

Value Based Fees Series
"Setting Fixed Fees"
A case study with Valentina Cirasola
Q & A Responses



Lynne - SF

You say Valentina makes 'good money' doing the fees this way...what do you consider 'good ' money?!

The definition of "good money" is the amount you earn to provide you a relaxed living, satisfy your dreamed lifestyle and to allow you to SAVE.

Linda - Portland, Oregon

I have determined that my costs are \$2,000 per month. Now how do I translate this figure into an hourly fee to calculate a flat fee?

If \$2,000 per month is your cost of living, add all the hours you plan on spending on a job with a client, all the hours you plan on spending in show rooms for that job. Add drawing time. Add mileage (no cost of petrol, no cost of driving time). Add computer time and office time. All of these make your flat fee.

Geri - Tampa

What type of design software is used for plans and elevations?

Drawing in the architectural style is another form of art and I am still enjoying drawing by hand, therefore I produce all my concept drawings including the renderings. I present one or two solutions; client will choose one, generally the Concept #1. All the adjustments or modifications to the concept chosen, if any, will be done on the computer by subs who also work for other people, not just for me. I don't really care what computer program they use, as long as the corrections and modifications are done when I need it.

Jane - BALTIMORE

Do you schedule contractors like the electrician, painter, wall covering hanger, etc....?

No, I don't, if a general contractor has been hired. He takes care of that. There is always a general contractor on board in my projects.

Linda - Portland

We would like an over view on the fixed fee calculation based on your living costs, divided by 12, then applied for the duration of the job, if that is your only job, then do you charge differently the months you have 2 or 3 jobs that month?

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The charges are the same for all the jobs; it does not matter if you have 2-3-4-5 jobs in a month. I can give you figurative numbers based on figurative cost of living:

- \$200 per month of mortgage or rent for your working space. If you have a home based business, calculate the square footage of your home devoted to your office space, then calculate the mortgage, or rent only on that square footage.
- \$30 per month for all the communication lines (tel. cell. fax, satellite, Internet, website, etc.)
- \$20 per month for utilities
- \$40 per month for assistant
- \$30 per month cleaning person (time this person spends cleaning the office, not your home)
- Any other expense you might have for running your business (don't include seminars, trade studies, books, classes, etc.).
- \$20 per job of miscellaneous: photocopies, blueprints, photo development, CD, presentation material, samples, marketing material, toll road fees, bridge fees, etc.

Living Cost Tot. \$340.00 (this is a figurative example). Add all your hours.

- The duration of your job might be 3 months. You might go to your client once a week for 1 hr. Tot. 12 hrs. @ Your hourly rate \$.....
- During those 3 months, you might go to a showroom 2 times for 1 hr. each time. Tot. 2 hrs. @ Your hourly rate \$.....
- During those 3 months, you might spend 7 hrs on the computer transferring files to clients and vendors, answering emails, preparing billing, placing orders, etc. Tot. 7 hrs @ your hourly rate \$.....
- Do you do drawings? Add hours spent.....producing drawings @ your hourly rate \$.....
- Add some extra hours for the "unknown" along the way.

Grand Total: cost of living + hourly fee will give you a flat fee. \$.....

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Do you find this enough to make a living? If yes, you are done, if not, adjust it to you convenience.

PLEASE REMEMBER, with this system there will not be any more changes of order, no added hours or expenses, nor additional surprises for the client.
(You decide if you still want to mark up the items purchased for the clients).

Diane - El Cerrito,CA

Thank you Valentina for your time and sharing your knowledge. This has been the best call ever! I do the same when it comes to Retail vs. my cost. If I purchase for a client I share my discount. If I get 50% off retail I charge the client 25% off of retail.

My pleasure.

Sue - Woodbridge, VA

If you are planning that the project will take 5 months, do you plan 3 hours a week for 15 weeks? Or is there another formula that you use?

The formula is the same.

Richard - Glens Falls

In a 3 month life of a project...how many hours are devoted in total?

You are in total control of your activities; therefore you should be able to discern how many hours you need based on previous jobs. If you don't have similar projects to compare, study your activities to understand how to simplify them and how to save time.

Diana - Houston

Does the contract specify by line item all these details that she talks about, i.e. a list: we will provide the following services: initial and final floor plan, elevations, product selection, showroom time, follow up, trouble shooting, etc.?

Exactly! Your contract should always reflect everything you will do for your client and everything your client should do for you: pay in the time frame you have decided.

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Richard - Glens Falls, NY

Do you find that people do not want to pay you for drawing elevations and especially the time it takes to generate a perspective, rendering, etc.?

