

SHOULD I HAVE A MINIMUM FEE? WHAT SHOULD IT BE?

S

ooner or later, most businesses come to an inescapable conclusion: at some level the cost of doing business is greater than the income it generates.

The result is minimum charge card purchases, cover charges in bars, service fees on checking accounts, a cup of coffee *and* a donut if you sit at the counter. In other words, dear customer, if you can't afford to spend a certain amount of money, we can't afford to do business with you.

Should your business be any different? Probably not, especially if it's small now and you want it to grow and prosper in the future. This will require a certain volume of activity, a certain level of operating efficiency.

WHAT'S APPROPRIATE?

As a general rule, *Creative Business* recommends a per-job minimum of one day's billable work (8 hours) or its equivalent. As your firm prospers, the per-job minimum probably should go up (two day's work, three day's work, etc.), although there is no formula or relationship for doing so. Likewise, there's no upper limit.

You decide what's suitable, recognizing that the more talented and prosperous you are, the more latitude you have. (Does Pavarotti still do \$100 concerts?)

There are, of course, common-sense exceptions to minimum fees, especially for good clients. When making an exception, however, try (tactfully) to assure that it's recognized as such. For example, say some-

thing like: "We don't usually accept jobs this small, but in this particular case we'd be happy to make an exception. Writing the invitation to your company picnic will be an interesting and enjoyable change of pace."

We also recommend that you publish your minimum per-job charge in any information you send out to prospective clients. ("Our minimum project charge, based on one billable day of our time, is \$000.") Doing this will help filter out under-budgeted window shoppers. In addition, it will enhance your professionalism and the value of your time among those clients who can afford you.

ADD AN "ADMINISTRATIVE EXPENSE" TO ESTIMATES?

To coin a phrase, "Small jobs mean small profits." Especially in a service business. This is because it often takes as much time to "sell" the client on a small job as a large one. Client contact time—getting input, showing concepts and making changes—also takes proportionately more time for small than large jobs. And administrative tasks—time keeping, bookkeeping and invoicing—take about as long, regardless of job size.

To somewhat compensate, when there's a lack of strong price pressure it's advisable to add an additional 5% to 10% to a job estimate as an "administrative expense." On the other hand, when there is strong price pressure and any work would be welcome, it can simply be omitted.

WHAT ABOUT JOBS IN PROGRESS?

A general rule is in order here as well: *Creative Business* recommends that no in-progress job be billed for less than one-hour of work. In some cases, this will

mean saving up client changes and AAs until there are more than an hour's worth. In other cases, it will mean billing for one hour, even though the changes only take ten minutes to accomplish.

Whichever the case, it is a necessary discipline because of the time-wasting inefficiencies that always accompany switching from one job to another—finding materials, opening files, getting in the right mind set, and closing and saving files.

Here too, of course, there are common-sense exceptions: tight deadline work can't be saved up, and good clients should never be kept waiting. In the latter case, and in the absence of computer tracking, it may not even be cost-effective to record small blocks of time. Especially with large jobs, it may be better to ensure that the estimate is loose enough to accommodate a few uncounted minutes here and there.

As for work of over one hour duration, production work should probably be billed in increments of 15 minutes (1/4 hour). For creative (conceptual) work, most multiperson shops bill in hourly chunks; many freelances and shop principals bill for creative work in minimum chunks of four hours (half day).

Whatever the time-keeping basis, the minimum-charge discipline is important whether it will actually affect the bill the client pays, or will only be used to compare estimated to actual costs.

Finally, recognize that *having minimum charges will only be as effective as the ability of yourself and all employees to keep and submit accurate time sheets.* Although computer time-tracking programs have provided great assistance in this area, failure to keep track of job time is still a major problem.