

FINANCE AND COMMERCIAL MANAGEMENT | QUICK CARD FI-01

Which clients actually pay you?



Fifteen minutes, one ranked list, and the questions a good coach would ask you.

The practice

Ask most owners which of their clients is the most profitable and they will name the biggest one, usually with some confidence. Ask which is the least profitable and there is a pause, followed by the name of the client who rings most often. Neither answer is based on a number.

The main cost of any piece of work is the time of the people who do it. So cost each large client by the hours it really takes, at a realistic cost per hour, and set that against what it pays. What is left is its contribution to overheads and profit. Done this way, the sum usually shows a few clients carrying the business and a few quietly giving its profit away.

Contribution by client

My cost per hour: salaries plus employment costs of delivery people, divided by their hours available for client work (start with 1,100 a year per full-time person). £ _____

Client	Fees (£ a year)	Hours	People cost (hours × cost per hour)	Contribution (£)

An IT consultancy costing its people at £45 an hour found two support clients paying £110,000 a year and costing £198,000 to serve: a loss of £88,000. Sort your table by contribution, lowest first.

Try this this week

Work out one cost per hour for your delivery people, then apply it to your three largest clients. Put them in order of contribution, lowest first, and look hard at the top row.

Coach yourself

Set aside fifteen minutes where nobody can interrupt you, and answer in writing. An answer looks surprisingly different once it is on paper.

G

GOAL

If the business made the money it should, what would that let me do?

R

REALITY

Which client do I believe makes me most money, and which least? What is that belief based on?

O

OPTIONS

What could I do about the lowest row: rescope it, reprice it, or keep it on purpose?

W

WILL

What will I decide about the lowest row, and who will update this table next quarter?

If you catch yourself saying...

You hear yourself say	Try asking instead
<i>"They've been with us since the start, I couldn't charge them more"</i>	What does the business owe this client, and what do they owe it?
<i>"I don't want to know, it'll just depress me"</i>	What would knowing make possible?
<i>"We'll sort the timesheets first, then look"</i>	What could I learn with the data I have today?

ONE HARDER QUESTION

Would I accept my least profitable client's terms from a new client tomorrow?

Keep it going

Most owners who do this once promise to repeat it every quarter, and do it again two years later. Give one person the job each quarter, and put three check dates in the diary: 3, 6 and 12 months from today.

When to get help

Your accountant can set up the cost figures properly and bring in overheads. If the business is losing money overall, not just on some clients, talk to your accountant this week.

What a coach adds

This card gives you the questions. What it cannot do is notice which one you avoided. It is one of the SMARTer practice cards, covering the ten key areas of a business that sells expertise.



Talk yours through with me: book a Discovery Call at smarterentrepreneurs.co.uk

No pitch, no pressure, and you'll leave with something useful either way.