

“New Strategies to Avoid Interior Design Fee Fiascos”

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Welcome to this call about **New Strategies to Avoid Interior Design Fee Fiascos**. This is Gail Doby with Design Success University, and I am looking forward to providing valuable content that you can't get anywhere else. This is such a vitally important topic, and this call will last for about 1 ½ hours.

Here's what you'll learn – the new psychology of consumers, what they're thinking and why, how to address that and strategies to avoid interior design fee fiascos.

Be prepared to take lots of notes, and you will receive the transcript of this call, and access to the webinar recording so you can replay this, too. **We'll also provide the Top 10 Biggest Mistakes Interior Designers Make With Fees** included in this transcript plus all of the questions from our blog, emails to our info account, and our Facebook fan page. This has turned into an eBook! We've had over 100 comments and questions so far, so this transcript and session are packed with content.

Please be totally focused on this content because this is crucial to your business success today. Consumer attitudes are changing rapidly with the Internet and the recent financial challenges, and you need to be prepared so you are able to meet the challenges with confidence and clarity.

I will ask you to share your biggest AHAs at the end of this session to be entered in a drawing at the end of the call today for a full scholarship to our Value Based Fee System series with Group Coaching.

I will be sharing information about a class we've offered twice before, our Value Based Fee System and group coaching that is a separate module.

Just to share one success story of one of our first graduates – Sue Moss...she took the class last fall, and on our wrap-up call, she shared that she received a call from a prospect that had interviewed other designers. After she used the questions we taught in the series, by the end of the call, the client said that none of the other designers had asked those questions and that she was the designer they were hiring. Since then, she has gotten two fixed fee contracts for \$20,000 and \$30,000. Her results aren't typical. She's a seasoned designer with 30 years of experience, and she took action and used what we taught her.

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I promise that I will give you several great insights and strategies on this call today, and that even if you don't choose to attend our Value Based Fee System series, you'll be more prepared for your new prospects and clients, so be sure to listen through the end of the call.

Some of you are new to Design Success University, so I'll share why I am uniquely qualified to talk about this subject and why you should listen to me today. I am an NCIDQ qualified and ASID professional interior designer, and I've practiced mostly residential interior design for nearly 23 years. I have a Finance & Banking degree as well as an Interior Design degree and when I first graduated from college in 1977, I worked for a Fortune 500 company, Armstrong World Industries, in sales and marketing in the home furnishings industry, so I've spent...hate to admit it...33 years working in this field.

I built my interior design firm to almost \$900,000 in revenue in 2000, and there were 8 of us on staff. When 9/11 hit, like most of you are experiencing right now, my firm's business declined significantly. It was a timely opportunity for me to restructure and downsize because I found that I didn't enjoy managing a large staff.

I went back to what I loved which was construction and renovation design for multi-million dollar homes. I have worked with the ultra-affluent for years, and I've struggled with many of the same problems that you're facing right now.

In 2007, I could see how the industry was changing and I started looking for new solutions and answers to some of our most difficult challenges as designpreneurs, and in March of 2008, Erin Weir and I started Design Success University to help you and your colleagues learn what isn't available through most design schools – a practical approach to running a successful interior design practice that is cutting-edge and progressive so you can be more profitable and enjoy what brought you to this profession in the first place – your passion for interior design.

So, why are so many interior designers experiencing challenges with clients and fees today? Here are sixteen reasons:

1. We've been forcing clients to do business our way and we're focused on our needs and wants instead of theirs.
2. Consumers are more cost-sensitive than ever, and an open checkbook makes even the most affluent prospects cringe.
3. Even the wealthiest clients feel awkward about spending ostentatiously when they see their friends and neighbors losing their jobs. They are afraid of appearing insensitive and ostentatious in difficult times.
4. Consumers are worried that you'll take advantage of them financially.
5. Many designers aren't professional in their approach and they hurt your odds of getting a job because of the correct and incorrect assumptions and stereotypes of interior designers.

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6. The Internet has made price shopping easy. Your clients can find products on the Internet and buy them without your help.
7. If you're charging a mark-up on products, many consumers don't like it and they will shop you...even the wealthiest ones...because they are less trusting than ever with people that profit from charging for time that they can't monitor. A great book I'd recommend is *Speed of Trust* by Stephen M.R. Covey.
8. Consumers secretly fear that you will try to sell them more expensive products to make more money. Often, your clients won't discuss this with you and yet they think this in the back of their minds.
9. The Internet makes it easy to check you out and get reviews about you and your business practices. If you've ever had a difficult client relationship, you could find that your previous clients will post negative reviews about you on the Internet.
10. HGTV has skewed some consumer's opinions about what it takes to do a job and what a realistic budget and timeframe is. This means you have to work extra hard to educate your clients. I remember hearing Vicente Wolf talk about this years ago at the Denver Design Center. Even with his many years of experience, frequently published work and numerous books, he found that each client required education.
11. Consumers don't understand what you do and why you charge so much. They don't value your services the same way you do. Don't assume they understand the reasons why you charge what you do for your service. It is your job to inform them.
12. Consumers are your biggest competitors...not your colleagues. You will face this more and more and they are less interested in hiring someone to work on their home if they feel they can do it themselves. You don't want these consumers as clients.
13. There are options to purchase services online for small fees through large sites and even your competitors. You have to have a strategy for this.
14. The recession and the Internet have changed consumers. When business was easier and plentiful, designers didn't have to be great at marketing, sales and business. Now it is vital. Many have shut their doors and that is good if you're skilled at these three areas of your business. If not, you must learn new strategies.
15. Self-esteem is a huge problem in this industry. It is another big reason designers fail...especially with wealthy and difficult clients. It takes savvy, patience, negotiating skills and determination to succeed in the best of times, and without self-esteem, designers fail.
16. Poor communication skills and not asking the tough questions are other problems I see. Many of the problems with clients can be avoided with great qualifying questions and listening skills. People and body language reading is under-rated. Other problems can be prevented by anticipating and understanding potential objections. Take that one step further, and prepare and rehearse your answers.

Some of you have been following this conversation in our ezine, Facebook and our blog, and today, I'll talk about the **10 Biggest Mistakes Interior Designers Make With Fees** that I shared on these three sites, and I'll share strategies for how to deal with them if you are offering one of the typical fee structures of hourly rate plus a mark-up. As I mentioned earlier in the call, I will also share why it is so important to consider a **Value Based Fee** for your services.

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10 Biggest Mistakes Interior Designers Make With Fees

Why are interior designers reluctant to offer a fixed fee when this is the overwhelming preference of consumers?

#1 Not offering options to an hourly billing structure with a mark-up on goods, and not considering what the client values...a result - 70% of consumers want fixed fees, and only 5.6% of our surveyed designers offer fees this way – disconnect. That’s a big disconnect.

Fears: Clients – runaway bills;
Designers - having clients take advantage or underestimating the time required to do a project.

Strategy: Better qualifying questions.

- One of the biggest concerns I had was how to manage the client and keep them within the scope of work. What about that indecisive client? What about the one that says, “while you’re at it...”
- Another concern was how to calculate it for a residential project that involved many unknowns.
- It’s difficult to know how to structure it.

Strategy that you must start doing today: Develop a complete list of questions to uncover the potential problem clients. If you’ve experienced problems with clients in the past, the first step is to write down what went wrong and ask yourself why it went wrong. Keep asking yourself this question at least five times and then, come up with one or more questions you can ask to prevent taking on this client in the future or to prevent the conflicts that arise as a result of not addressing this from the beginning.

I recommend getting a journal and spending a few hours on this during the next few days. For example: you need to find out if your clients want to do their own shopping or if they are planning to check prices on the Internet. If you don’t discuss this in the initial conversation, I can promise you that at least one of your clients will become angry during the course of your relationship and potentially fire you if they find a better deal on their own. You must discuss this and share why they should purchase through you from the beginning, or be prepared to let them do some purchasing on their own. If you end up in a conflict over this, you’ve just lost potential revenue, credibility and future referrals. Don’t make this mistake.

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I know. This is a royal pain, but it is part of doing business.

What happens when you don't keep up with time tracking daily? You don't have a baseline for how long it takes to do certain activities. That means it is difficult to estimate time for a project, and therefore estimate budgets. This goes back to Mistake #1. If you aren't tracking your time, you can't manage your time and your time budget.

Also, it leads to scope creep that isn't paid by your clients. You have to be firm with yourself because this is money in your pocket to pay for your children's activities, vacations or employee paychecks. It's also extremely important to have your employees track their time frequently, too.

A few times, I had to tell my employees that if they didn't get their time entered, they wouldn't get their paychecks. When it affects their paycheck, it's amazing how they get it done.

It's like a diet – once you record what you eat, you can see patterns in your eating behavior and how many calories you're really eating.

This is also extremely important for time management, because you can't manage your time if you can't estimate how long it takes to do something. Interesting? This is especially important if you are managing several projects.

Even if you do value based or fixed fee projects, it is vital to track time. For you as a business owner, it is also important to track your marketing and administrative time. Why? It helps you manage the work and identify where you need to make improvements in your time management.

Strategy for tracking your time: I use a combination of my Google calendar, and Studio IT for design projects (Studio Webware is even better because you can update your time from your mobile phone). For DSU time, I make a To Do list with Estimated and Actual time per day on an Excel spreadsheet. It really works for me.

You need to track these time items:

#2 Not tracking your time accurately – you can't manage your business & be profitable unless you know how long things take and where you're spending your time.

Fears: Clients – you billing for time unfairly (trust);

Designers – not being paid, but more importantly, if you're not tracking your time, you'll never be able to set realistic fees and be compensated fairly.

Strategy: Keeping track no matter how you bill – Google calendar – Studio Webware; tracking tips – phases of projects, meetings, job administration, business administration, marketing.

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- Phases of projects – how much time you typically spend per type of project so you have an easy time calculating your fees.
- Number of meetings you include per phase of a project and typical length of meetings.
- Job administration time – if you are doing purchasing and expediting, you need to know how much time is associated with that.
- Business administration time – how much time you spend with email, telephone calls unrelated to your jobs, filling, organizing, paying bills.
- Marketing time to get jobs – include how much time it takes to do social networking, photography, public speaking, etc.

#3 Not qualifying clients well enough before going to

contract – take the wrong clients, believe what they say when they’re on their best behavior and not trusting your gut

Fears: Clients – fears mentioned above must be surfaced before going to contract – you’ll have a higher closing percentage if you do and you’ll earn their trust;
Designers – fear of being nosy – must get over this – this is like a marriage, and it can break up over lost trust and money issues.

Strategy: you must develop better questions and anticipate problems and surface them early before you make your proposal. Explain that it is to protect the client as much as you – educate your client.

What are some of the problems that may be encountered?

- Pricing a project based on a typical client instead of understanding that someone may be indecisive may cost you money, and potentially all of your profit.
- Not uncovering the real buying criteria and jumping to conclusions about what they value may lead you to proposing something that really doesn’t fit what the client wants.
- Not having all decision makers participating in the interview process together leads to potential conflict. The dynamics are entirely different, and you get different stories from each client when you interview separately. What is important to one is a non-issue to the other in some cases. And, the flip side is also true. What is really important and derail your process may not be uncovered in separate interviews. You must have all of the decision makers involved in the initial interviews.
- Not asking the tough questions and having a way to uncover the potential objections and fears that the client might have about your services leads to potential problems. When your clients are feeling stressed, it could be turned on you if you the problems weren’t addressed in the initial interview. Surface the difficult questions about money in the early stages, or you may face challenges later.