Never had one of that kind. I educate them on how I proceed in the project from concept to completion. Drawings are necessary to produce good results and to avoid costly mistakes, whether you work with furnishing only or you do remodeling with construction. To see the renovated space on paper before making any decision is a life saver for you as a designer and for the client's pocket. Your clients should not tell you how to work, just as you don't tell a doctor how to treat you.

Susan - Pennsauken, NJ

How many projects do you work on simultaneously?

It depends, not every year is the same. If I have a few good construction projects in one year, I don't take anything else.

Diana - Houston

What is different in having a "fee not to exceed" line in the contract to establish the fee and starting out as a flat fee for x dollars? Doesn't it accomplish the same type of assurance the client wants in setting a limit to the fee?

With a flat fee you are striving to complete the job in those hours you have accounted. That should be your mastery. With an hourly fee, designers tend to stretch the job to get more hours paid. It is my goal to finish a project in the shortest time possible. I don't like to linger on one job and lose many other opportunities in the mean time.

Lara - Anchorage

Many Trade-Only products are NET price and leave the LIST/RETAIL price up to the designer to determine; the customer cannot buy directly. How do you tell the client what the price is & and what the "bonus" % is?

Since I am not in the business of selling someone else's furniture/accessories/lighting, etc., I don't have that problem.

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Occasionally, I do buy for clients at designer centers and I tell them a 15% mark-up will be applied on any product on the Net price (net price will be disclosed and 15% mark-up is specified in my contract as a rule). In this case there will be no bonus for me, only a mark up.

Only when I buy retail and the store offers a designer discount, I will offer half of designer discount to the client and receive the other half as a bonus from the client, which is taxable.

Remember, clients must pay in full before you place any order.

Robin - Rochester

If you are the one that has the account with the showroom and the showroom only does business with the trade, how do you order and they pay? Who is checking all the acknowledgments and the details of finishes or CFA'S?

In this case client pays to me directly and in full. I place the orders; I specify all the details, finishes, materials, colors, etc. I take care of every details, that's my job, I have accounted for those hours in my flat fee arrangement. I pay suppliers in full, when client has paid me in full. Merchandise arrives at client's destination, clear and free of burden.

Note: Valentina mentioned that she has her clients pay the vendor directly for receiving and freight.

Lynn - Frisco

If she is giving the client her discount through a trade vendor, then she obviously has to order the product. If it is a piece of furniture, who is handling the paperwork for receiving and delivery if she doesn't deal with the paperwork?

Yes, I place all orders and take care of all details, but because I have made my operation very simple, there is very minimal paper work to process, almost non-existent and I am totally computerized.

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Furniture and everything else are delivered at the client's house directly. I don't receive nor store anything for them.

On a construction project, how often are you on the job site?

During the first month, at least 3 time a week.

Linda - Portland, Oregon

How do you calculate your time for a project. For instance, how do you know how long it will take?

Experience is a good teacher. Look at similar past project. Do you make a "job personal folder" the folder that client doesn't see? Or a journal for each job? That folder or journal should tell you.

Sue - Woodbridge, VA

If the client does not know their style (at all) I spend a lot of my time teaching them about their style (what ever it may be). Should I call this a separate service? Style Identification?

Of course you can. In fact, you can make that aspect of your business your "USP" unique selling proposition.

Susan - Pennsauken, NJ

What if the client changes their mind during the project within a fixed fee project? How do you ensure that the project doesn't run on forever and have them change their minds multiple times? Do you put something in the contract about how many changes are? Included in the fixed fee?

In your contract you can specify anything relevant to you and to the good success of a project. Yes, in my contract I do specify that my flat fee will not exceed xxxxx months, or xxxxx weeks and that the contract will be reviewed in case those months or weeks are exhausted.

Are you looking for furniture in retail furniture stores? Most reputable retail stores do not offer designer discounts (at least where I am).

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Yes, I am also looking for furniture in retail stores when the client doesn't agree to pay my 15% mark-up. In my area, retail furniture stores will do anything for a designer who brings repeated business.

Susan - Pennsauken, NJ

When charging for the consultation - how do you require the payment for that? Do you invoice it or require it at the time of the consultation?

If it is only one visit, I required payment at the end of consultation session. I inform the client about that during the phone conversation when the appointment is made. If the relationship continues, the client must decide on signing the contract and respect rules of business.

Geri - Tampa

Color Analysis...is this your own form? Or the one being offered online?

My own.

Tami - Valencia, CA

How do you handle client questions during that first interview, before you have the project? Client starts asking for free design advise? I feel as though I am losing control of the interview. Yet, I want to give them a taste of my knowledge.

Let's start from the initial visit. During the phone conversation when the appointment is made, I inform the potential client my visit is billable for as many hours as client likes to keep me, in the amount of \$..... (I make it a bit higher, just in case client only wants ideas and don't have any intention of hiring me), at least it pays for my time and ideas give away.

