

Transforming Challenges into Opportunities: Fee Pressure

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The recent [IFAC Global SMP Survey](#) identified key challenges many small- and medium-sized practices (SMPs) face. This article is one in a series that breaks down the data from the survey and provides information, ideas, and tips to help SMPs address these challenges as well as best practice examples from [IFAC SMP Committee members](#), together with the range of other tools and resources available.

Pressure to Lower Fees

The third highest challenge small- and medium-sized practices face globally is pressure to lower fees. Practitioners are fully aware of the importance of providing quality services, but it is clear that some clients remain reluctant to pay for such services. Technological advances, globalization, and outsourcing to less-expensive offshore contractors may also prompt clients to keep up the heightened fee pressure.

The [Guide to Practice Management for Small- and Medium-Sized Practices](#) includes a section on coping with pricing pressures.

- **Adopt new approaches to pricing.** Instead of billing an hourly rate, set prices for services such as business advisory services based on perceived or estimated value to your client. Also, packaging more desirable services with services that are essential but less desirable allows for a broader range of services for a larger fee.
- **Stress the value of services offered.** Talk to clients regularly about the benefits of the services they receive. Communication is an important part of value pricing.
- **Focus efforts on most valuable clients.** Evaluate clients, group them, and offer different service levels to different groups, especially for non-audit services such as business advisory or tax. This technique, referred to as yield management, is used in the airline industry to price seats by the level of service in first class, business class, or economy sections. Some clients will appreciate, and pay for, first class service. Others will prefer the economy rate.
- **Leverage technology.** Maximize technology to improve processes and lower costs in the face of stagnant or declining fees. Cloud computing solutions deliver the same services, like payroll and bookkeeping, for less cost, email costs less than regular postal services, and Skype is less expensive than telephone or in-person meetings.
- **Re-examine service offerings.** Consider combining value with additional services for little extra cost, or provide the same for less cost. To set your practice apart in the marketplace, consider specializing in niche markets or services.
- **Fee breakdown.** Break invoices into smaller parts. For example, instead of charging a total amount for "Services Rendered," an invoice can show separate services and each cost, such as \$X Tax Return, \$X Annual Report, etc. This clearly demonstrates each individual service and makes it harder for clients to complain.
- **Find less expensive sources of supply.** Review your practice's suppliers and look for competitors offering benefits that may warrant switching. Competitive pricing and choice of suppliers, from internet service providers to computer hardware vendors, may have improved considerably since your practice first chose its suppliers.
- **Tackle overheads.** Seek to minimize waste and make the most efficient use of human and environmental resources, including workspace, energy, and consumables. To optimize expensive office space, practices may encourage staff to perform work at clients' premises or at home and pre-book a desk space when in the office. Similarly, practices could find staff efficiencies through improved workload distribution, adequate planning and supervision of engagements, and delegating work to the appropriate levels. Flexible working hours may avoid staff redundancies, which erode morale and make it difficult to recruit new staff. Shifting routine work to more junior staff can also help cut costs, but staff assignments need to be managed carefully to maintain quality results and avoid damage to your practice's brand.

The Global Knowledge Gateway also includes a number of articles, videos, and resources on these topics.

Value Pricing

- [Pricing on Purpose: How to Implement Value Pricing in Your Firm, Parts I-III](#)
- [Tomorrow's Firm and the Role of Value Pricing](#)
- [How to implement value-based billing](#)

Fees

- [Ethical Considerations Relating to Audit Fee Setting in the Context of Downward Fee Pressure](#)
- [Are Your Fees Too Low?](#)
- [How to Negotiate Higher Fees](#)
- [Setting Fees When Starting Up in Practice](#)
- [Fee Rates: Communicate Your Value](#)

- [Advisory Service Fees – The Numbers Do Stack Up...](#)
- [How to Manage Audit Fee Increases—and Even Reduce Them](#)

Please see previous articles on [attracting new clients](#) and [keeping up with new regulations and standards](#) for further information and guidance.

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[See more by Christopher Arnold](#) ↗

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