Strategy – going back to Mistake #1 – you must anticipate questions, and you know what your typical client needs to know so they can have a happy relationship with you. If you don’t have a thorough list of questions that is updated to address

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the uncovered possible objections, you will lose potential clients, and you will potentially have problems with those clients. You also need to discuss how the process of working with you evolves. Educate your clients early and often.

It's really important to get your prospect's commitment with a retainer or deposit at the very beginning of your relationship. Otherwise, it becomes one-sided with the majority of the benefit on the client's side.

I learned years ago not to start a project without a contract and a check because many consumers don't seem to think it is wrong to ask for your free advice and then never hire you. Some of them invite several designers to their homes to see what they can get for free. Have you ever had this happen? I have.

It's really a shame, but unless we establish, communicate and charge for our value, we will be used as a free resource.

Strategy: Be prepared to request a retainer and contract signature at the second meeting after you've clearly defined the scope of work. Hold this retainer and do not bill against it. Apply it to the last bill. I really do advise that you start thinking about a flat fee because you can complete your billing before the project is done. It's harder with an hourly billing structure, so that is why you need to hold the retainer to cover the last bill. I've regretted the times that I applied the retainer to time bills.

#4 Not being transparent and direct with your prospects and clients – ask and you will receive. You must get commitment from client before starting work.

Fears: Clients – that you'll take advantage of them;
Designers – that you'll lose a prospective client and revenue.

Strategy: Hourly billing, if you continue to work this way, be prepared to estimate your time and set caps, take a retainer, sign a contract, bill on time and every two weeks.

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#5 Not offering tiered pricing and services – you could be leaving money on the table by not offering low, medium and high options. Each of your businesses is different, so you have to decide what that could be for your business, client and each individual offer. Think of a car with the basic stripped down version, mid price and luxury cars. More options...more profit.

Fears: Clients – only offering one option doesn't give them choice and with choice comes the feeling of control;

Designers - losing control of client or not making enough because they select the least expensive option.

Strategy: offer basic services that meet less criteria of prospect – example would be design only; second tier – construction documents and product specifications; third option with job oversight and a killer premium offer – perhaps a concierge level. This is your opportunity to think outside of the box.

The model of offering an hourly fee and mark-up is one of the least effective ways of working with clients today as I mentioned before, so another option is to offer tiered services and break the project into phases.

Even if you offer a fixed fee for your clients, have you considered offering three options so your clients can decide what level of services they want. You will find that they will select the middle or most expensive option when they see the added benefits.

If you don't offer a tiered pricing structure, you're likely to leave a lot of money on the table. Many of these additional offers may take little of your time and add a huge amount of perceived value. Make sure they are aligned with the main offer.

Strategy: Three tiers is best. The lowest tier should be your basic service such as design concept or master plan without drawings. Second tier could take someone through construction documents and product specifications. Third tier could be project coordination and oversight. Be very careful of your wording about project oversight vs. management in your contract and discuss this with your attorney. Some designers run into lawsuits over acting as a general contractor, and your wording must protect you in your contract.

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Your clients are the reason you get to enjoy your passion for design. Something as simple as a box of chocolates or a special box of pastries from a wonderful bakery may just be the perfect touch. You could even include a gift certificate for a service that takes you little time, but is perceived as valuable by your client. And, you could even give them a Sweetheart gift of a second gift certificate for their best friend.

#6 Not WOWing your clients with an unexpected service during your engagement –

this bonds you with your clients when they know you care about them more than you care about the business you are doing with them.

Fears: Clients – that you are doing the job for your ego over their wants, needs and desires. **Designer** – that the client won't or doesn't appreciate your skills, expertise and commitment to service.

Strategy: evaluate the real emotional reasons that clients hire you in the first place...they don't have the skills, time or talent to do what you do...they care about what people think about their taste and their expression of their personal style. Make your services WOW them and feel secure, supported and appreciated for themselves. Clients make decisions emotionally, and justify them rationally.

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#7 Not knowing how to present your unique difference in such a way that your prospects choose you over your competitors – if you only express yourself as an “interior designer charging \$100 per hour,” why would a client hire you over someone that charges \$80 per hour?

Fears: Clients – picking the wrong person, or if they pay you more per hour, are they just paying more for the same service and therefore not being wise with their investment; **Designers** – that you don’t have a unique difference and that it is about getting the job to pay the bills.

Strategy: establish your true value and the emotional reason they want to deal with you over someone else – and that may be related to experience which translates to trust which is a powerful motivator for clients. Also, assuming all things are equal and you do the same job as Sally Designer across town, it is the personality and relationship skills you bring that create that instant rapport and connection. If you are too business-like, it will appeal to the men, but not the women.

When you’re competing with other designers for a job, and the only way a prospect can differentiate you is your hourly fee, how will they make a decision?

1. the lowest cost per hour
2. the portfolio they like the best
3. the person they like the best

It could be a combination of all three, and you could lose the job.

The real point is that few designers really know how to handle the conversation about fees. If you haven’t established your differentiating value prior to talking about your fees, and you don’t know the prospect’s buying criteria, you could easily lose to the lowest priced option.

Strategy: Evaluate your true difference and express this in terms of the emotional reasons they would want to hire you. What do you really do for them? You aren’t just an interior designer, you are a transformer of spaces and experiences. Focus on the **experience** they will have with you over other designers.

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My favorite contractor taught this to me many years ago. He can tell when someone will be difficult (pain in the you-know-what), and now he adds a premium to his price for this. Good advice.

Who are the PIBS? You know the characteristics all too well:

- Can't make a decision...have to ask their friends on family design committee
- Huge ego...they know more than you do
- Low self-esteem...want your undivided attention
- Nit picky...nothing is ever quite right
- Demanding...want it yesterday and let you know if you didn't do it quickly enough
- Busy, busy, busy...always on their cell phone and taking calls in the middle of any conversation with you
- Unreasonable...they want you to meet after hours and on the weekends frequently
- Powerful...they want you to kow-tow to them

You know the types...

Strategy: personally, my Ideal Client Profile includes the **personality traits I avoid and the ones I prefer**. The types above take so much energy that it isn't worth it to me to take the jobs. Don't let your fears about needing work overtake your rational mind when approached by these time-suckers...or at least, charge more if you really want to take the job.

I'd rather eat worms!

#8 Not establishing a PIB price for difficult clients – this includes prospects that can't make a decision, have conflicts between each other, huge ego, nitpicky, low self esteem, demanding, unreasonable or powerful are a few of mine. I also avoid engineers, doctors and accountants.

Fears: Clients – lack of control or fear of making a wrong decision – looking to make someone else wrong or responsible;

Designers – that the client is right and the need for a job outweighs the stress and emotional cost of a bad job.

Strategy: develop your Ideal Client Profile so well that you can visualize the person/couple you want to deal with down to the demographics, psychographics and technographics. Also identify who you don't want to deal with in terms of traits and values. Once you do this, you'll have a better understanding about selecting the right clients in the first place. Finally, I'd avoid the PIB clients. It's not worth it to me to deal with difficult people.

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#9 Not getting paid for your fees long before the project is over – this is a problem, and especially with time billing, the clients start getting upset if the bills continue to mount and you’re just charging for your time. Many designers face bill negotiations during or at the end of projects. You don’t want this to happen because this is your profit and livelihood.

Fears: Clients – they are worried that you are racking up the bills and you’re not really doing what you’re getting billed for, and they HATE getting nicked and dimed; **Designers** – you’re afraid of not getting paid fairly and getting your last bill, and you’re worried about how the clients will react as they get the series of bills especially at the beginning of the project.

Strategy: structure the payments so you get paid early in the design process for your design work through a retainer and progressive billing. **DO NOT TAKE CLIENTS WHO NEGOTIATE YOUR HOURLY FEE (OR FIXED)! This is a huge red flag.**

Have you finished an incredibly intense interior design project and waited for your final payment for a job well done...and the check never arrives?

A big frustration in this business is getting paid what you’re worth, and sometimes, just getting paid is a challenge. The last invoice is often used to negotiate your fees, or even worse, some clients won’t pay at all.

If you’ve had this happen to you, how can/did/should you handle it?

- Get depressed...maybe you feel that you don’t deserve it and you let it go
- Cry...you might not get the money you deserve, and it could be a large portion of your profit
- Write it off...maybe you feel that you were well-compensated without the final payment
- Get angry and stalk your client...not recommended
- Call your client and ask why you didn’t get paid....try to understand what went wrong and how you can resolve the problem
- Send several bills and include an interest charge – which may or may not be paid without the interest you charged
- Have your attorney write a letter...which may do little or no good and cost you attorney’s fees
- Threaten to take the client to court...if your client was intending to do this anyway, they probably have a history of doing this to others and it won’t help
- Take the client to small claims court...even if you get a judgment, you still may not get paid...and there isn’t anything you can do about it!
- Offer a discount on the final bill...maybe this will work, but it does devalue your services
- Offer a payment plan...one option if the person is having cash flow issues or personal/business challenges

Even celebrity designers face these challenges with celebrity clients that enjoy the feeling of power over others because of their high profile. I can’t mention names, but it happens more than you might think.

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1. Prevention is the first step. Trust your gut. I don't care how much you need a job right now, you can't afford to take bad clients. The stress and potential non-payment isn't worth it.
2. Discuss in your first meeting or two with a client about how you will handle conflicts. They will arise over a variety of things. You must surface this!
3. If you're already in one of these bad relationships, fire the client and get out with as much as you can.
4. Once a client relationship starts going badly, you need to face the client in a meeting and have a frank conversation before you involve your attorney. It does little good to deal with the problems through legal processes. The communication and trust is already broken.

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Educate your clients before they ever meet you. Start with your website, and even your blog. Provide white papers (informational reports) with information about working with you and why and how you help them.

Feature/Advantage/Benefit. Big pet peeve of mine with designer’s websites: writing about what you do and the services you provide like it’s a shopping list. **UNLESS YOU CONNECT WITH WHAT YOUR CLIENT WANTS AND WHY THEY WANT IT EMOTIONALLY, YOU ARE WASTING VALUABLE MARKETING SPACE!!!** OK...off my soap box.

Ask yourself questions about what you really do for your clients...you are a trusted advisor...**why does that matter to them?** What’s in it for me (WIFM) should be the question you ask yourself when writing copy for your marketing materials and when thinking about your positioning as an interior designer.

Even for the most seasoned interior designers, it takes a new approach and a list of thorough questions to really make sure you've educated your clients thoroughly. You'll avoid lots of stress and financial disappointment when you have a well-rehearsed approach.

Especially now, you need to address the differences in working with you as a professional and someone else. This starts before they even call you.

