

**ENBIS Workshop:  
Statistical Consulting and  
Change Management**  
**Appendix 2**  
***Billing, Rates and Invoicing***

**Newcastle, United Kingdom  
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A2.1

**A Few Basic Principles**

- Stand up straight! What you know is valuable and took a long time to learn. Billing a reasonably high fee is ok.
- A rate calibration rule of thumb: Is your hourly rate as high as your accountant's, lawyer's or dentist's rate?
- A day is a day. If the client wants to use my services for 2 hours or for 12 hours the rate is the same.
- I do not charge overtime or weekend rates
- Your rate should account not only for time spent on site but also overhead
- Overheads are real:
  - You need to support office space, clerical work, book keeping, copying, travel arrangements, credit card charges, tax advice, insurances, tips, etc.
  - This should be true even if you (or your spouse) does the work
  - Try to calculate/estimate what your overhead really is
  - To do a week long job (5 billable days) in Malaysia you may need to spend a total of 9 days and endure much discomfort
  - There is typically much preparation and post-session work involved that you cannot directly bill for

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## Differential Rates

- It is legitimate to maintain different rates for different types of work:
  - Straight one-on-one consulting
  - Talks
  - Lectures (with extensive preparation)
  - Data analysis
  - Report writing
  - Work done at home or at the client's site
- When you are new to consulting, you need to recognize that you have a lot to learn and that you need to “pay your dues”



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## Rates

- Think carefully when you offer up a rate
  - It is hard to increase your rate once you have started working for a client
  - Use a consistent rate
  - Don't blink
  - Don't lower your rate if you get “hungry”
  - You may consider differential rates for short-term and long-term engagements
- Try to get a sense from colleagues what the market can take – what is “normal”
- Is consulting your main business or a side business?
- Often you cannot charge for “sales calls”



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## Billing Rate

- My advise:
  - Bill by the day
  - Avoid as much as possible billing by the hour
  - Bill always as “plus expenses”
  - 30 days
  - Sometimes you may have to “swallow time” if the work does not help the client
  - Sometimes it may be better to work longer than your billable hours than lowering your fee

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## Lessons from the Trenches

- Sometimes if you don't want to do a job, rather than saying no, it may be better to quote a very high fee
  - Example: Lawn mover company
- If the client insists on knowing your fee right away, then you likely may not want the job!
- Clients that want everything on the cheap are not worth working with
  - Example: Client that wanted to compare my rate for DOE course with standard training rate by local community college teachers hourly rate
- Sometimes if you are too cheap the client may not respect you
- If the client haggles over your billing, you may want to consider discontinuing the relationship

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## Lessons from the Trenches

- Some clients are simply not worth having
  - Example: Chemical company A; Quality Manager
- Avoid local consulting:
  - One definition of a consultant is “someone from at least 500 miles away!”
  - You cannot be local and an expert at the same time
  - Client wants you for a few hours at a time causing excessive overheads and wasted time for you
  - Example: Filter company -- Local client that wants you because you are local and obviously must be “cheap.”  
The “local college professor” problem.

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## Learned in the Trenches

- You can also price yourself out of good work
  - Example: Gas/CO detector company
- Sometimes you get more interesting hands-on statistical work if your fee is more moderate
- If you want long-term, statistically satisfying, consulting with a company, you may want to set your rate somewhat lower than if you just want to come in and pontificate
- Sometimes you may want to do pro-bono work:
  - The work is of value to you professionally
  - The work is for a good cause
  - The exposure may be good for future sales

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## Expenses

- Key Principle: *Never stick it to the client!*
- Mistake: “I am on expense account so I am going to live it up!”
- A few simple principles:
  - Never run up unreasonable, unnecessary or excessive expenses
  - Fancy wine and expensive dinners are your choice and on your own account
  - Fly coach class unless you explicitly have an agreement with the client to go business class
  - Bill for laundry services, phone calls, movies and minibar sparingly and only if on extended trips
  - Expenses that are not directly related to the consulting engagement or are above the necessary minimum for doing the job are out of your own account
  - On the other hand don't go too cheap either
- Which Hotel? Answer: Ask the client to suggest a convenient (and appropriate) hotel
- Rental car: Compact or midsize if necessary
- Try to solicit some guidelines from the client
- Pride yourself in not having your expenses disputed

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## Dilemma's

- Malaysian wine story
- Billing for what turned out to be a more or less useless data analysis
- Billing for hotel when stranded for two days in Chicago Airport during a blizzard?

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## Regular Invoicing

- Submit you invoice monthly:
  - Small and frequent invoice are better than large infrequent invoices
  - If you submit a accumulated bill for several month worth of work at an agreed rate and for an agreed number of days/hours, the invoice may nevertheless become big enough to cause internal problems for the direct clients/raise eyebrows with higher-ups/hit the radar screen

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## Retainers

- Retainer (Def. 1): Advanced payment made at the outset of a consulting contract
- Retainer (Def. 2): Advanced payment for a guaranteed availability when needed for consulting services for a period of time, typically a year
- Retainer (Def. 3): Fixed monthly sum paid by the client to retain you for anticipated work. If there is a credit left at the end of the year, using your standard billing rate, you keep the difference. A new contract is negotiated for the next year. If the work exceeds the anticipated amount before the end of the year, the client pay for the additional amount using the usual rate. (Of course, the client should be notified before going over the limit)
- It is legitimate to ask for a retainer. It is a recognition that you may have cash flow problems delivering the services
- Pro: Nice to have guaranteed work and the cash in advance especially if you have a lot of costs (e.g. airfares, hotels) delivering the services
- Con: Do you really want to be available on short notice whenever the clients calls?

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## Other Forms of Payment

- Examples:
  - Share of equity in the company
  - Barter of products for services
  - Percentage of savings
- My advice: Just don't do it!

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## Payments

- It is normal to stipulate payment 30 days after invoicing
- It is ok to “remind” the client beyond that
- Large companies typically need a purchase order before you can bill them
- Large companies typically are extremely bureaucratic about their billing; be prepared for Snafus
- *Knock on woods: I have never been stiffed!*
  - (Actually that is not completely true – once by ¥\$ç, a Washington consulting company)

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## Conclusion: Billing and Invoicing

- Be completely honest, do an honest day of work, completely honor your contract or agreement with the client
- Submit only scrupulously honest invoices
  - Carefully record billable hours/days
  - Meticulously account for reasonable expenses
- Be clear about limits not to be exceeded
- My bottom line principle: *Aim to deliver consulting work worth a multiple of 5 to 10 × your bill to the client!*

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