never get stuck with that legacy client being at the same rate for the next 3 to 12 years or so.”



LOREN FOGELMAN

Recommended Resources

Recommended Resources

- Download [Loren's Raise Your Rate eBook](#): It goes deeper into the five step raise rates formula and gives you insights on how to do it yourself.
- [Try Financial Cents for free](#): Get the data and insights you need to identify over-budget work, set billable rates for clients, track both billable and non billable time to identify wasted time, so you can be productive, set a great pricing strategy, and stay profitable.

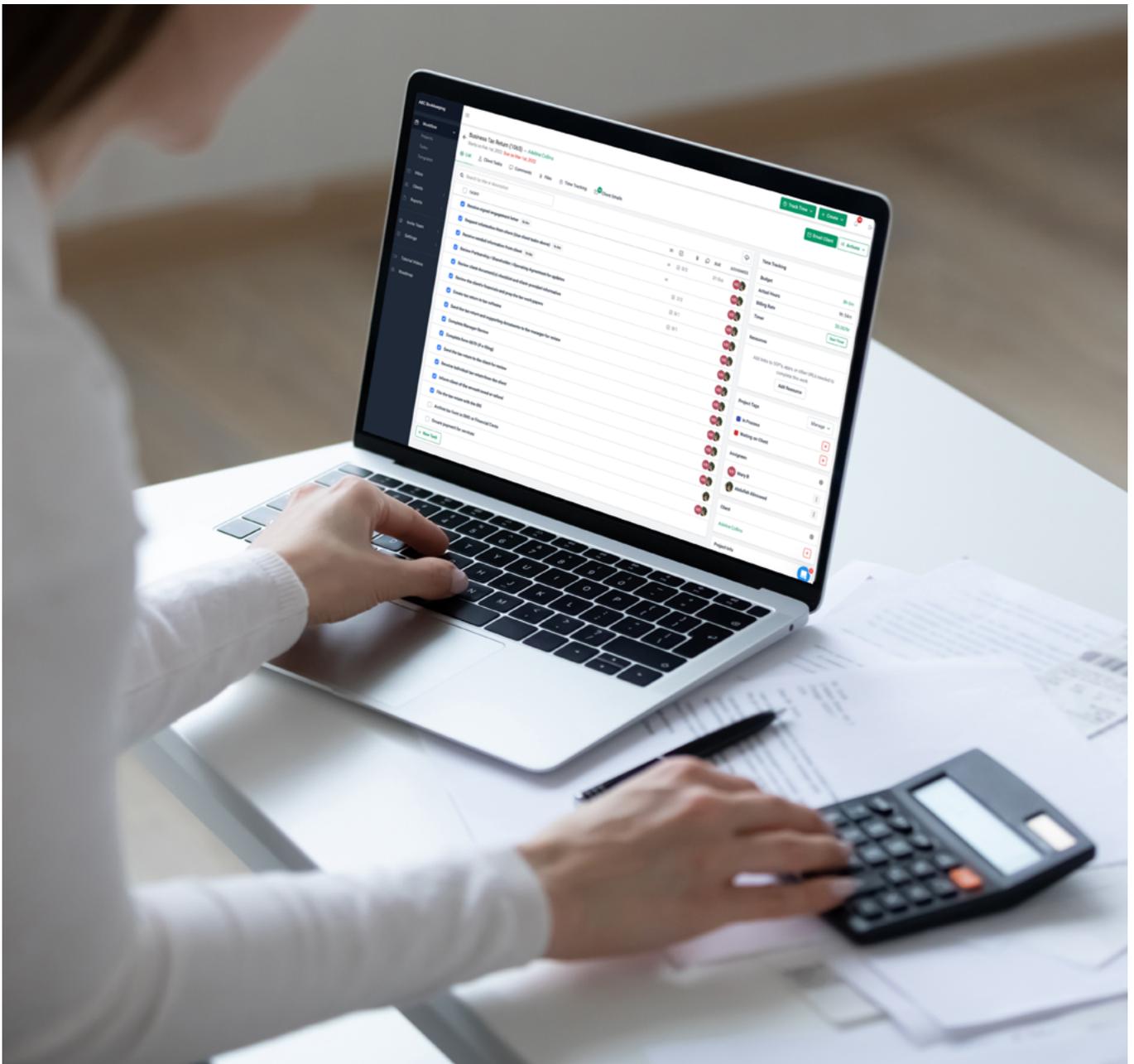
CLIENT *	AMOUNT BILLED *	TIME TRACKED *	EFFECTIVE HOURLY RATE
Adeline Collins	\$13,329.53	3h 9m	\$4,240.89/hr
AirBnB	\$1,000.00		
Alex Wright	\$413.30	0h 32m	\$777.16/hr
Amazon	\$479.96	3h 12m	\$150.06/hr
Apple Inc.	\$510.53	0h 25m	\$1,212.37/hr
Bill Gates	\$753.48	0h 8m	\$5,416.80/hr
Bob Boots	\$500.00		
Bob's boots			
Brennan Liu	\$400.00		
Bright leaf group			
Business Name			
Campbell Daily work			
CEO Hunter			
Charlotte Wright			

- Enroll in [Loren's course](#) or [work directly](#) with her.
- [Join a community of firm founders](#) like you where you can ask questions and learn from others.

Conclusion

You now have the knowledge, know-how, tools, and clarity to confidently price your services for ultimate profitability. Go through each chapter meticulously, considering the key points and complete the action items.

Our desire is for you to build a profitable firm that you are proud of, and have a healthy work-life balance, working with clients that seriously value you!



About the Authors

ABOUT LOREN FOGELMAN

Loren Fogelman is a keynote speaker and one of America's top ranked business coaches.



From 2018 to 2022, Loren has steadily been recognized by HubSpot in its annual list of the world's top 22 business coaches. She delivers talks and workshops across the United States at major conferences such as Inbound, one of the world's most esteemed content marketing events for entrepreneurs, as well as many niche accounting conferences.

Loren is an expert in pricing strategy and sales for accounting professionals. She coaches them to shift away from the "dollars-per-hour" pricing trap to a value-based pricing model. This allows her clients to reduce workload by as much as 50% while doubling revenues.

She's a regular contributor to Intuit's Firm of the Future series, Accounting Web and the author of two Amazon best seller books: *The Winning Point: How to Master the Mindset of Champions* and *The Success Solution: Break Through Limiting Beliefs for Business Success*.

[Connect with Loren >](#)

ABOUT FINANCIAL CENTS

[Financial Cents](#) is an accounting practice management software that helps you to track client work, collaborate with your staff, organize all your client's information in one place, meet client deadlines, and track **profitability**.

Check us out at www.financialcents.com and read about all our features. You can also read [stories](#) of firm owners like you who love using Financial Cents to achieve their goals of getting work done and increasing profits.

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