Strategy: Your website should include information about the reasons to hire a designer and when not to hire a designer and you in particular. Exclusion is a powerful tool to create desire. Instead of being thankful for a call from a prospect, start your conversation with the following: “I may not be the right designer for you. Would it be OK if I asked you some questions to determine if we’re a good fit for each other? Let’s both agree by the end of this conversation that we’ll be very honest with each other because I value your time and mine. It’s really important to have the right relationship because we’ll be working together for a long time and I want it to be fun, rewarding and exciting. Is that OK with you?” You want permission to ask the questions. This is called “getting a series of yeses.”

Here’s another important detail that most designers don’t realize. Most prospects are nervous about calling you because they’re afraid you’ll be critical of them and that you’ll see them as

#10 Not educating your clients well enough – I hear (and I’ve been guilty of this, too) that some of you get frustrated that your clients don’t understand how hard you work for them and that you should be paid more/better. Well...guess what...if the only information a consumer gets about designers is television shows like HGTV and regular television, how will the client know what it is really like in our shoes? They won’t. You have to educate them and that is part of your job. Never assume they understand.

Fears: Clients – that interior designers are flaky, not business –like and they are entrusting us with a lot of money that they’ve worked hard to earn, and that we’ll spend it frivolously; **Designers** – that clients won’t pay us for what we’re worth and that they have a poor image of us as an artist over a professional.

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lacking good taste. It is your job to put them at ease and ask questions throughout the process to determine if they are at ease. OK?

I promised that I would deliver value and strategies to you today, and I hope you feel that I over-delivered on this free webinar. We'll also send you the transcript for this session, and since I won't get to all of the questions and comments on the blog and Facebook, I'll answer them within this document.



Now, I said I'd tell you about our **Value Based Fee System** that we're offering and why you want to invest in yourself.

- **"How to Determine Your Value Based Fees"** - with Kathy Alexander – designer for 20 years who started her first project with a \$5,000 fixed fee.
- **"Setting Fixed Fees"** - with Valentina Cirasola – designer for 20 years that uses this approach on construction projects.
- **"Fixed Fees For Happier Clients"**- with Kristi Dinner – Kristi asks some amazing questions to help you avoid client disasters.
- **"Controlling Your Clients For Profit"** - with celebrity designer Vicente Wolf – he has an entirely different approach, and one of the most important lessons you'll learn is how he manages his clients
- **"Customize Your Value Based Fee Offer"**- this is a two hour nuts and bolts session with me. You'll learn how to successfully manage the client interview process, the mindset and practice required, what specific questions to ask before you meet the client in person, what questions to ask during the interview, how to create a three-tiered offer, pricing options and how to handle questions from your prospect that you're not ready to answer. You'll want to listen to this session a few times to get all of the juicy nuggets of information. I'll share all of the secrets and process with you so you are ready to get your first Value Based Fee Project the next time the phone rings.
- **Interview with Sharon Drew Morgen** *"Buying Facilitation® - It's Different From Sales"* - MP3 Recording **(\$79 Value)**
- **"Interior Designer's Top Challenges & Solutions"** with Gail Doby, ASID - MP3 Recording & Notes - **(\$49 Value)**
- **Design Success University's Testimonial Template** by Gail Doby, ASID - **(\$29 Value)**
- **Pricing Strategies Worksheet** – so you can easily figure your pricing for each project - **(\$99 Value)**

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- **Client Interview Questionnaire** – just print this and have it in your notebook during the client interview, and better yet, use it in your initial phone interview...you might just get the job without an in-person interview** - **(\$99 Value)**
- **Value Based Fees Proposal Template** – just fill in the blanks and print on your stationery with your normal contract - **(\$149 Value)**
- **This is all valued at \$1,049, and today and through March 7th, we’re offering this for \$199 for the entire system.** Our regular price is \$299.
- The reason we have this deadline is that we are offering an **upgrade for group coaching so you can customize your personal Value Based Fee offer and get answers to your specific questions. It is priced separately for \$149** and we wanted to make this combination as affordable as possible. The next group coaching session is starting on **March 22nd** and that’s why this is a time-sensitive offer. Group coaching includes 3 live sessions of about two hours each. I will take hot seats to answer specific and individual questions to help you complete your own proposals. I’ll answer questions that our class members email in to me between group coaching. I think this is the best value of all and makes the difference between you taking action and being successful vs. you wondering how to apply it and not knowing if you’re on the right track and potentially losing a great project. **You’ll be able to get the Value Based Fee System without coaching any time for \$299**, but not with the group coaching offer and not at this price.
- If you’re ready to learn a new way to run your business more profitably and with less stress, this is it. We’ve worked hard and we’ve added more content and benefits than the previous two times we’ve offered it. It is our very best series, and I hope after this webinar today, that you realize the value of what we’re offering based on the free webinar today. The Value Based Fee System will help you establish yourself at a different level than your competitors...you will be in an entirely new league, and this will be your competitive advantage that will give you more profit and less stress doing what you love – you have a full guarantee for thirty days, so you can listen to this great content. I’m really proud of this series and what it can do for you. Truly, this is a great value and one that you’d be crazy not to consider. If you’re billing by the hour, this is the equivalent of 2 or 3 billable hours for more than 10 hours of jam packed content with the hard work done for you. If you add the group coaching, that is another 6 hours and when you sign up for that, we’ll include the recordings of our current Q & A series, too.
- Just remember, this is only for designers with two or more years of experience. No whiners and don’t sign up for this unless you’re really ready to change your business and do what it takes. It is not a magic bullet. You do have to make an effort and take action. I am here to help you and support you to be successful in your business.

Here’s what you need to do...email your biggest AHA from this session and tell me where you were before this call and what you’ve learned to apply to your business with your name, email and company name. We will use this in our marketing materials, so if you don’t want your name used, don’t enter the drawing. You can email info@designsuccess.com right now.

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While you're doing that, I'll select a few of the Q & As that I think are most applicable and will answer them...

Questions and comments from the DSU blog and Facebook

Question: I have talked to friends who work with Designers. It would scare them away to ask for a fee that is equal to a fair hourly or cost plus. If I said 25-30K to do the house, I can't imagine that most wouldn't look at me like I have 2 heads, even if (over time) I might get that anyway. I know a designer who asks for that up front, but how? She claims to make nothing on the merchandise, etc. Really? Some clients won't believe that. This is a perfect time to readjust thinking, but it's also the time for clients to hope for "a deal", no?

Gail's answer: You bring up a very important issue that affects most designers. It is confidence. If you are prepared and you know what to say, you can have a different conversation with your clients. It's not just the fact that you offer a fixed fee, it's matching that fee to what the client values and that is determined in the interview process. You will have to work on the confidence, and that comes from knowing exactly how to handle the prospects and how to anticipate their questions and curve balls. That's what we teach in this series.

One of the case study designers offers a discount for full payment up front. She gets it, too.

The other issue with the clients doubting whether you are making money on the product is an issue of honesty, integrity and trust. You have to be transparent with the client and be willing to show proof if necessary. If they question you after your contract, then you didn't earn their trust.

Are they looking for a deal? Yes. Many people today are looking for a deal including me. If you look at your own behavior, you'll see clues about how other consumers are reacting and responding to the economic stress.

Question: It always a huge problem by the end of a project when you're trying to collect for time you spent on a project. I now have started taking that deposit and instead of using it at the beginning of a project use it for the end balance. But, billing for time is always an issue. You need to keep daily logs and journals for everything you do. Paperwork is ongoing! I would love to be able to just look at a project and put a value amount to it. But, sometime you really don't know the scope of work to be performed until you knee deep. I normally charge by the hour, depending on the scope of the project and the team involved. If I work with a team that invoices by the project, I keep very close tabs on the amount of time I spend. I almost always charge by the hour for any project that I work alone. I found that my clients tend to be more decisive and there's less wasted time when they know ahead of time, that they will be charged by the hour. I keep daily records of time spent on projects/tasks. I charge by the hour. I bill monthly. Scope creep is normal: all clients; all projects. I keep clients apprised of my time/tasks/fees. They know how their budget is being spent as we progress. They can decide when to ask for more or less. There are always negotiations. I understand the flat rate issue.

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Your research suggests that 70% of clients desire it. Does it make sense given the work we do? Client change requests are typical; they require designer time/effort, and more time than clients realize. Flat rate estimates, with contingency added, might work. However, hourly rates are a fair reflection of the professional service and expertise provided by interior designers.

Gail's answer: You have to adjust your contracts and add addendums, or use separate contracts for work out of scope. First, you must discuss in your early conversations how additional scope is handled so you can just remind them and provide the additional contract or addendum and get their payment and signature. Yes, all projects grow, and setting expectations about how that is handled is vital. I found with hourly fees, that especially when I had staff, I would cut the bills when they seemed too high or I felt that the client would react negatively. That took money out of my pocket, and that wasn't right either. You can still have a mark-up on products, but there are different options for how to handle it depending on the client.

Comment from Facebook follower: I charge hourly but have a minimum of hours the client must purchase for the first round, then I can go straight hourly. This way I guarantee I have the appropriate time reserved for my client. I quote each project and take a retainer based upon the time it should take. I let my clients know that I will cap it at that price unless they are indecisive. This has worked for me. The indecisive ones know who they are, but I have found that knowing they have control over their financial output helps speed things along...if I have to come back for more fees, they understand why and don't complain.

Gail's answer: I like the approach of telling them they have to purchase a block of time to reserve your work. That creates scarcity and exclusivity.

Question: I am in the middle of this situation right now. I have always billed hourly. We get a detailed contract signed up front along with a \$100 check for the initial meeting. After that we provide our clients with detailed time sheet showing exactly how the time was spent and the amount due. They have the option of being billed monthly or every 2 weeks. Most love this option. However, a new potential client just asked me to tell her what percentage of her interiors budget would be allocated to my fee should she hire me. I have no idea how to answer that question. Any wisdom?

Gail's answer: I found that 15 – 20% of the entire budget tended to be my percentage of fees. Usually 20%. I'd suggest you have a higher deposit up front. It is important to get a commitment that is substantial from your clients. I'd recommend more than \$100.

Question: I'd like to know how you break down the tiered structure. I have done this from time to time, but it seems to confuse some folks. I'd like to find a way to present the concept effectively. I just had the opposite response. A prospective client thought the flat fee was overcharging them...because they saw the fee all up front, instead of over time through several statements. That was with discounts and some fees waived... trying to give them more incentive. Regardless, they decided to go with a decorator that charges \$20 more hour, but

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hourly! It seemed like a no win situation. And it was in a tier... the larger the tier, the more services offered. They just didn't like the flat fee idea! I've had a mixed response to this over the past few months. I'd love to hear what others are experiencing.

Gail's answer: I'll answer the tiered part in the Q & A series below, but it is different for Value Based Fees. Much of that is based on the perceived value by the client. I think that if you used our questions, you'd find that you could present this more effectively. This takes more than just giving you the questions – there is a process to be followed as well as logic and a mindset.

