SMARTer Entrepreneurs

FREE QUICK CARD

FINANCE I QUICK CARD FI-01

Which clients actually pay you?



Fifteen minutes, one cost per hour, and the questions a good coach would ask you.

The practice

Ask most owners which client is the most profitable and they will name the biggest one. Ask which is the least and there is a pause, then the name of the client who rings most often. Neither answer is based on a number, because in most businesses that sell expertise the number does not exist.

The practice: cost each service and each large client by the hours it takes, at a realistic cost per hour, and compare that with what it pays. An IT consultancy found two "loyal" support clients paying £110,000 a year and costing £198,000 to serve, because 2,400 unpaid hours had crept in one helpful phone call at a time.

Cost per hour, then your three largest clients

Salaries plus employment costs of your delivery people, a year
Hours available for client work (1,100 a person is a fair start) times people
Cost per hour (the first divided by the second)
Largest client: fees, hours, hours times cost per hour, what is left
Second largest: the same
Third largest: the same

"What is left" is contribution: what the client leaves to pay for overheads and profit.

Try this this week

Work out your cost per hour, then run your three largest clients through it. Sort them by what is left as a share of fees, lowest first. The bottom one is where to start.

THE OTHER SIDE OF THE CARD

Coach yourself

Fill in the front first. Then take fifteen minutes with these, in writing.

1. Look at your three. Did the biggest client come out best, as you expected? What does the gap between them tell you?

2. Which hours did you leave out: account management, chasing, rework, your own time? Add them and look again.

3. Which client would you secretly be relieved to lose, and what do you now think they really cost you?

4. For the lowest row: is the price wrong, are the hours wrong, or are you keeping them on purpose?

5. Which client do you keep because they have always been there? What would you need to see to change that?

6. If you costed all your clients, not just three, who do you think would come bottom, and why have you never checked?

If you catch yourself saying...

You hear yourself say	Try asking instead
"They've been with us since the start"	What does the business owe this client, and what do they owe it?
"The numbers can't be right"	What would you need to see to trust them?
"We'll sort the timesheets first"	What could you learn with the data you have today?

ONE HARDER QUESTION

If a new client asked for the terms your lowest row has, would you say yes?

Keep it going

Decide who updates the table each quarter and which meeting reads it. Put three dates in the diary: 3, 6 and 12 months from today. If it slips, shrink it to your five largest clients rather than give it up.

When to get help

Your accountant sets up the cost figures properly and brings overheads in. Tax, and how costs are treated in the accounts, is always theirs.

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 your SMARTer coach and mentor: book a Discovery Call at smarterentrepreneurs.co.uk

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