SMALL BUT MIGHTY
Webinar Series


Part 2: Getting Customers - December 7th, 2016


Upcoming - Part 4: Get Growing – March 8th, 2017

Getting Customers
Gary Romano

Overview
The Toolbox Pricing Structuring and Estimating Projects
Finding Your First Customer Creating a Customer Pipeline
Some key points to remember...

- Sales vs. marketing
- Time to conversion
- Customer vs. consumer

Poll #1: Do you have a logo?
Basic Branding –
Logo Design & Business Cards

Self Design
• Graphicsprings
• Inexpensive

Graphic Artist
• More expensive than self-design
• Opportunity to talk through the ideas you want to convey

Crowd Design
• 99Designs
• Reasonably priced
• Opportunity to engage peers and clients

Getting the Word Out
- Company Bio

• Who you are?
• What you do?
• Who you have done it for?

• Put it on paper!
• Attach it to every proposal

Bio Example

Gary Romano, President and CEO of Civitas Strategies, will lead the team. With more than 15 years of management and consulting experience, Gary has the expertise and skills to help public serving organizations move from vision to implementation. He treats clients as true partners by establishing strategies that connect to communities’ needs and strengths.

Gary has consulted with a wide array of organizations including: The W.K. Kellogg Foundation, The Annie E. Casey Foundation, Take Stock in Children, the University of Florida Lastinger Center for Learning, and SmartStart Georgia. Gary has also been a line manager in science and engineering firms, (the Battelle Memorial Institute and Shaw Environmental & Infrastructure) and WestCare, Inc., a regional substance abuse prevention and treatment agency.

Gary has lectured on human services project management at Boston College and the future of early childhood education at the W.K. Kellogg Foundation. Gary is an active member of The American Evaluation Association, the Alliance for Nonprofit Management, BoardSource, and the Association of Fundraising Professionals.
Basic Credibility - A Website

Start with text (reproduce bio) → Ensure way to Contact → Photographs and Images

The Toolbox
- Pricing
- Structuring and Estimating Projects

Finding Your First Customer
Creating a Customer Pipeline

Poll #2: When determining a market rate, most consultants in the nonprofit market typically make a guess that is...
The BIG question... How much?

What is the rate I should use to estimate my costs for a project?

What should I charge a client based on that rate?

"Goldilocks Rate" ~ not too high and not too low

Costing Your Cost

TOTAL HOURLY COST

Step #1 - Calculate Your Total Overhead
(costs that apply to the overall operation of your company, not just one project)
(Estimate - $55,000)

Office Space
- rent you may pay yourself for your home office

Utilities
- electricity, gas, phone, internet

Equipment
- computers, printers

Consumables
- paper, printer ink

Professional Fees & Development
- training, conferences, association memberships

Sales and Marketing
- costs to meet with potential clients, materials, the brochures

Business Taxes

-
Step #2 – Calculate Your Billable Hours

You and your employee work 40 hours a week and get 3 weeks’ vacation and one-week sick leave per year.

52 weeks/year x 40 work hours/week = 2,080 hours
3 weeks/year x 40 work hours/week = 120 hours
1 week sick days/year x 40 hours/week = 40 hours
2,080 hours – 120 hours – 40 hours = 1,920 potentially billable hours per principal and employee

*Consultants are typically only occasionally engaged (e.g. 10 hours/week = 520 hours/year)

**only 70% of your hours, 80% of your employees and 90% of consultants hours will be billable

Step #3 – Calculate Your Hourly Overhead


Step #4 – Calculate Your Personnel Cost

Principals/Owners

$80,000 Salary + $15,000 Benefits + $10,000 Net Profits = $105,000 BASE

1,344 Billable Hours = $78.13/hour

Employees

$65,000 Salary + $13,000 Benefits + $5,000 Taxes = $88,000 BASE

1,536 Billable Hours = $57.29/hour

Contractor

$40/hour x 10 hours/week x 52 weeks = $208,000 BASE

468 Billable hours = $44.44/hour
Step #5 – Create Your Total Hourly Cost

HOURLY OVERHEAD COST
Principal - $16.43 +
Employee - $16.43 +
Contractor - $16.43 +

HOURLY PERSONNEL COST
$78.13 (Principal) +
$57.29 (Employee) +
$44.44 (Contractor) +

HOURLY COST FOR EACH PERSON
$94.56 (Principal's Hourly Cost)
$73.72 (Employee's Hourly Cost)
$60.87 (Contractor's Hourly Cost)