Question: People are all so different. I tried engaging a client that had a problem with their previous designer. They signed a contract allowing her hourly fee plus an up charge on goods purchased. She (according to them) also took commissions from show rooms. They shut her out when they figured that out. I am restarting my business after a two year hiatus, and I don't feel like I have enough information compiled right now to go with flat fees. So...I tried to sell them by being value based. I need to get my foot back in the door. I charged my regular hourly fee with discounts being passed on to them. They told me my fee was less than the other designer. They both loved my portfolio. I gave them my contract and it was returned with virtually every word changed. I met a couple of small things, but not the fact they wanted all of my work, drawings, etc. if they let me go. Now, I'm told that I broke their trust too, by not giving in to what they wanted. They definitely had the money. The wife was begging the husband to sign my first contract and she called and told me I was getting the bad end of the deal because of the other designer. I don't believe they'll find anyone that makes them happy now. I completely understand, because my ordeal (stated above) was me coming in after a "decorator" that just went out and bought a bunch of stuff and threw it up. I also think that if clients have no prior experience with a professional designer, they think a job should be done in two days. My biggest obstacle was not my fee, but that I wanted to PLAN their project. The husband didn't understand why I needed to plan a decorative project for their home, why I couldn't do like the decorator, and just go get stuff! Ha ha ha...I think it was said best by Wendy..."you can please some of the people..." I'm hoping that my previous prospects will eventually see that planning and a capped fee was in their best interest! ;)

Gail's answer: OK...first off...there were some major red flags with this client. They already badmouthed another designer and they have trust issues. They re-wrote your contract and once that happens, with the exception of not allowing me to photograph and use it for marketing, I won't work with the client. There are too many trust issues they have broken with me. (Just as an aside to everyone: never, never, never work without a contract and a retainer before starting work.) Prospects tell you what you want to hear, and you have to read below the surface and ask tough questions in a gentle way. This is a business and trust transaction. They also have to earn my trust. Trust your gut...I would avoid this client and future prospects like them. Guaranteed, you will pay the price with non-payments throughout the relationship, and high stress. I never advise taking clients just to produce revenue. It's a law of the universe...when you take the wrong work, it keeps good projects away. I don't know why, but it is true. It's like cleaning out your closets to make room for beautiful new clothes...

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Comment from Facebook: Thank you so much Gail for the validation! I discussed this with my mastermind group and we all thought the same thing. It's just so depressing when I'm working so hard to get clients and they qualified in the money department. I know it's the right thing to not be involved with them, but disappointing nonetheless. It was a big remodel project, which I love! (Gail...I understand!)

Gail's comment: When you are basing your business decisions on fear or need, you will close the door on the best opportunities. Leave yourself ready for the right clients. How to attract them? Be sure you completely identify one ideal client. Look at your very best ones and model them. What are their demographics, psychographics and technographics? What do they read, buy, do, believe, value, think, etc. This is much more important than the financial profile. Final golden tidbit...it's your self-confidence that determines your success in this business. It is truly one of the reasons many designers fail.

Comment from Facebook: I call it design/therapy. I really check out the client before I get involved. Clients have become very savvy and they know how designers work and make money. It's not the 80's and the Internet tells clients way too much. Also, there is way too much price shopping by clients. I charge by the room and by what I am going to do in that room, the more rooms the better price they get. Hourly is not the way to go. Everything is changing, very, very fast!!!!

Comment from Facebook: What I really need right now are those juicy ideas to get more clients. My husband's company went out of business last year and he was in home building as well, so he hasn't found anything yet. I'm feeling the weight and I absolutely know not to make fear based decisions. The weight right now is just difficult. I do have a couple of wonderful clients right now, I just need to be planning forward every day for more.

Gail's answer: I feel your stress and understand where you are. Please keep focused, and do attend our DSU 2 Year Birthday Celebration on March 24th. We are sharing some marketing strategies, and also, we'll be interviewing industry leaders throughout the day. We can't wait to share that with all of you. We'll also be giving away several gifts...there will be something for every single one of you. Don't miss it! So far, we have **Karen Fisher** – Top Agent for Interior Designers & Architects out of NYC, **Bob Burg** – Author of the Go-Giver talking about his newest book, Go Giver's Sell More, **Robin Wilson** – Celebrity Designer about her new book about The Green House – her project with Mr. & Mrs. Robert Kennedy, **Mike Strohl** – Publicist for top interior designers and architects out of NYC, **Natasha Lima-Younts** – Founder of Design Society of America, **Shane Reilly** – Founder of Decorati, for whom we are now providing education, **Lance Haeberle** – Founder of Studio Webware, **Grace McNamara**, and many more...

Comment from Facebook: I have switched to a flat room fee for design services with great success. Each additional room gets an additional percentage off. Not all rooms are created equal, and I have grouped rooms into different price categories, but at the end of the day, clients know exactly what their cost is going to be for design services. I also pass along a

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higher discount for all orders placed through me. This encourages them to use me for their ordering, BUT as mentioned before the public is much more Internet savvy and will shop around. If they don't order through me, I have still collected the design fee for my services and I know up front what I will make, at minimum, on a project. This also allows them to pace their purchasing, which seems to be more of an issue now than in the past. It doesn't mean all clients don't want the complete service, but it does have "outs" that allows me to build a relationship with a new client and allows them to feel comfortable pacing the budget without writing me out of it! I do still offer an hourly/cost + as an option as well.

Gail's answer: I like your approach with the additional discount per room. As I mentioned earlier, it is critical to discuss purchasing from the very beginning. Clients need to understand the liabilities they are facing so they can make a reasonable decision about whether they want to manage that part of the process.

Question from Facebook: How has the economic meltdown altered fees in the Los Angeles area?

I was recently asked to meet a business owner to design the Tenant Improvements for a new store location (a dry cleaners and alterations business) at a newly developed commercial center in Los Angeles. It was a cattle call -- there were already 4 other designers there and one arrived while I was still speaking to the client. Two designers were already taking field measurements and preparing to submit design proposals without any commitment from the owner of any kind. I began our meeting with programming questions to establish the general functional needs for the store. The client began to discuss the needs of the cleaning business and mentioned, completely as an afterthought, that he "might" include a coffee shop in the back portion of the space -- at a later date. He suggested that I submit drawings for the facility and that he would select a designer from the submissions. He told me he had -- at least -- six designers that were planning to submit designs to him (in hopes of obtaining a contract). Please tell me this is an anomaly.

Gail's answer: Well, first of all, I think all interior designers are worried about business prospects. Some are doing better than others. Others are tempted to lower fees. I can't speak specifically to the actual in Los Angeles since our survey was across the US. I think it takes a different approach to take yourself out of that kind of competition which only takes money out of your pocket. Regarding the competition for the project, I think I would have asked a few more questions about the competition and would have avoided this project all together no matter how much I wanted the business. It sounds as if he thinks that designers are working like HGTV designers. That's not the kind of client that most people want. Yes, I think this is an anomaly for now, but I wouldn't be surprised if it comes up again.

Question from Facebook: How does a designer overcome the illusion that HGTV gives the public, of design being quick and cheap. Instant design from my experience is not lasting design. TV is entertainment and not reality. Independent designers don't have sponsors.

Gail's answer: I don't know if all of your prospects have this impression, but if so, you need to target a higher-end client. Start with a clear definition of your ideal prospect. Also, know

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that it is up to you to educate your client about what a designer is not, and specifically, you. Sounds like a good topic for a blog post. Also, your job is to ask them about their impressions of what a designer does and compare and contrast with what you actually do. Discuss the misperceptions that commonly happen in the industry before you go to contract.

Question from Facebook: If I am charging an hourly rate to my clients and that fee is based on charging the client my cost on merchandise, how do you suggest I handle pricing merchandise when I can purchase items at cost? I have many accounts with accessory and furniture companies that allow me to purchase at cost. I think I would be doing a disservice to myself and the design industry as a whole if I charged my clients cost. If the idea is to be completely transparent, how do I show a client an invoice that has cost on it? That seems like I would be shooting myself in the foot and diminishing the worth of the product and myself. Maybe there is a simple solution, I just don't know how to resolve this for myself.

Gail's answer: If you want to continue with a mark-up on product, you have a few options. You can share that you do purchase for less than typical wholesale and that it saves them money over other designers. Your other option is to use a discount from suggested retail. This is the approach I used because clients can become irritated when they see how much you're making. If I didn't get a discount or a minimal one, I charged at the regular retail, or suggested that the client purchase it directly from retail. Why argue over a few mark-ups and lose the client?

Question from Facebook: What is your suggestion regarding e-decorating fees? How can we be competitive with e-decorating Decorati leads?

Gail's answer: First, you want to establish what your brand is all about. If you are a high-end designer that offers premium services, you are different than a designer that is offering e-decorating on the Internet and probably isn't in the same town. What assurance does the client have that the designer will do a great job for them? The reality with e-decorating is that it is commoditizing the service, so you have to decide who you are as a designer and position yourself accordingly. You must be prepared to discuss this with your prospects and tell them the advantages and disadvantages of each approach. It's up to you how you address the e-decorating, and that is all in how you brand and position yourself. If you do offer some entry level package prices, I would keep it for small scope work like a powder bath makeover. Make sure to create a catchy title for your packages. Think of spas...they offer ala carte services, but they offer combined services in a package. (You do need to be found on the Internet. Decorati and Ava Living offer opportunities to post your portfolios, so you don't want to miss the visibility. Magazines are folding rapidly, so getting published in paper magazines is becoming more competitive and requires you investing in professional photography since so few magazines have the budgets for photography these days. Visibility on the web can be free, but the time isn't.)

Question from Facebook: So what is the best suggestion on how to charge-hourly or flat fee based on job?

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Gail's answer: I'd really look at using a **Value Based Fee** and have an hourly as a back-up and be prepared to offer a cap for your services. Be really clear about how you work with your prospects. Unfortunately, many designers get trapped into answering how they charge and if you're hourly, you don't have the opportunity to answer with more than a direct response. This means you could lose the job if you are too expensive, or even too cheap. Here is one answer, "If you're making a decision to select a designer based on how much I charge per hour, then I am not the right designer for you. It's important to know what you value and how I can best fit your needs. Once we meet, I'll be able to answer that question because all designers are not alike. What are some of the criteria you are using to select an interior designer?"

Questions from Facebook: How to structure fees & mark-up for projects where designer has specified everything but client wants to source and purchase some of those items on their own and purchase others through designer. In this scenario, client requests, and is willing to compensate for, designer to be involved in guiding the purchase specifications with the other seller, in order to assure that design concept is accurately executed. What is an acceptable way to charge for commercial jobs these days, how much deposit and how frequently do they continue to pay after that until the job is done?" What type and/or how much deposit is acceptable to ask up front in my residential jobs?"

Gail's answer: This should be addressed from the beginning. If your profit is dependent on purchasing, you need to discuss why you control the purchasing for your clients, and that they may find things for less money on the Internet. Explain the pros and cons of them handling their own purchasing and determine how you are willing to work with them. It will come up on most projects, so discuss it before you go to contract. I actually encourage my clients purchase some things at retail, and that builds my credibility and trust with them. Not everything requires my TLC...so why charge them for it, and quite frankly, why take on the liability. I can't answer your question on commercial fees. I'd suggest asking that on LinkedIn in the groups. It's been years since I took a commercial job. Deposits can range from \$500 - \$20,000 for some jobs. It depends on your market segment. I rarely take a project for less than \$5,000 retainer. That separates the tire kickers that won't pay my fees as we progress and the ones that are seriously interested in my services.

