

Small Business 'No' How - Don't Give Away the Farm

By David A. James

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You're pretty proud of yourself! After all, only four months ago you came up with the idea of opening your own business - "Jenni's Interior Design" Your friends have always said you were gifted when it came to arranging furniture and picking out colors, and you love to do it, so you decided it was time to get serious.

You went to a few "Starting Your Own Business" seminars, picked out a name and registered it, had your nephew build a great website, printed up some business cards, got a second phone line, and took out an ad in the local paper - "Are Your Walls and Furniture as Stagnant as Pond Scum? You Don't Need to Break the Bank for a Fresh Look, You Just Need a Makeover"

Then you crossed your fingers and waited. Day one, no calls. Day two, no calls. Day three - the phone rings! Success! Your heart is pounding as you pick up the phone. The conversation goes something like this:

"Hi! This is Jenni with Jenni's Interior Design, how can I help you?"

"Hi, my name is Celia, I saw your ad in the paper. What do you charge for your makeovers?"

"Well, my rate is \$25 per half-hour for consultations or \$100 per room to redesign the entire room. If we decide on new furniture or paint, that is your cost of course"

"Hmm, I have a lot of rooms I'm thinking about changing. Can you come over for a free consultation just to see what I have? If I do more than one room, can I get a discount?"

"Umm... sure, that's fine. If we do more than one room I can do a discount too, no problem"

Hold on. Maybe Jenni hasn't given away the farm yet, but she's on her way. When Jenni hangs up the phone she's going to realize a few things:

1. She is committed to spending her time and gas money to visit Celia.
2. She has no agreement or commitment from Celia
3. She indicted that some of her time is "free" time.
4. She let Celia know her price could be bargained down.

The problem here isn't that Jenni was caught off guard, the problem is that she instinctually began to doubt herself and her prices. You can't blame Jenni, after all, this is her first potential customer and while she's talking on the phone she's probably thinking "Gee, am I really worth \$25 per half-hour? I do this for my friends for free. I don't know if I'm really qualified to charge that kind of money"

The potentially bigger problem is Jenni pretty much threw her pricing structure out the window when questioned. There is nothing wrong with bartering and making deals, but it shouldn't be your standard business practice. Without a doubt, if Celia likes Jenni's work and recommends her to a friend, Celia will be sure to brag about the great deal she negotiated as well. Now, Jenni is probably stuck with this "free consultation with a discount" policy for any referral customers. Jenni is setting herself up to run all over town free of charge, give good advice, and potentially not make a dime.

What Jenni should say is, "I would be thrilled to come out, but I'll have to keep the consultation charge in place. What I can do is credit your consultation towards the first room we makeover, each additional room would be at the regular rate. I'm sure I'll have some great ideas that we can work on together"

Of course it takes confidence in yourself to come back with that kind of a reply. Jenni is only going to have that kind of confidence in herself by knowing her competition, what they charge, and that fact that she is as good, or better, than they are.

So here's the key to not giving away the farm:

Know your competition and the commonly established rates for your service.

If you are competent, confident and know you have as much skill and talent as your competitors, there is no reason why you should be charging any less than they do. In fact, some people believe if you charge more it's a sign that you must really be good!

But let's not get carried away, the point isn't to see how much you can charge before you run yourself out of business. The point is, "Don't sell yourself short"

One great way to measure your competition is to call and try them out. I personally did this not long ago when I was thinking about opening a software consultation / training business. I found a small business specializing in software training and had them send out an employee for two hours of Microsoft Access training. The friendly lady who arrived spent two hours reading the 'help' screens (to herself) and flipping through the paperback user's manual trying to figure out how to show me some rather simple tasks I had questioned her about. Hardly what I would call expert training. However, it served its purpose - I knew I could do a better job.

Do your research and provide an efficient, professional service. Show them that you're worth every penny. If you build that kind of reputation, price will not be much of an issue. Your customers will admire your confidence and work ethic and be happy they're doing business with you.

Oh, and keep the deed to the farm in your drawer where it belongs.

About the Author

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David James is the editor of "Home Income Digest", a publication, updated quarterly, presenting more than 40 of the best home-based businesses currently available in the country. Located at

<http://www.homeincomedigest.com> Home Income Digest bases its business on including only well-researched, established, small business opportunities. For more information about the author, visit <http://www.homeincomedigest.com/aboutus.htm>

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