

# Business Models

For example, when you first hang out your professional shingle, charging \$100 per hour may seem like quite a lot. After all, if you earned as much as \$100,000 per year at your last job working a 40-hour week, you were still only making \$48 per hour. So perhaps you think that doubling your former hourly rate should be more than adequate to keep your net earnings at their former level.

Let's do some quick math. If your business model is based on working intensively for one major client for weeks or months at a time, such as many corporate consultants do, an hourly rate of \$100 could indeed generate \$100,000 per year. All you would have to do is keep busy approximately half of the time. \$100 per hour times 20 billable hours per week times 50 weeks per year equals \$100,000.

But what if your business model is based on working only two to four hours per month for each client, like many coaches, therapists, or healing professionals? Now if you want to earn \$100,000 per year, in order to bill those same 20 hours per week, you'll need 20 clients at once if you see them for an hour per week and 40 or more if you see them for less time or meet less often.

In the first example above, you only need a handful of clients each year and have large blocks of time left over to market yourself. That's a sensible and realistic business model. In the second example, you need a constant stream of new clients coming in and the time you have available for marketing is likely to be broken into small chunks between appointments. That sort of model is more likely to lead to stress and struggle than it is to success.

The first place you might look in order to fix model number two is raising your hourly rate. You could charge \$150 per hour, \$200 per hour, or more, if your target market will pay it. But rates like these may be out of reach for many potential clients, and difficult for you to justify.

But rate increases aren't the only way to fix a broken business model. Both of the models we've been examining are fee-for-service models, based on an hourly rate. Instead, you could choose a different type of model altogether. Here are some examples:

## Fee for Service Models

**Day Rate** - Instead of charging by the hour, you can charge by the day or half-day. This imposes a minimum on your clients, avoiding short appointments that fragment your work schedule.

Examples: An on-site massage therapist calling on corporate clients; a professional organizer serving home-based businesses.

**Project Fee** - Charging a flat fee for each project allows you to bill for time you spend planning, researching, or just thinking about your client's issues. Clients often prefer flat fees because they can budget their funds more accurately.

Examples: A graphic designer creating a logo; a communications consultant writing a company newsletter.

**Monthly Retainer** - When you ask clients to pay by the month in advance, you can charge for your availability, not just service delivered. Your retainer can guarantee you a fixed number of hours. If the client uses less, you still get paid. If they use more, you can charge extra.

Examples: A career coach offering as-needed calls and e-mails in between sessions; a virtual assistant providing on-call customer service for a small business.

### **Product-Based Models**

**Flat Fee** - A wide variety of items can be sold for a flat fee to increase revenue to your business. "Products" can also include services delivered in a defined package. Your buyers may be either existing clients, or others who can't afford to hire you individually.

Examples: A conflict resolution consultant offering public seminars; an executive coach providing personality assessments; an image consultant selling a wardrobe design kit.

**Subscription** - Providing products or services by subscription can provide a steady source of income and reduce marketing time. A sale made only once can continue to provide revenue.

Examples: A sales trainer selling an educational CD series by monthly subscription; a life coach hosting a membership-based online community.

**Bait and Hook** - Also called the "razor and blades" model.

Examples: A time management consultant offering a training program including day planners that must be re-ordered; a web designer providing proprietary modules under a license that must be renewed annually.

Any one of these models can be used to build an entire business, or you can combine different models together. For example, a consultant could charge a flat fee for assessments, then a day rate to deliver services. A coach could charge a subscription fee for group clients and a monthly retainer for clients worked with individually.

**Pink Spoon** – this is the technique you can use to win customers who are not quite comfortable with a commitment up front.

They are free.

1. They are compelling and truly sought after, something people would pay for but are delighted when they discover they don't have to.
2. They are small in size, a true sample, relative to what you are selling.
3. They are easy for the business owner to give away, usually because they don't cost too much and require no ongoing time investment to generate.
4. They are a natural lead-in to the core product or service you want to sell. The tighter the relationship between the pink spoon and your other offerings the better.

Find the one that works best for you or don't be afraid to use any number of combinations.

**The Business Plan Lady<sup>TM</sup>**