Blog question: When you say that you charge "portal-to-portal" how does this way of charging apply when you are doing client calls "out of state"? I am from Chicago and I have an executive client in Ohio who travels extensively for his business. He claims that he does not bill his travel time, so therefore, I should not as well. What are your thoughts on this? I feel like I'm missing out on "billable hours" if I just worked on projects in my own office. Your thoughts please.

Gail's answer: Portal-to-portal means from the time you leave your door and return to your door. I use that for local work. I don't know how you charge, but if he doesn't want to pay for your travel and you are going out-of-state to work, you need to at least charge a day rate to cover your expenses for the trip if you bill by the hour. These days, with gasoline and your

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time plus wear and tear on the car, you can't afford not to charge for your travel if it is out-of-state. When I travel, I do charge for travel expenses and a day rate for my time. It depends on the client, but that time is dedicated to his project. I'd think about a per diem for just that. Does he own his own business, or does he work for a corporation?

Blog comment: So very happy to find this site, fee setting is the biggest issue I have with my clients, every job is different and every client different, some will not pay the hourly but will pay full retail price. I do require a retainer per room so there is no brain picking. Many thanks for this site.

Gail's answer: We appreciate you appreciating us! We really work hard to support you and your colleagues. Yes...fees are a huge problem in this industry. Each client is different, and so is each designer. That's part of the reason there are so many problems in the industry. There isn't a consistent approach, and few clients really understand what is involved in interior design.

Blog question: I have that problem RIGHT now with a client that has been the "client from Hell" from the beginning. I should have paid attention to the warning signs from the (a) late signing of the contract, (b) the client's misinformed understanding of the contract terms, (c) the assurance that I would indeed be paid. I've been patient, reduced the fee at their request and sent the certified letter from my attorney. I'm ready to file in Small Claims Court, but if someone has a better idea, please LET ME KNOW ASAP! The money is significant but the concept of getting burned just rankles me! Should I put a lien on their property? Unfortunately, I allowed the client to pay all the bill except a \$500 deposit when the house sold so the retainer idea wouldn't have worked. They took it off the market before that happened so now I'm out a bucket of \$\$\$\$\$. I'm not going to do that again even though I have several times in the past with no bad consequences.

Gail's answer: I've been through this before. Have you talked face-to-face with the client about the bill? The letter from the attorney won't solve the problem. Since you didn't specify how much they owed you, you can take them to court over this, but the cost might outweigh the benefit. I am not an attorney, so I am sharing from my experience and from my attorney's coaching. He told me in this situation that you may get a judgment, but that does not ensure that you will be paid. Also, check the rules in your state about your ability to file a lien. Your strategy must be around what you personally can do to get in front of the client and negotiate a payment. It's not fun, and you must prepare for how it will go. Be aware that emotions will be high for you and for the client, and that your job is to stay in control. This is the best strategy for getting paid. Because there were warning signs from the beginning,(which I know you will now heed in the future, I would bet that this client has done this before to other people. There are people that enjoy the game of manipulation, and I have a feeling that is exactly what you're dealing with in this case. At this point, prepare for a difficult meeting.

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Prepare for anything they might say that will get your adrenalin rushing through your body. Know how you will address each point with complete confidence. Now it's about strategy and preparation. Also prepare for the worst-case scenario. You may not get paid. The take-away is to avoid these clients when your gut is telling you there is a problem. You mentioned a few of the red flags in A & B. Also, when the project is not going well at the beginning, rather than continuing with the project because of potential revenue, or your sense of commitment to completion, it is best to fire the client. The stress isn't worth it in the end. I am so sorry you had to go through this, and I thank you for bringing it up to help others avoid this scenario. If I were to poll the majority of members who have been in business for any length of time, I doubt there is one person that hasn't experienced a problem like this. Please share your advice for Sandy. I know my advice is only from my point of view. Yours is welcome, too.

Blog comment: In Connecticut the value at Small Claims is \$5,000.00. I have taken clients on 3 occasions and always won. One client was a Doctor, \$2,500.00, the second was an attorney, \$5,000.00 who paid me before the court date and the third was also an attorney \$3,500.00 who paid before the court date. As long as you have a paper trail you're good to go. Never be afraid to go up in front of a judge, that was the reason both attorneys did not show up, total embarrassment. I also did not have a written contract just verbal and I still won my case against the Dr. Take both parties to court if it's a couple, you can then attach the husbands salary if the wife is not working or if one is self-employed.

Gail's answer: Thank you for sharing your experience. I'd add that a written contract is essential, especially these days. I even include a clause right below the signature on my proposals that once the deposit is paid and we receive the signed proposal, that the order is non-cancellable. This is a secondary contract and if I ever had to take a client to court over it, I have a signed contract and that extra contract for support.

Blog comment: This is great Gail! I see that I need to track my time a lot better. I didn't think about some of the things you track but I need to!

Gail's answer: Yes, it is critical to know how to manage yourself more than anything. If you don't know how much time you're spending on different things, you can't manage your time. Also, most owners of firms are lucky to bill half of their time if they work by the hour. As long as we're doing things that aren't producing income for our business, then we're taking money out of our own pockets. Anything that is related to an expense should be delegated, outsourced or not done.

Blog comment: I always get a retainer at the time my contract is signed by the client. The retainer is a credit to the last bill. I take a retainer at the beginning of the project and hold it until the end of the project. The retainer gets applied to the last invoice. If the retainer is more than the invoice balance, I refund the difference. If it's less than the invoice balance, then the

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client is responsible for the balance after the retainer is applied, but it's usually a pretty small amount. Holding a retainer for the duration of the job always makes me feel more secure that I won't get stiffed, and my clients have been pleasantly surprised to get money back at the end. I have a client questionnaire, but I know I am missing important questions. I just read about one I need to put in there about fabric allergies. Never thought of that one. Would love to share questions to make sure I have everything covered.

Gail's answer: That's a good question. I would probably ask that after you get the client and in the programming questions. Thanks for sharing it.

Blog comment: Love this idea! I have a custom window treatment business and have used this tiered pricing for "package options" and the client usually chooses the more middle or most expensive - including trim, hardware, maybe a more expensive fabric. Pricing is something I am always evaluating and fine tuning.

Blog comment: Thanks for the great topic. As a color consultant for interior and exterior locations of all types, I don't often do purchasing on behalf of clients. However even as a consultant I have recently revised my pricing to reflect the "tiered pricing structure" (and I try to make not a tired pricing structure!) I start with a base and offer options. I've worked on developing a few 'packages' that are fair and offer benefits to both sides of the relationship, since that's what my practice is all about -- developing relationships.

Gail's comment: Yes, it is about developing relationships, and I think it requires understanding the good, the bad and the ugly. If you are really good at surfacing prospects fears from the beginning and discussing them openly, you will build trust.

Blog comment: I am truly enjoying your website! I have recently branched out on my own starting an Interior Design Consulting & Services company in the MetroWest/Boston Area and many of your topics are questions I have asked myself. My first "client" was not very understanding of WHY I wouldn't start the job without a signed contract and retainer. It took 3 weeks of back and forth conversations to finally "seal the deal"... I learned from past employers "what not to do" and insist on building my business the right way from the very beginning. Not so easily done during this tough economic time. It's great to hear from other designers that I'm doing the right thing!

Gail's Comment: Thanks so much! We're so glad that we're getting some great conversations going on the blog. We appreciate your contribution. Yes, learning what not to do is as important as learning what to do. When a client doesn't want to sign a contract and give a retainer, they aren't committed. Don't do any work! They will find ways of not paying you. I've heard this happen many times! I do hope you can make it! Stick with your guns. Glad you are feeling good about doing "the right thing!"

Blog comment: All good comments regarding how to charge fees for services rendered. I

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charge hourly when working as a consultant for other designers or small services for clients that are not full projects. Otherwise, I have always used a fee based method which is very common in commercial design. Have never had a problem charging a flat fee or phased fixed fee. Clients like to know what they will be billed and hourly always leaves you open to questions about "how you spent your time." Also, one architect I worked for computed the interiors portion of his overall fee using square footage price so I have used all methods depending on the project.

One issue that still baffles me is why designers do not do proper programming before starting a project. It is vitally important to get all the information up front regarding scope of work and make sure the client is clear on what you will and will not do for the fee, otherwise you will get used and possibly lose any profit on your project. Yes, there are times to add services for free that are not spelled out in the scope as well as tell a client something they are requesting will be additional services. It takes common sense, belief in one's abilities, and willingness to stand firm with a client.....but this can only be done when it has been clearly spelled out in the beginning.

Gail's answer: The comment about programming could easily be Mistake #11. Thank you for sharing your feedback. There is a great deal of resistance to offering flat fees, and there are many possible reasons. I'll talk about those in the March 2 webinar. I appreciate your comments.

Blog question: This has been an interesting series and I look forward to more information on the tiered pricing structure. I have been successful with an hourly fee structure plus mark-up but I am open to changing if it allows my clients a higher level of comfort with my design services and more ease of billing for me.

Gail's comment: It's so important to understand that many of us are missing a golden opportunity to work with clients that have unexpressed wants, desires and fears. That's one reason that we don't close all of our prospects. They fear the unending billing for work. Does that make sense?

Blog question: Excellent point. How would you differ the contents of the 3 options to offer? How would you cap each level of service and based on what services each?

Gail's answer: Each project is different, so there isn't a perfect answer that covers all projects. You'll uncover what your client wants and desires during your interview, and then it is up to you to come up with three options that meet the basic level of services, intermediate which includes services that are really necessary to complete the project and a premium service that offers an "aspirational level" of service based on what you could do if you were really providing the concierge level of services.

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Blog comment: I am so interested in having more input from Kristin and Ray-Lee. Thank you for being so generous in your comments. Please continue, both of you, to comment on this question. I really believe it is better for everyone in our industry to be open and share. If I discover myself doing something right (I realize how plain lucky I have been in the past) I will pass it on as well!!! So far I can't say I have. Also, Gail, I am so looking forward to the webinar you mentioned above during which you will discuss the professions to avoid, asking the right qualifying questions and having the right process. Please sign me up!! Also can hardly wait for the next Value Based Fees Class. I work in a similar way. I never, never charge by the hour. I feel like it's asking for trouble. This is a scenario where clients will question every bill and give you a "while you are at it" distractions. I charge a flat fee based upon the scope of the project and bill in monthly payments. If the project was estimated to be period of six months then it six payments. I also charge a mark-up. If anyone chooses to do it this way they find that one; you'll be able to discuss budget openly with the client this will determine if they can even afford your services and it will also give them a realistic idea of their own finances hence you won't run into your bills not being paid. I read another comment on this post where someone charged the customer for mileage. Wrong! That is a part of your cost of doing business and should be written off on your tax return under mileage. You wouldn't charge the client for the pen you use to sign the contract would you? IRS frowns on this! The second thing you will find is that project tends to be on schedule because you have established a timeline with client and they know X amount of dollars are being spent over Y months. I find that I also gain a lot of trust this way. If for any reason they bring in "Oh BTW can you look at..." This is an opportunity for me to remind them that the project is about XYZ room I would also include in the same breath that we should set aside some time to talk about ABC room (referring to it as a project)

Gail's comment: Thanks for sharing your methods. It's great to discuss the framework with each other, and each designer can take this information and create their own billing method. The Value Based Fee System questions alone are worth the whole class. Qualifying clients is one of the most important steps in the process, and one of the least understood.

