

The Accountant Entrepreneur's Guide to:

Pricing on Value



Introduction

The accounting profession continues to change at a pace that many describe as dizzying. But fast-paced as it is, great change can bring great opportunities, including the chance to:

- Leverage newer and better technologies and deliver premium client products
- Reach beyond the walls of the firm and build a staff for the future
- Make deeper, richer client connections by offering high-value advisory services

This eBook, part of a series focused on the Accountant Entrepreneur, was designed with today's accounting profession in mind. It offers a collection of proven practices and sound guidance from seasoned entrepreneurs who have built highly profitable, efficient, and sustainable enterprises.

This eBook explores:

- ✓ Selling on value
- ✓ Pricing vs. billing
- ✓ The top 10 foundational tenets of value pricing

Meet the expert

Within this eBook series, we offer a collection of valuable insights and best practices from the accounting profession's most progressive thinkers and doers. Our handpicked expert is an active, successful player within the profession. Take a moment to get to know him.



Jason Blumer, CPA

Partner Blumer & Associates, CPAs

“Value” means what?

For years, the accounting profession has tossed around the term “value” in reference to services, and it’s likely that everyone has a slightly different definition. However, when referring to pricing based on service value, there’s an important distinction—the client.

Jason Blumer, CPA Partner at Blumer & Associates, is a long-time proponent of the value-based pricing model. In fact, he is a self-proclaimed “value-pricing purist”.

“We value price every single task we perform. Nobody tracks time; we honestly don’t know how long things take because value is what drives price, not hours.”

Jason Blumer, CPA

Partner, Blumer & Associates

What does “value” really mean? When referring to firm services (and how to price them), at the center is the client. What ROI will the client realize as a result of using your services? What transformative changes will occur within their business as a result of working with your firm? The more the client believes in the value you offer, the higher the price tag you can assign.

Blumer is quick to point out that firm services, on their own, have no inherent value. For example, a tax return, and even advisory services, have no tangible value on their face—the value is assigned by the client. In other words, what will that service do for them in terms of profits, growth, and meeting short- and long-term goals?

Will the service help lower their tax burden, improve scalability and sustainability? Clearly, to sell clients on value, you have to know them on a deeper level. Beyond basic needs such as bookkeeping and financial statements, you have to gain clarity on what it is they really want to achieve.



Selling the client on value

The next step to pricing on value is to understand exactly what a client wants from you. On its own, this might sound easy. A simple question asked and answered, right? Unfortunately, this is not often the case. According to Blumer, clients typically have no idea what they want.

“Clients can typically tell a firm what they need [tax preparation, financial statements], but they struggle to articulate what they want [future goals and aspirations].”

Jason Blumer, CPA

Partner, Blumer & Associates

Getting to their wants means getting to the value you can offer—and ultimately selling on that value. This takes effort. It requires firms to ask strategic questions and lead clients toward deeper self-discovery. Blumer offers a few standard questions to help jump start what he calls the “value conversation.”

Sample questions to uncover client wants

Tip! Future-oriented questions lead a client to think more strategically about goals, objectives, and longer-term wants. For example:

- **How do you see your business in the next two to three years?**
- **What do you hope to become in the next few years?**
- **How do you want your customers to perceive you now and in the future?**
- **How do you want your staff to perceive you and your business?**
- **What are your top three goals over the next few years?**

The information you collect will help you value price your services. The key is identifying the things a prospective client perceives as having great value, and then offering this back to them in the form of a service.



Moving to value pricing means slowing your roll

It took Blumer 2-3 years before his firm moved to a value-pricing model. Essentially, it required a complete change in mindset—accepting that value pricing is a much slower client alignment.

“It’s a struggle for fast moving firms to adjust to a slower, more methodical pricing process. Firms are inherently fast models. For example, tax season is all about speed and efficiency, so it’s hard for firm owners to envision the changes necessary to migrate to value pricing.”

Jason Blumer, CPA

Partner, Blumer & Associates

Remember, value pricing requires you to learn as much as you can about a client’s wants up front. Until you have a clear picture of what the client truly wants and the services they perceive as having great value, you can’t accurately provide pricing.

