



Bold new business models for professional services

July 21, 2020

How the services industry needs to move past hourly billing.

Hourly billing has long been the foundation of professional services in legal, accounting, and other arenas. But that foundation has started to crack.

The COVID-19 pandemic has forced companies to rethink how they interact with customers, employees, and consultants.

Firms have traditionally adapted the services or expertise they offer, but there are now three pressure points that require a bigger change.

Understand the three pressure points

1. **new needs:** this revolves around how your client want to be engaged, what services they require and how you need to go about offering those services.
2. **new structure:** the growing “gig economy” paired well with the professional services model. Do clients still have the demand for sporadic help? With a larger unemployment pool, they have more power to make demands.
3. **new environment:** with the shift to remote work environments, professional services firms need to evolve their approach, build relationships, and demonstrate value amidst flexible work hours and a lack of face-to-face interaction.

Find the need

The three pressure points require a new approach that reconsiders what’s now a regulation or other necessity for clients, along with what’s strategic.

The annuity model

Clients have a yearly subscription to services rather than having to manage, track and pay for individual hours. To make this transition, professional services firms need to take five steps:

1. **understand the client’s new needs in the strategic priority matrix.**
2. **work out the expected outcomes**
3. **establish the frequency of the outcomes**
4. **complete the year**
5. **determine price and delivery**

The annuity model gives professional services firms a chance to reduce risk amid crises like pandemics, since it guarantees year-round revenue. If your client work will not fit that requirement, you still have another option.

The outcome-based model

Rather than paying for the process, companies can pay for the results. At times like this, the outcome-based model also gives companies more flexibility in their initial investments – and clearer traceability for the return on their investments.

Take charge of change

These new models give firms a chance to flex the agility and digital muscle they developed while adapting to the changes from COVID-19. But most importantly, they help services firms connect to success.

Source

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