Blog comment: I have never tried billing sq footage but I can go through a completed project to see if it computes to your figures.

Gail's comment: I hope you share your findings!

Blog comment: If an hourly rate is working for someone, and they are booked solid, there would be no need to change. You don't need to fix what isn't broken. However, if you are not getting paid and don't have enough clients, then why not try something else. To be perfectly honest, I hope my competition keeps charging by the hour. I love your topics.

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Gail's comment: Funny! Wow...what would it be like to have no conflicts with clients over bills, and getting paid before the project is over, and getting referrals...and...

Blog comment: About a year ago I switched from charging an hourly rate to a fixed fee. After attending a IFDA conference featuring the top interior design accounting firm I switched my methods. They suggested calculating your fees based on the project square footage and gave us a range of \$4 to \$10 per sq ft. He asked us to research past projects to determine where our rate would fall. I also change my rate based on the scope of the project. If it a large project I might even drop the price to \$3.50. To preempt change requests, I always build in choices with the presentation. It is imperative to be really specific when you're gathering information. That also preempts change requests. IE (the other day I did a presentation for a client and that's when she told me her husband was allergic to viscose). Now, I ask if anyone in the family is allergic to anything in the interview questions. My agreement is 6 pages long and pretty specific. I ask for a retainer when the client signs the agreement and invoice the balance over the next 3 to 6 months. Again, depends on the scope of the project. My final fee is typically paid before the project is installed but after they have made the big purchases. I also charge a mark up on goods. It isn't a perfect science but I can tell you that I have continued to increase revenue each year for the past five years and it has been completely referral based. Clients don't like being invoiced by the hour. Do we get hosed with change requests occasionally? Yeah, but I'm shocked at how many ID are resistant to the idea. The longer you are in the business, you get wiser with managing that. I attended a class recently with designers from all over the country. When the conversation turned to fee structure and I explained what I did, it was met with almost outrage and complete resistance. It may not work for everyone but my numbers speak for themselves.

Gail's comment: Thank you for your comments, and also, thank you for sharing your knowledge. I've been talking about this with my designer friends for years, and yes, they resist change. There is a fear of exactly what you're talking about...getting hosed. If you've been in business long enough, it is time to overcome the fear and try it. Your results speak for themselves. Thanks for joining the conversation.

Blog comment: There can be a disconnect between clients and designers and what each expect in their business relationship...as others have previously observed. Yet there is a way to close the gap and that is by working closely with the client to define expectations and project criteria right at the start....before the contract is signed, before running to the bank with a check in hand. Forget about by-the-hour. Forget about "value" pricing or cost-plus. One can't even put a dollar sign to a project, no matter the method, until all the criteria are well established and all parties agree to some scope, to certain expectations, to a number of issues like schedules, projected costs. It's like a blind date. You have to get to know a few things upfront if there is going to be a second date or a third. Designers often jump too quickly into work + clients are way too anxious to get underway and neither spend adequate time to

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determine if this client/designer relationship even will meet each other's expectations and/or the project is even appropriate to undertake. IDs need to slow down before speeding up especially in those very first critical steps. Just my opinion.

Gail's answer: I totally agree. Expectation setting is one of the most crucial parts of establishing a good relationship with the client, and is an art form. I'd love to see posts about what are the most effective questions you've used as well as other designers, too. Thanks for commenting. It's great to get this conversation going.

Blog comment: Much has changed in the Home Furnishings and Professional Interior Design Industry over the past 20 years that I have personally observed. Most recently the down turn in the economy has really forced clients to look for the most style for their money and best quality value. The majority of the Home Furnishings main stream clients are not looking for the quality level our parents looked for. Our generation has become a disposable generation. If they can get 3 to 6 years out of a sofa that is great, they are not looking to have it reupholstered they are looking to replace it. They are also not looking to pass down their fine quality dining or bedroom set to their children. This has become a fast paced changing world when they get tired of the style they will dispose of it and look for something new. That is why most of the Home Furnishings sold today are coming out of China. A good portion of the Home Furnishings clients will get inspired by a House and Garden TV Show, go on-line and order a room full of furniture from Pottery Barn, Crate and Barrel, Restoration Hardware just to name a few. Another portion of the market will visit a local furniture chain Raymore & Flanagan, Ethan Allen, Thomasville just to name a few, work with a staff decorator/designer that might also come to their home and purchase a room full of furnishings. To the trade only is now open to the public and have decorators/designers on staff to service the walk in business. Billions of dollars each year will be spent on Home Furnishings and none of these clients paid a dime in Professional Interior Design Fees. The client today wants to purchase their products at a competitive retail price. All of these Home Furnishings Retailers purchased the product at wholesale and sold it with a gross profit of at least 50%. In most cases the shopping experience met the client's expectations. Yes, I know this is not the Professional Interior Designer client! But why is that? Is it your choice or the future of this business? Yes that high end high quality provide me with your credentials, signature style and service the hell out of my client still exist but it is a very small and shrinking part of the overall market. Sure. Another very small portion of clients today might be interested in built-in cabinetry, architectural changes, structural elements, lighting plans, CAD drawings and other Professional Interior Design services that will require fees for time. But today there is less and less of these ideal clients for the growing Interior Design Industry to fight over. With all the Designers to choose from the client will be able to interview more, negotiate more and demand more for their money. If you find yourself educating (arm wrestling) your client about the difference between a Professional Interior Designer and a Professional Decorator

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and the value of your credentials you most likely already lost the sale. Let the best Designer/Decorator win! So what opportunity does that leave for the rest of the Professional Interior Design industry? If the Professional Interior Designer of today is going to compete for the larger share of this Billion Dollar Industry they must have a competitive business model. A business model that is Profit Driven and not fee based. They must be able to provide a competitive retail price to their client that does not get into a fee conversation. They need to have a conversation with the client about how they can provide them with better quality, greater value, more style, extraordinary service and for less money. This is what the consumer of today is looking for. The consumer of today also prefers to work with a National Brand Name because they want financial security and peace of mind when making a large purchase. Professionally Trained Interior Designers of today in order to compete in this new world must be aligned as a group to negotiate with vendors for the best wholesale prices on the products they will provide their clients. They must have systems in place to ensure a consistent and extraordinary client shopping experience so they can benefit from repeat and referral business. They must have a strong marketing plan to generate an abundance of client leads and not live in a world of scarcity. They need to network with their peers and not feel as if they are collaborating with the competition. This synergy of working with your peers, sharing what works and having a team to talk openly about challenges and opportunities has enormous value especially for the home based independent business owner. Staying current on design trends, manufacturing processes, technology and always challenging yourself to learn the latest and greatest is also really important especially in this industry. Love the business you work in!

Gail's answer: I think you've said it very well, Paul. It is really hard to compete using the old ways of doing business. As Einstein said, "Insanity: doing the same thing and expecting a different result." We can't put the genie back in the bottle, the Internet is here to stay, the recession's aftermath will be with us for the long haul, consumers attitudes have changed. This is a global market and it is affecting us locally. We have to look for different ways to make this work for the client. And most importantly, we have to focus on what the clients want and are willing to pay for and give it to them the way they want to be served. You are absolutely right...we have to offer extraordinary service, or why should the consumer be willing to pay for it. If we continue to try to compete based on our hourly fee and selling products, we are fighting a losing battle. We must change our thinking, services and behavior. Don't just think outside of the box, change boxes!

Blog comment: I find with contract work in the hospitality & healthcare situations because there is a written contract that it is no problem about the fee. But with much smaller jobs, i.e. 1 or 2 rooms, clients are harder to sort on fees. It is not so easy to give a fee if one is not sure how long it will take to achieve the desired result. That is one of the challenges especially if

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you are used to dealing with larger projects where the work is predictable. How have you handled the pricing on the smaller jobs?

Gail's answer: It's hard to give a blanket answer on this. I don't know what you mean by a smaller job. Is it one room? Is it decorating, or remodeling? I think you have to base this on your experience with what it takes to do the job. If you need suggestions from other designers in your area, I'd reach out and make connections. You might be surprised that others will help you with that answer if you share your knowledge, too.

Blog comment: After 12 years of business I have never, ever had so many problems with people paying my hourly fees. I know I am losing jobs to people who actually charge more but charge differently and of course, to those who don't charge for certain services or time (drives me mad) or just charge less per hour. Why can't we all just have one way of doing things to allow people to choose us based on how we click with them and on our skill and experience?! I have been trying to create a system of charging a flat rate for all projects but I just can't see how to avoid the final payment problems, no matter how clear you are or if they sign a contract or not. How do others do it? Why do so many other people (professions) charge by the hour and make it work? Lawyers, consultants, computer technicians, etc. We accept that! Why not for design and why less now than before?? Economy yes...but if they hire you they should pay, no? If the economy has hit you, don't hire me! Why do they always agree to paying xx per hour then flip out when you actually charge by the hour??? I'm sorry, but if I spend 20 minutes driving to your house or faxing the cabinet maker FOR YOUR PROJECT then why do I have to fight for that? It has to be done for the project to move ahead, if you're not doing it then it means I am for you. Why should I not be paid for that? Why is there even a question? What in the world is the magic formula to charge the best and safest flat fee? How do you get them to actually PAY for the overages they have previously agreed to? I am so frustrated I hardly know just one good question to ask. I am looking forward to everyone's comments. Gail, in one post you mention that there are "some professions you avoid", I think in the initial qualifying of the client, if I understand correctly. Could you please explain that? Thank you for posting this question.

Gail's answer: I hear you and I can tell this really hit a nerve with you, Jacqueline. I have to tell you that I asked my attorney if he has problems getting paid, and he said yes. My plumber has problems, too. When I work with people that charge by the hour, I am also very aware of what they are billing, and it annoys me when I get billed for activity vs. results, too. We as consumers also have to be prepared to have a different conversation about how we want to work. What is the answer? It isn't easy, and it has a great deal to do with asking the right questions so you don't work with the wrong client and having the right process for explaining clearly how you work. As one of my great Realtor friends said, "if you're running into problems getting paid, you have a relationship problem." That is a golden nugget. If you have

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a relationship problem, it is due to unmet or unresolved expectations vs. reality and lack of adequate communication leading to trust and respect.

Blog comment: You are so right! The big issue is being firm on the "while you're at" it requests! Need to learn how to educate clients up-front on how these aren't usually quick, easy, or "what's the big deal?"

Comment from Terri Maurer: So long as designers don't mind having their income restricted by clocks and calendars, and don't mind being seen as a commodity, hourly fees may be the way to go. People who have 'jobs' get paid by the hour. Those who are 'professionals' and provide services and expertise based on knowledge and solutions that provide value to clients can, and do, bill based on the value they provide.