In the traditional pricing model, the focus is on billable hours. For example, the firm takes on a new client, produces a product (e.g., a tax return) and bills upon completion—simple, fast and reactionary. With value pricing, you can’t just take any client who walks through the door. You must take time to vet each prospective client via a thorough discovery process and then provide pricing based on the wants and the value perceived.

This means adapting to a slower model. Blumer states that onboarding a new client in his firm takes on average of one to two months.

“While the process is slower to bring on new clients, in the long run, you are able to assign a higher price tag for services the client truly wants and desires. And these are the type of clients who stick around.”

Jason Blumer, CPA

Partner, Blumer & Associates



Pricing vs. billing

It’s important to understand the differences between pricing on value and hourly billing as you think through what is required to transition to a value-pricing model. These terms are often interchangeable within firms when in reality they are distinctly different. In short, pricing is strategic and proactive while billing is reactionary and restrictive to billable hours.

Pricing	Billing
Strategic; forward-looking	Reactionary; backward-looking
Provided before the service	Provided after the service
Measures value of results	Measures time
Slower process to align and onboard clients	Fast model, supports taking any client who walks through the door
No ceiling on revenue	Income is limited to time
Requires strategic thinkers	Requires basic technicians
Focused on the client	Focused on the firm’s defined services

As you think through these differences, note that a slower pricing model allows you to get to know each prospective client intimately and determine if they are a good fit for your firm. A longer vetting process enables you to identify ideal clients—that is, those you will be successful with and enjoy serving.

“A wrong client getting in the door is far more painful than never taking on that client in the first place. In other words, spending time on a client that is wrong causes unnecessary disruption in your firm and wastes resources. That’s the advantage of a slower model. It enables you to ask the right questions and determine if that client is right for you.”

Jason Blumer, CPA
Partner, Blumer & Associates

Top 10 foundational tenets of value pricing

Moving to value pricing is a dedicated journey that requires a shift in mindset. To build a firm composed of well-aligned clients, higher-value services, and no-limits on growth and profitability, value pricing is key. Blumer offers the following foundational tenets to start the transition.

“If you do these things, you start to be more aligned with your clients and pricing them appropriately—and probably make more money as a result.”

Tate Henshaw, CFP

Co-Founder, Arc Business Management

- 1. Begin with a value conversation:** Dive into the psyche and life of a prospective client to uncover their true wants.
- 2. Slow down the sales process:** The onboarding process should be intentionally slow moving in order to produce alignment with clients. If a client isn't aligned with what you are selling (if they don't believe in you), they will not see the value and, therefore, not be a good fit for your firm.
- 3. Price the client, not the service or product:** The client adds value, not the service. As you uncover a prospect's wants, they will absorb the services in which they perceive value.
- 4. Offer options:** Prospects are more likely to consider buying when they have options. Studies show that offering three options is optimal. Offering only one feels like an ultimatum and creates a yes-or-no situation. Offering multiple options changes a prospect's mindset to carefully consider each.
- 5. Price upfront:** Create pricing collaboratively with a prospective client. Be strategic and forward-thinking in terms of their needs and explain the value as you go.
- 6. Offer context:** Price makes more sense within the proper context, so provide all needed information within each pricing option offered. This helps keep prospects comparing options within your firm, instead of thinking about what the firm down the road is charging.
- 7. Anchor pricing:** Always present the highest option first. Explain your premium package out of the gate and then extract value-added services as you go down the list.
- 8. Present in person:** Prospective clients will always have questions around pricing, processes, and platform. Don't leave clients on their own to figure it out. Be their guide.
- 9. Spell out scope of work in a contract:** At this point, it's time to document agreed-upon services and pricing within a contract. Clearly spell out what you are going to do, and then follow the contract to stay within scope.
- 10. Project management:** This is where you provide the services and products you promised within the contract—that is, executing on what you said you would do.

It's time to price on value

Value pricing isn't a new concept. It's been around for years, yet many firms have still not adopted this model. Adapting to a slower-paced acquisition process is perhaps one of the biggest barriers to entry.

“When you price based on value, you put your clients at the center of the process.”

Jason Blumer, CPA

Partner, Blumer & Associates

Firm owners looking to transition out of the traditional billable-hour model should prepare for a long journey. Adjusting to a slower, methodical model takes patience, focus and commitment. At the end of the journey, however, is great reward—scalability, growth, and the ability to build a roster of clients that fit your firm's culture.

