

How Much? You need to bill properly for your services

"I don't get it. I was really busy this year, and yet I just didn't make as much money as I thought I would." Judy H., independent planner in Dallas.

If that sounds like you, you're not alone. Chances are you're either not charging the right amount or you're not tracking your time properly.

In my last column, I reported that 78 percent of independent planners/event companies make money using a flat, hourly or daily fee. Those who use a flat fee are most likely (or at least should be) basing it on the amount of time the event will take to plan, multiplied by an hourly or daily rate. Figuring out what rate to charge is the difference between a successful business and a floundering one.

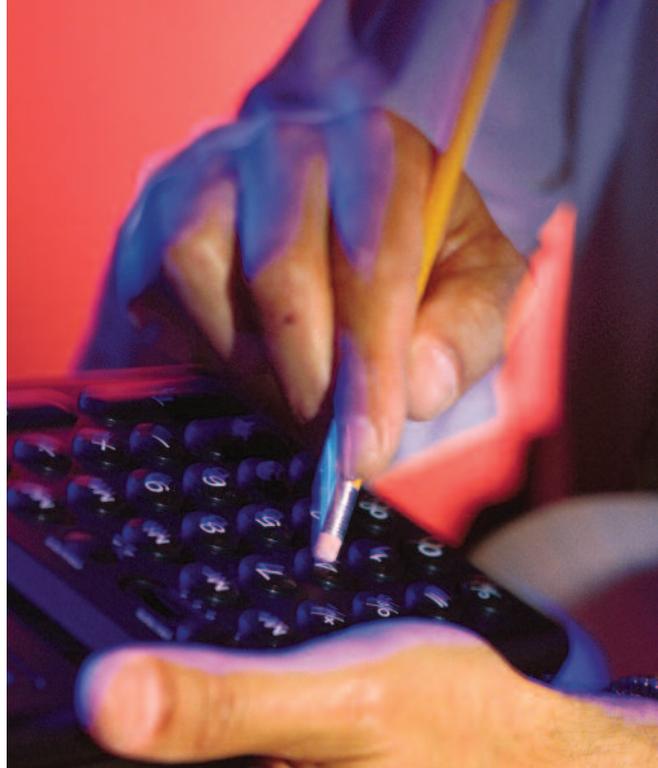
In my survey, 40 percent of planners said they charged \$50–\$100 per hour, with another 25 percent charging \$100–\$150 per hour. But those numbers don't tell the full story, for several reasons.

1. They don't account for regional cost differences. A planner in rural Montana has much lower operating costs than one in Manhattan, who may have to charge much more just to cover her costs.
2. They don't account for differences in experience levels. If you're a 20-year veteran charging \$200 per hour, you're likely going to work faster than a novice planner and bill less time for the same job. The veteran planner can find suitable venues faster, negotiate a better price in less time, etc. Your rate reflects your value.
3. They don't factor in business expenses. If a planner works out of their home, they don't have to pay rent and can justify a lower rate.

So how do you calculate your rates? There are several ways to do this, but I've found the method described here is the simplest to explain. Whatever your approach, this is where a few dollars spent on an accountant will be worthwhile.

Set a target income level.

- Calculate the salary-equivalent of what you need to earn. Let's say \$70,000/year.
- Add in your business expenses: rent, travel, marketing, office expenses, etc. Let's say another \$20,000. (Probably low, but it makes the math in this example easier).
- Many people forget to add in the benefits they'd receive from a salaried job, which you now have to cover yourself, the most common being health insurance & 401K contributions. Let's put that at another \$10,000.
- Add it all up and you're at \$100,000.



Calculate the number of "billable" hours available.

By billable, I mean hours allocated to servicing clients/events.

- Take out five weeks for vacation, sick days, holidays, etc. to get to 47 working weeks/year. Assume you'll work 45 hours a week. So $47 \times 45 = 2,115$ working hours/year.
- Assume that only $2/3$ of that time is billable, with the rest being lost to things like sales, marketing, administrative stuff, etc. Now $2,115 \times 2/3 = 1,410$ billable hours a year.

Divide your needed \$100,000 by 1,410 and you get \$71 an hour as your billable rate.

If you charge a flat fee, estimate the number of hours it will take to execute a job, and multiply that number by \$71 to determine your flat fee.

The number of available billable hours you have is inversely related to your rate, meaning the fewer hours you bill the higher the rate you'll have to charge to hit that same \$100,000 at the end of the year. It's critical to keep track of your time in order to make this process work.

When I sat down with Judy, the planner quoted at the top of this column, I had her keep regular time sheets. We were then able to see exactly how much of her day was spent on non-billable work (too much), and which clients were taking more of her time than she realized (all of them), and then calculate a more appropriate rate structure for her. Being busy, it turns out, is not the same as being profitable.

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