Comment from David Winch: I'm sure Gail will explain to you, YOU don't need to explain your value to your client! You help your client understand the full value of having their problem fixed - so that they can explain it to themselves! You then base your fee on giving them a huge Return on Investment for delivering that value, whilst at the same time you are realizing that you've rarely done such a profitable deal! That's WIN-WIN! And if you agree everything in the "Sales Conversation", there's never any room for argument. You'll know how to agree that the goals were achieved, you'll know what's within the scope of the project and what isn't. And asking for at least 50% before you start ensures both commitment and great cash flow!

Blog comment: I am sure that things in South Africa are not very different to around the world. I have been in the industry for 19 years and am the regional liaison person for the IID (The South African Institute of the Interior Design Professions) I always quote a client for an initial consultation based on an hourly rate - should the client be unhappy about paying this or starts negotiating at the this stage - I walk away. If my invoice for the initial consultation is not paid within 72 hours - I walk away and put the time spent on the consultation down to 'school fees'. I have learned through the years that this initial interaction sets the tone for the rest of the project. I make it clear to my clients upfront and in their contract that I charge recommended retail prices on all goods and services plus a 15% coordinating fee on the project and that any trade discounts are not passed on. I work on a reasonable hourly rate for design and site management and make sure that the clients are billed regularly - there is nothing worse than receiving a bill for hours spent. If you bill your clients regularly they know right from the start what your time is costing them. I always ask myself when presenting a time based bill if it is fair and reasonable and would I pay it. I do not charge my clients for time spent sourcing product for a project as I make my markup on the said item and I still charge a 15% coordinating fee on the project. The biggest problems always come in on drawn-out contracts. It's all well that you charge a deposit but often clients will hold back payment of the balance until the project is completed and to their 'satisfaction'. I now try to get full payment

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as each phase of the project is done. I let my clients be aware of all problems and try not to give unrealistic delivery dates unless my suppliers have agreed to do all possible to meet the deadline.

Gail's answer: Thank you for sharing your experience from South Africa! It's great to have a global conversation. You are so right about the initial consultation. In fact, for the last several years, I tell the clients that I don't charge for a meeting in the studio to see if we're a good fit, but that I charge for the time at their home since we will be discussing options. I also billed on the 1st and 16th so the invoices weren't as overwhelming. Yes - drawn-out contracts are an issue. If it relates to construction, it is important to be prepared with the conversation about the value you bring to the job. Educating the client is an ongoing process, and one that takes time to develop for each firm. Thank you so much for your input! Also, I like the term, “coordinating fee.” Others call it purchase order management.

Blog comment: My peer group here got into a discussion recently about fees with product sales. Most of the very talented designers were charging much less total hours billed but were doing loads of business with furnishings and other services as sales. I have always been willing to charge for my time but I am trying to re-evaluate how I work these days. There is much more discussion with contracts today. Biggest frustration: I have had issues with getting my final full payment on a few jobs. I do take a retainer up front but sometimes clients think that is their money to take off or apply at will, vs. as in my contract "at the completion of the project and will be applied to the final billing."

Gail's answer: I agree with you about the sensitivity and scrutiny. If all designers answered this question, I would bet that 100% would say that they have had questions if not concerns or conflict over time bills. Also, I know when I was practicing full-time with staff that I would look at the time bills and discount them when I felt they were too high. So, in actuality, for many people the hourly rate is not the true hourly rate. Even clearly communicated fees at the beginning of the project can still create some stress with the clients when they are in the beginning stages of a project when the time is significantly higher. Thanks for your input as always.

Blog questions: I think my biggest question about the fee strategy is just how to figure out what the going rate for my area is. I hate to say \$500 if everyone else is charging \$50, and if others are getting \$5,000 I should probably raise my prices a bit. Do I just ask other people in area until I find someone who will give that type of info? From past experience I can make an educated guess at how long it would take to finish a project. Then I can track to see how long things take to estimate better next time.

Blog questions: This may not be exactly fee based, but related. Another question is when teaming with someone, what are typical fees or financial arrangements. I probably will be

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teaming with others, again just have no idea how the financial end goes. Is there a typical way to do this? Is it best to have your lawyer or financial person do the negotiations?

Gail's answer: Do you have a design center in your area, or showrooms that work with designers? That's one way to find out. Asking other designers is fine, too....if they will tell you. You could have someone be a mystery shopper if that doesn't work. I'd take the direct approach first and be willing to share your information with the other designers, too. Be careful not to match their rates...that could be considered price fixing. Yes, it takes experience to know how long it takes to do projects and how much overhead and cushion must be included to cover yourself so you make a profit on the job. You can arrange your own referral commissions if you choose to go this direction. A finder's fee is usually around 10% or perhaps a flat dollar amount if someone gets a client. It's usually done fairly loosely and without a contract. I'll tell you that it isn't easy to get people to do this. You can also just trade referrals if you are not competing with each other. Many designers work this way. I'd just have frank conversations with other potential referral partners and decide together what works for both of you.

Email question: I am in total agreement. Times have changed and our fee structure needs to change. I have always charged an hourly fee with a merchandise mark up and that seems not to be working any longer. I used to have an 80% closing rate and that has changed dramatically. Please help me understand how to create a value fee price list. Is that what you are advising? You ladies are awesome and I am so glad to be a part of this group.

Gail's answer: Thanks for your compliment. We appreciate it greatly. Yes, times are changing, and the old way isn't working so well. You obviously know how to sell, so that isn't the problem. The problem is matching the services and fees to what client's really want today. Value. This is a whole class and I can't answer this simply. There is a process to follow and specific questions. We made it affordable for you, and we encourage you to come. You'll learn a different way that does work and has working in other industries very successfully for many years...**Value Based Fee System.**

Email comment: In my long experience I have learned that clients appreciate the way we work which is based on a flat fee for each project and no commissions on the products we acquire for the project. The flat fee is based on the calculated amount of project work needed until it is totally approved by the client and includes a number of calculated visits to the project site, if the client decides to make changes after project approval and these also entail more visits to the project site, then all the alterations and extra visits will be charged separately on an hourly basis. This gives the client a lot of confidence in the Designer and the knowledge that we are not trying to sell them expensive products to make a better profit, benefits the Designer/Client relationship.

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Gail’s comment: It totally changes your relationship with the client and there aren’t competing priorities...selling more time or product to make more money vs. giving the client a result. This leads to an adversarial relationship from the beginning, and potential loss of control and profits for the designer. In the end, the designer will have less stress, and more potential for referrals and making more real profit.

Email question: Looking forward to your online seminar. Per your request my question regarding billing is; when providing quotes or fees should we allow some 'wiggle' room in anticipation of clients wanting a discount?

Gail’s answer: I would give those options, and if they want lower fees, you reduce services. Don’t cut your fees for the same level of service.

Email comment: First of all, thank you for the designer fee eBook - I will read it tonight. Knowing how to charge for an interior design job is one of the hardest parts of our job. I think that this is because every job is different - different scopes, different clients, etc. I usually charge by the hour and a percentage on top of cost for products, but that changes accordingly. I must admit, I usually discount my hours which I know is wrong but I still do that. Sometimes it just takes so much longer than expected to do a job! I will tune in on the webinar tomorrow, but my question is: Should I examine the scope of services, then decide how many hours the job will take, then give the client a letter of agreement requesting a retainer for my services? Should I give a discount when doing this as an added incentive to get the job? Thanks.

Gail’s answers: You’re welcome for the eBook. I discounted hours, too. At least you are tracking them! Here’s another nugget. Set time limits for doing certain tasks and make yourself stick with it. We’re our own worst enemies at controlling our time. Yes, determine scope of services first. Yes, request a retainer when you get the letter of agreement and scope of work signed. Don’t offer discounts unless there is a good reason, like getting paid in full up front.

Email question: This question is a bit of a tangent to value-based fees, but I'm hoping you can provide some guidance...I am an interior decorator and I already use value based fees. For each potential client I do a two-hour initial consultation for which I charge a flat fee of \$300. From the information gathered during that consultation I put together a proposal that outlines the scope of work in detail, but I do not include any actual design direction in the proposal. This is something I feel takes time to develop and is the meat of the project - the expertise the client is paying me for. However, I just lost a job to another designer who included the design direction in her proposal. Am I missing the boat here? Is this something other decorators/designers regularly do? If so, how do you present your design direction in

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your proposal, and what do you present that does not take hours of work? Below is the feedback from the client: *“We gave it considerable thought, but in the end, we felt more comfortable moving forward with a designer who included their proposed direction in their proposal, thus having a sense of their vision. Also, in reviewing other designer approaches, it seems quite uncommon for a consultation fee to be charged, only to develop a proposal for your design fees. Essentially, we felt like we paid for the development of a proposal for your time, without having a clear understanding of what we could anticipate as the “end product.”*

Gail’s answer: First of all, you are definitely learning. It’s great that she shared why she didn’t hire you – that’s great feedback to help you change your approach. Yes, you need to change because you didn’t give her anything for her money. That’s not exactly a **Value Based Fee**. It is a flat fee and there is a big difference. This takes more than a quick answer. It is based on a system and process. I wouldn’t give the design direction in the proposal, but explain exactly what needs to be included depending on the level of service. That’s a two hour segment of our **Value Based Fee System** class.

Email question: I have 4 choices of how my fees will be charged depending upon the "type" of client they are and their needs. So I make an analysis (judgment) and go from there. My choices are:

1. Flat fee
2. Time charges
3. Combo of up charge fee to start the job and time charges as I go.
4. Percentage on merchandise

Gail’s answer: Those are four options, but there are more. I can’t fully answer the question because I don’t know the client or type of project.

Email question: A potential new client wanted to pay me once a month. I did not fully understand why she would ask that. Insight from you? In my contract, it states that the deposit for any part of the job starts that part of the job and the balance for that particular part is due at the time of installation. There is no opportunity for me to be the bank and get paid at the end of the month for everything that I have installed during the month. Am I missing something here that is going on elsewhere in the US?

Gail’s answer: Perhaps the client doesn’t like paying multiple bills, perhaps the client gets paid once a month and sits down and pays bills at one time. Our industry is the worst for paperwork. I think you need to discuss this with the client and perhaps you can offer a staged payment that is applied to invoices you have in hand. For instance, if you are billing hourly and also have product proposals and final balances, get a larger retainer and refresh it (evergreen) to cover the expected costs per month. I haven’t worked this way in years. With

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time billing, I did that on the 1st and 16th and with a 100% deposit on products. You are not your client's banker. If he/she needs different arrangements, I'd sure want to know why. Your job is to produce a result that the client values, and it also involves making the client experience pleasant. Paying bills isn't pleasant.

Email question: Since the economy has challenged us, some Designers are using a “per job quote” method of pricing in our area. This would be computed on estimated hours for the work and estimated mark-ups. How would one estimate this in order to be certain they remain profitable? Would you communicate a specific amount of design hours for those clients who would monopolize our time? Some designers are faster than others due to experience. How do we handle this so we do not under price ourselves and remain in line with others using this same method? How can we repackage our services to offer a “perceived value” to clients as incentive to move forth with projects?

