

CHARGING WHAT YOU NEED TO CHARGE



Many business experts talk as if business owners are completely logical when they make business decisions. But we're not. We justify our decisions with logic, but the truth is our emotions and beliefs impact on every decision we make. From who to work with, to how much to charge.

Sometimes the influence of emotions and beliefs is a positive thing. And sometimes our pre-existing beliefs can cause trouble. We are our own harshest critics, and many of us are "people pleasers". We have an irrational fear that if we charge too much, or refuse to discount, not only will we not get the work, but people won't LIKE us.

It's nice when people like you, but giving away your work at a discount leads to problems. If you're under earning in your business, then you have to work longer hours. This can destroy your work/life balance, it can lead to resentment, and may eventually kill the passion that led you into business in the first place. How can you have a positive impact on the people around you if you're burnt out?

To begin with, you need to be clear in your own mind about how much you need to charge. You need to figure out the direct costs of sales for each job. There's your salary. Make sure it fits with industry standards.

Don't just think of direct labour costs here, you need paid sick leave and holidays, possibly even employer Kiwisaver contributions.

Add in overheads - all those lovely bills that come in whether you're earning or not. And finally, allow some money for the business to grow.

Only once you're clear about what your rate needs to be, can you think about discounting. If you can clearly state your discount policy, then you won't have to make it up on the run when someone asks you for one. It's perfectly fine if you don't want to discount at all.

Be prepared to educate your clients as to why you charge what you do. Maybe you can point to testimonials from previous customers; maybe you specialise in their particular problem; or maybe you work in a way that means there will be less billable hours to them.

It's true that higher prices may mean you don't get some jobs. That's OK. You can't work for everyone, and clients who buy on price are seldom the ones you want to keep. Higher prices may mean you DO get some jobs you would have previously lost out on - pricing is a powerful indicator of quality in many people's minds. Charging what the numbers say you need to charge can be a scary step. Get support if you need it; from your Venus Group and from your friends and supporters. And I bet you anything they believe you're worth more.



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THE POWER *of a* PAUSE

When it comes to pricing, a pause is a businesswoman's best friend. Imagine the scenarios below, and see how a pause can help.

SCENARIO 1

The time has come to talk pricing with a potential client.

- Calmly state your price and payment terms
- Now Pause
- Hold the silence. Most likely if you speak now, you'll offer a discount.
- Remind yourself why you have to charge that, and why you're worth it
- Let them state their objection (if any)
- Answer the objection
- Ask for the sale

SCENARIO 2

Someone directly asks for you to work for free, or at a sizeable discount.

If you are someone who might agree in order to be agreeable, and resent it later.

- Remember to Pause
- Say, "Let me think about that, and I'll email you tomorrow"
- Email them the next day - "I'm not able to do the work for the amount you suggested. But how about..."
- (Make a suggestion that values your time and expertise)