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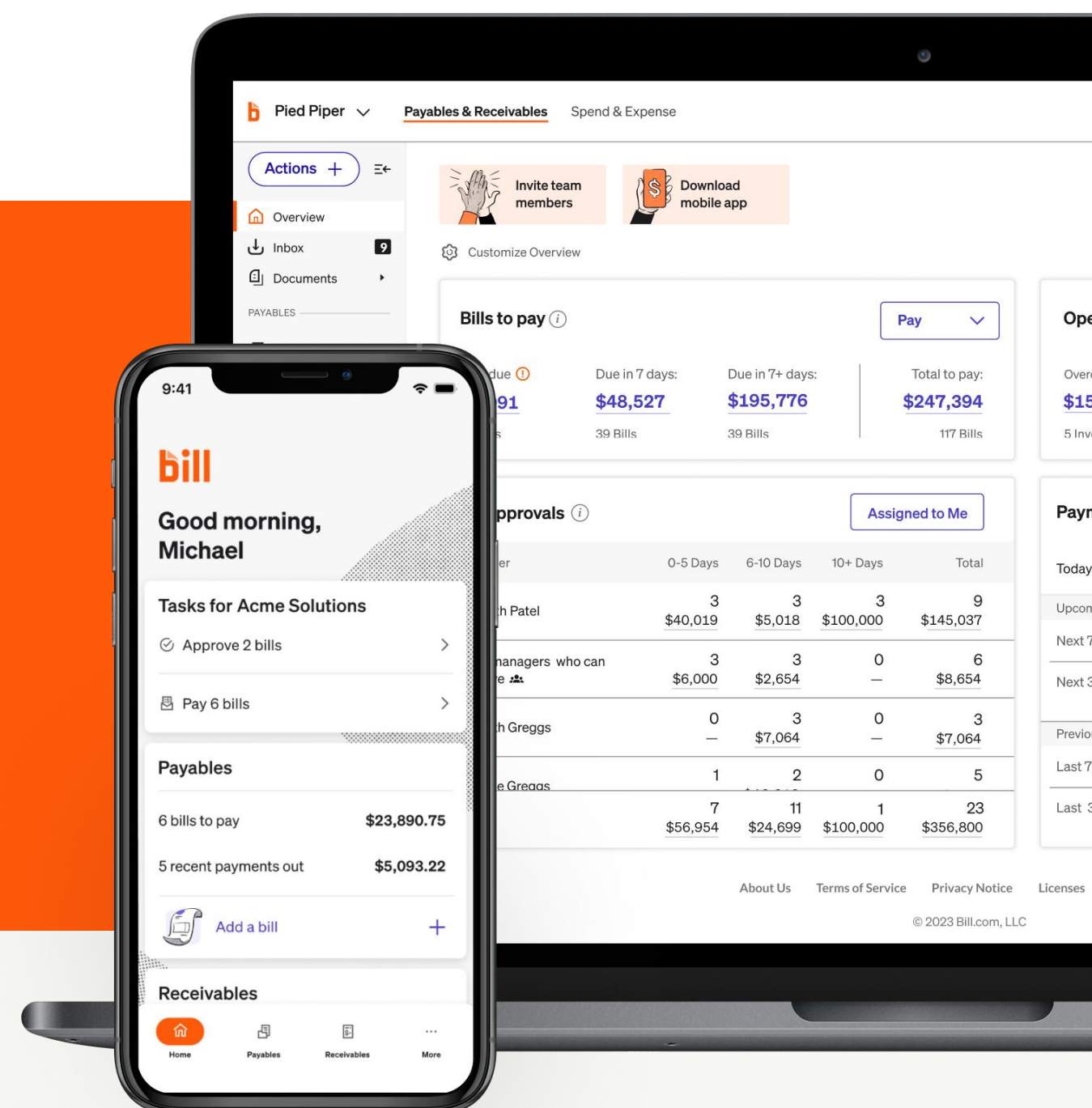
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Nick Pasquarosa
Founder & CEO, Bookkeeper360

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Steve Chaney
Managing Partner, Chaney & Associates