Gail's answer: 1) This is not something that I can answer in a simple 1, 2, 3. Personally, I wouldn't do a “per job quote” with furniture included. There are too many variables. You need to estimate your jobs based on scope of work first, your required profit margin and some extra to allow for changes to scope. 2) You have to estimate your time and manage your client and yourself. If you don't, they and you will overrun your time estimate. Guaranteed. 3) Yes, more experienced designers are faster. Estimate your time and track how long it takes you to do things. Push yourself to work faster. It is often indecision and fear of choosing the wrong answer that causes us to take longer. Confidence is vital in this business, and that comes from experience. Teach yourself to be disciplined in your time management. 4) You'll want to sign up for **Value Based Fee System** to get the education you need for this.

Email question: I am beginning to think the hourly fee really has no meaning - it's just an arbitrary figure which can sometimes work against you. I have been working on my own now for about 15 years and through the years I have waffled this way and that with fees. I used to try charging different rates for different function ie: designing, sourcing, organizing schedules, site supervision, meetings etc but it was WAY too complicated. I finally thought - this is crazy, my time is my time and it should have a value regardless of what I am doing with it, so I then went to a flat hourly rate. Well, I find this also has its drawbacks. If I track my time properly and then do my invoicing, I constantly find myself saying "Oh, that's too much for that so I better knock off a few hours here and a few there" and then I thinking, what is the point of this hourly rate? I never really charge for it. My point is I guess, I get totally confused. I do good work, I'm very responsible but I'm not making enough money! And then I see people who are no better than me, sometime NOT as good (in my mind anyway!) making oodles of money charging high hourly rates and keeping their discounts - I pass mine on to my clients- how stupid am I!! Is this just a female thing of not valuing our time? How can I correct this? I'm old enough I should know better!

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Gail’s answer: OK...don’t beat yourself up. This is not an easy business. See the answers above. We’ve all struggled with the fees. It is confidence, experience and testing what works for you and your clients. You need a better strategy and I recommend our class. Sorry...there isn’t a short answer to this. You need more than that. You need a strategy and method to follow.

Email question: One of my questions is how to best prepare and communicate with our clients on how much their bill will be at the end of the month. Especially when they don't always have a budget in mind. I communicate with my clients on what work I am doing on their behalf, but sometimes there may be more time necessary to work on their project. Thanks and I look forward to the webinar tomorrow.

Gail’s answer: If they don’t have a budget in mind, it is because they don’t know how much things cost through designers. It’s your job to educate them and to narrow their investment range through skilled questions. Also, it is vital as designers to become efficient at getting projects done quickly. We all take way too much time to get certain parts done, and the more we can streamline our work process, the more profitable we will be.

Email question: There seems to be a lot of discussion about doing a better job of educating our clients so they understand what we do and the value they get for the fees we charge. It also seems that many of us are struggling with how to do a better job of this. Can you elaborate on what you mean by "educating" clients with some specific examples of what you say to them or how exactly you explain your value?

Gail’s answer: You have to have good questions...try to figure out what they are most concerned about. Explain your process of doing business and how projects proceed. Explain where there could be conflicts or questions. Surface potential trouble areas and discuss how you will handle it when XYZ happens. They need to know how you work specifically. Explain clearly every part of how you bill and why. I hope that helps.

Email question: I just signed up for the free Interior Design Fee schedule and when signing up I read that you would like a fee question. Well, I have just started out, again, in the interior design field after being away for nearly 10 years. I have never been out on my own. I graduated from a well known university with a design degree and worked for one of the best designers in the world, all 10 years ago. Since that time I have also worked in the corporate world. I have been back in the interior design field for a year now, mostly in residential, and was wondering what fee schedule I should look in to. I am also in need of a well written contract, but I do not have a ton of money to throw at an attorney to make this happen. Advice?

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Gail’s answer: Since you are just starting out, you may want to stick with an hourly fee and just track your time to get a feel for how long things take. Value Based Fees are the way to go for many jobs after you’re more experienced. You’d lose money if you did it this soon. As far as the contract, you can’t afford not to have a contract. If you are a member of ASID, they do have boiler plates, but even those should be customized for your state. Find an attorney that works with interior designers (that will take some calls to some firms) and at the very minimum, find a real estate or construction law attorney. They may have boilerplate contracts for our profession. I know my attorney does. I can’t tell you how to charge for your area. Ask your peers or local design center for more information about the typical rates in your area. Focus on processes and time management. Design is an art, but the business is process and project management. Get good at process and project management.

Email question: We have been doing design fees versus hourly for about 4 years now with much success. Every now and then we’ll get a client who wants to change selections which creates the domino effect and more time is put into it than originally estimated. We were considering structuring our design flat fee, with a maximum number of hours and then hourly after that (for the PIB’s who think once they’ve paid the design fee, your time is free and they can milk you to death). I’m looking forward to the call tonight. My business partner, Kelly Kole and I were just speaking of you yesterday and how we really like what you have to say. There are a lot of “coaches” out there saying a lot of things many of us already know. We can relate to a lot of your content!!

Gail’s answer: First of all, thank you for your kind words. I am sharing 23 years of hard-won experience and I don’t hold back. So...to comment, I agree that you have to set limitations on what is included. It takes time to learn how to read people, compute job costs, etc. I agree...PIB requires the PIB premium! Limit to the number of selections. If you associate a flat fee with hours, you’re really working hourly with a limit on your project billing. That defeats the flat fee approach and opens you up to more negotiations.

Email question: My most burning question is about the first appointment with a client. Should the first appointment fee be different then other fees that follow?

Gail’s answer: I would do a great telephone interview first, and if you must meet with them before giving a proposal, then I’d meet on neutral ground with the expectation that once you meet in person (if you are doing hourly fees and mark-ups), that you do charge and explain why. Explain that your experience is that it becomes a consultation, and you’re happy to do that for \$X that is applied toward the project costs and that you collect at the time of the meeting. Your preference is to make sure you are a good fit for each other first, and it is in their best interest.

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Email question: I am beginning to see residential clients not wanting to pay for travel time and mileage or they are willing to pay for one but not both. Any suggestions on how to best charge for these?

Gail’s answer: Try portal-to-portal time. That way the client doesn’t feel nickel and dimed. (door-to-door for you). I’ve used that for years in hourly billing situations.

Email question: My client is always looking for a discount. My fees were set during our first consultation. I gave her a discount, then when we our next project, the second floor, she continues to compliment my work both to me and her friends, but always looking for more discounts

Gail’s answer: You’re not going to like this answer. You set a precedent, and now, you can only say “I’m so sorry, I am unable to give you a discount. Unfortunately, this means that her friends and neighbors now know that you’ll discount, so if you get those projects, it will be an expectation. For future projects, just take something out of the offer...offer a less expensive fabric or a less expensive frame. Do not discount!

Email question: Does a design fee combined with a purchasing fee scare clients? How do you come up with a flat rate that is profitable for my company, and does not scare the client?

Gail’s answer: It can if it isn’t presented in the right way, yes it can. The tiered approach is the best way to give a client options so they have control. There is a high likelihood that the client will be surprised by the high fee, so you have to have a complete conversation planned in your head to walk the client through the offer. It is more than I can answer in this venue. It is part of the Value Based Fee class and there is much more information in the Q & A portion with Kathy Alexander about how to handle the conversation.

Email question: How do I know if my fee schedule matches what is locally being done? Is it downright rude to ask an admired designer how she does it?

Gail’s answer: If someone called me and asked me for advice, I would tell them. I’d suggest coffee or lunch with this person. Tell her or him that you’ve admired them for a long time and would like to ask for advice. See if that works for you if you can’t find out any other way.

Email question: In today’s economy what percentage of the overall project are designer’s charging?

Gail’s answer: I wish I could give you a universal answer, but there isn’t one. Every designer has a different approach, and there are tens of thousands of designers across the US. I found

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our fees to be about 20 – 25% of the budget.

Email question: Great webinar. I didn't know about the tiered fee structure. I also never knew about selling to the client's emotions. What else do you recommend we put on our website?

Gail's answer: Thank you! I hope it helped. I don't know of anyone that really talks about a tiered structure. I like choices, and it gives me a feeling of control. Many times, you end up with the middle option and that means more profit for you. We all make decisions emotionally and rationalize them later. That one tip will help you really connect with your clients. I'd use a video or audio and talk about the relationship built on trust and delivering a fabulous result with competence and attention to detail. What a client cares about, too, is that you are professional and yet approachable. It's a gentle balance.

Email question: How do you suggest moving a client that has been paying hourly into a fee based arrangement?

Gail's answer: Carefully. No, seriously, you do need to talk to them about the reasons why and what benefit it will bring them. I share more of the strategy and actual words to use in the Value Based Fee class.

Email question: I have never been able to, nor have I ever heard anyone explain well what we do and why we charge as we do. What suggestions/examples do you have? Thank you.

Gail's answer: First of all, you need to understand the prospect's perceptions. Uncover these with questions. Think about creating a document about the design process. I know ASID has a brochure, but that is so dry. I also think that videos and audios can be helpful. First, you need to know what to say to explain what you do, and use stories to express it. Rather than say, we help you avoid expensive mistakes, give an example. I have lots of them from the years I've been in business. Use your experience to teach.

Email question: I read that clients rather be charge a flat fee as opposed to hourly for services. I think this is similar to hourly billing with a "not to exceed" clause.

Gail's answer: Yes, that is what ASID's research shows. If you are billing hourly with a "not to exceed," that is not a flat fee. If the client can see that you calculate a flat fee by the hours it takes to do it, then you aren't offering a Value Based Fee. You're selling your time.

Email question: How do you establish a flat fee? Is it based on square footage?

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Gail’s answer: There are many ways to calculate a flat fee, and I do teach that in Value Based Fees. Square footage price is one method.

Email question: I am an interior design student, but I am learning a lot. What if a client does not agree with the fees that are given and objects that he or she compares your firm to another?

Gail’s answer: Good for you for coming to this webinar. You’re learning things that designers who have been in business for 20 or more years didn’t learn in school. You’re on our newsletter list and you’ll learn a lot through that, too. How you present your fees starts from the minute a client becomes aware of your firm. It’s hard to give a thorough answer in this forum, so the best I can do is tell you that the biggest differentiators are the results, referrals, experience and unique services and professionalism that you bring to a project. Many clients rely on referrals as a shortcut, and yet, the relationship with the designer is key. Do they like your work, and then, do they like you. Some clients will pay a premium for the prestige of a designer, and some will pay for the relationship.

Email question: Ok, so my most burning question about fees starts with one, and will be followed by 2-3 more (that’s my analytical side coming out). As a remodeling contractor AND interior designer, it’s easy for my fees to enter into a grey area that doesn’t always make sense. So, for instance, on a kitchen remodel, is it OK to have a design fee for cabinet layout or should that be added in under contractor fees? Do regular contractors offer that service to their clients, so if I separate it, clients view it as an unnecessary line item? How can I set up my proposal to make sense, so my time is being paid for while not appearing like I have all these fees? Thanks!

Gail’s answers: I would separate the design from the construction. It is “intellectual property or creative services.” I like the three tiered approach. There is not one perfect answer. I have a “Pricing Strategies Worksheet” that I included in the Value Based Fee System, and I would be happy to answer a specific question in one of the Q & A sessions. Setting fees is quite challenging, and I personally feel that I did it wrong for many years. I do feel that I have a great system for helping you do this very easily so you can enjoy your design and build work instead of fighting to get paid.

