

CHECKLIST: How to Charge Your Clients

Knowing what to charge is a vital piece of establishing a profitable business. Use this checklist to design a pricing structure that is competitive, sustainable, and profitable, and that works best for you and your clients.

Cost



- Determine how much it costs you to provide your services to your clients using both fixed and variable costs and write it below.
- **Fixed Costs**—consistent costs that aren't determined by sales (rent, utilities, salaries, etc.)
 - **Variable Costs**—costs that may arise as you increase sales (additional labor, supplies, etc.)

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- Use that number and determine how much you need per year to cover your costs (i.e. overhead). Take that number and write it below.
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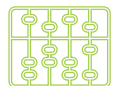
Competition



- As a business, you must have pricing that's comparable to others in your industry, so now you must discover what your competitors charge:
- A. Ask—identify your competitors and inquire about their pricing structure. You may be able to find this information on a website or you can reach out and ask them.
 - B. Utilize common salary websites to get a pay range for similar services. You can usually specify your location, which can affect pricing levels. If location is inapplicable for you, use a nationwide average price/salary. (Ex. PayScale, Indeed, and, Glassdoor)
 - C. Contact professional organizations or trade associations for your field" to get what local competitors are charging.

Once you know what your competitors charge, write it below.

Calculate



- Now it's time to calculate what to charge your customers write your final number below. You can approach this three ways:

A. **Hourly**

Cost ÷ 12 (months in a year) = Monthly Costs

Monthly Costs ÷ Total Billable Hours for one Month = Minimum Hourly Rate Base

Minimum Hourly Rate Base + Value to the Client = Hourly Rate to Charge Clients

B. **Flat Rate**

If you're not after an hourly-rate approach, you can still use your hourly rate calculation to estimate how much a flat-rate charge might be. For example, if your client's project estimates 100 billable hours, you can multiply that above hourly rate by 100 to get a flat-rate price for that project.

C. **Alternate Approach**

You can use your former salary with an employer as a base if you believe it reflects and represents the work you will be providing as a small business owner and/or independent contractor.

Compare



- Now, it's time to compare and adjust your pricing accordingly. Here are some things to consider:
 - A. Are you underselling your services? If so, consider increasing your pricing, to help raise profits.
 - B. Are your prices too high in comparison to others? It doesn't mean you have to lower your prices. It's something to be aware of, as you could attract clients looking for premium services or turn off price-driven customers.
 - C. Is your service more unique than the competition? Will it add more value to clients in some way? This is something to also consider, as it could justify pricing discrepancies between you and your competition.

Clients



- Consider *the value* your services provide to your clients or what they are willing to pay. When contemplating how a client values your services, document the following factors:
 - a. How unique are your products/services?
 - b. What benefits do your services provide to your customers?
 - c. How can investing in your services provide long-term benefits?

Ultimately, what and how you charge your customers is completely up to you and your business's needs. These components help simplify the factors that influence pricing services that make it overwhelming. When deciding your pricing model, remember these five key components: costs, clients, calculate, competition, and compare.

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