From Cost to Fee

The Toolbox
Pricing
Structuring and Estimating Projects
Finding Your First Customer
Creating a Customer Pipeline
Identifying Your Fee Structures

<table>
<thead>
<tr>
<th>Hourly Agreement</th>
<th>Pay-One-Price</th>
<th>Value Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Upper limit to</td>
<td></td>
<td></td>
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<tr>
<td>signify a stop</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Advantage-mitigates risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Disadvantage-client treats you like a 'light switch'</td>
<td></td>
<td></td>
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<tr>
<td>• Agree to scope and set fee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Advantage-fewer surprises &amp; chance to increase profitability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Disadvantage-possibility of 'scope creep'</td>
<td></td>
<td></td>
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<tr>
<td>• Fee is based on how much benefit is derived</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Disadvantage-hard to quantify a direct cost savings in nonprofit world</td>
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</tr>
</tbody>
</table>

Estimating

• With the hourly fee and fee structure, estimating will be relatively easy
• Use average historical hours to estimate how many hours each activity will take
• No historical data – don’t hesitate to ask peers for help with this

Create ‘packages’ for the most common activities which will provide mini-models for estimating

Unknowns, Unknowns

• Contingency mitigates risks by building in a little extra time to address unforeseen activities
• 0% - simple, short projects with clients I know well
• 10% when I don’t know the client well or I think there could be a lot of risk
Avoid the Three Temptations

- Cutting Hours
- Lowering Hourly Fee
- Loss Leader

PROFIT LOSS

Poll #3: What is the number one capacity gap for startup and small consultancies?
The First Ones in the Door

- Greatest barrier to gaining momentum is getting your first few clients
- Confidence of prospective clients is gained when they know someone else has engaged you
- Ideally, I would try for at least five clients in the first six months

How to Find Your First Clients

- Current employer who knows you want to serve others but also recognizes their need to engage you further
- Partner organization you collaborated with
- Person who you worked for or with in the past that is from a different organization

Your first customers are people or organizations that already know you well

Considering a Pro Bono Project

- Give them a proposal (cost is zero but scope is outlined)
- Execute the project exactly as you would for a client (regular check-ins and high-quality reports)
- Closeout meeting at end of project
- Potential referral source has been created—a reference that paid clients can call about your work
REMEMBER!!!!
~ No matter how hard it may be to gain momentum don’t succumb to the Three Temptations

PROFIT LOSS

Poll #3: What is the typical conversion rate for nonprofit consultancies?
How Big is the Breadbox?

Conversion Rate + Average Sale + Average Time to Conversion + Estimated Revenue = Prospect Target

Hitting the Bull’s-Eye

Past and present customers
Referrals
Cold calls

How to Sleep Well at Night

Pemberton Method

Organization/Prospective Customer
The Last Step
The Next Step (due date & who has the action)
Estimate of Total Project Sale
Current Stage
Adjusted Sale (based on Current Stage)
Assigning a Stage of Sale

Win – 100%
Oral Agreement – 90%
Proposal Submitted – 70%
Project Design & Conversions – 25%
Lead – 10%

Example of Pemberton Model

<table>
<thead>
<tr>
<th>Organization/Cust omer</th>
<th>Last Step Completed</th>
<th>Next Step</th>
<th>Target Sale</th>
<th>Current Stage</th>
<th>Adjusted Sale (Based on Current Stage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Living Island Foundation &amp; H.A. Puffensstuff</td>
<td>Introductory call placed last week</td>
<td>Send examples of reports by Friday (Next)</td>
<td>$50,000</td>
<td>Ass (10%)</td>
<td>$5,000</td>
</tr>
<tr>
<td>Kangaroo Community &amp; B. Keeshan</td>
<td>Sent proposal yesterday</td>
<td>Circle back in two weeks (Grant)</td>
<td>$25,000</td>
<td>Proposal submitted (70%)</td>
<td>$17,500</td>
</tr>
<tr>
<td>Institution for Easy Reading &amp; M. Freeman</td>
<td>Received oral go-ahead today</td>
<td>Reach out to purchasing tomorrow (Jana)</td>
<td>$34,000</td>
<td>Oral Agreement (90%)</td>
<td>$30,600</td>
</tr>
</tbody>
</table>

You’re Ready

• You know what you want to do & how to do it
• Get some clients – register now!
Help and Questions?
December 2016.
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