That initial consultation is paid on the spot at the end of session, no other way, better if it is cash. Otherwise I don't even make the appointment.
At this point since they are paying you a consultation by the hour, you should tell them all they want to know. When they decide to hire me, the consultation hourly fees they paid, will count toward the contract.

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You should not lose control of the interview, because they are paying you for the initial visits and before the contract.

Shoreline

What if your project gets canceled mid stream? What happens to the contractual fee? Do you get it all, or remaining through cancellation?

Project gets canceled for various reasons. Ex: If clients are not happy with a designer, they can stop the contract until they hire someone else. In that case is up to you to pursue them further (I don't advise it, if it is designer's fault), or just accept the amount of the portion that you worked and let go of the rest.

If Clients have other issues in their life, they might need time to sort it out. In this case, you hope they will bring you back in the project and pay you for the remaining balance.

You should not expect to be paid for something you have not worked yet, or it has not happened yet. But you must get paid in full for the portion of the work you have completed.

Geri - Tampa

Since you don't shop with the client, what happens if the client needs to sit in a piece of furniture prior to purchase?

They know where I have been to source furniture for them, they know the name of my trusted sales person in the show room, they have the pictures of the pieces (through emails) I have selected and all the information they need, so they can go on their own to try out seating. Furnishing is not the focus of my business, but I do accompany clients here and there, only once I have located the crucial pieces, like the seating. I don't take them around with me, if I am in the searching mode.

Sharon -West Linn

Valentina says she does not sell product and lets the client and the showroom do it--but then states she puts the order in and is responsible for the colors etc? I'm confused.

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First of all, I source everything for the client, but I don't buy for them with my money. I did not say I don't place the orders. They give me a credit card, or write me a check for the full amount and that's the only way I will place the order. I deal with the paper work and all details, that's my job. The hours I spend placing orders and taking care of all details have been accounted in my flat fee.

Seattle

How many projects do you do at one time? I assume that you are dividing your monthly expenses by several clients...or do you charge each of your clients for a full months of expenses?

Flat fees are calculated the same way for each client, doesn't matter if I have many projects at once. The monthly expenses are included in each project and each client pays the same.

Trish - Delafield

How does she charge for window treatments?

The very same way. I only do color consultation on hourly fee.

Tami - Valencia, CA

I am a bit confused about the annual expenses, divided by 12, and then adding on the miscellaneous expenses. Is this how to arrive at an hourly rate? Or the overall project rate? What if you have 5 clients per month vs. 8 clients per month, does the flat rate go down because it is amortized over more clients?

Answer above to Linda - Portland.

Fixed expenses for my cost of living remain fixed and are calculated the same way for each client. Each client pays the same.

Rosa - Charlotte

Do you charge for the first interview and how long is it?

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Yes, I do. You must tell clients they can keep you as long as they like and get all the idea they want, but all the hours they keep you are billable on the spot at your hourly rate of \$.....

Robin - Toronto

I still don't understand how to set the fixed fee per client. If you talk to a new client who has a small project and the project grows as you're going along and you quoted a fee based on what they told you at the beginning, and the project grows, how do you adjust the fee?

Your initial contract should specify only the work you have been hired to do and nothing else. When the project grows, you write an addendum to the first contract, specifying only the second phase of the new project and nothing else. As the project keeps on growing further, you write as many addendums needed and only for the new portion of the job. Don't forget to add the starting date and completion date in all the addendums.

Geri - Tampa

Concerning indecisiveness...some clients need input from everyone...their mother, neighbors, etc...What to do?

I hear you. Give them your choices; assist them as much as you can.

When your time is used up with no results, or decision from the client's part, let them know you want to allow them personal time to confer with all the people they like and get all their opinions, but they must give you an answer by..... because.....and you want to execute your job in a timely manner, or because it take xxxxxx... weeks to order and you can't make it for their event, party. etc....

Susan - Pennsauken, NJ

I understand how you come up with figuring out what hourly rate would need to be to cover expenses and profit for the year... but how do you come up with the fixed fee for each individual project and know that it will cover your time - especially when first starting out with doing fixed fees? I have been doing hourly rate and don't know exactly how to do a fixed fee.

My answer to Linda - Portland.

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I understand if you have been in business a short time, you have no way to measure yourself, but as you go further into your practice, you will have similar projects, similar square footage, similar challenges and sometime even similar client's characters to compare and it will be easier to make your flat fees.

Sue -Woodbridge, VA

How long is the initial appointment? What do you complete at this appointment? Is this before they sign any contract with you?

When the potential clients are paying you for the first visit, you make your first visit as long as they like. During first visit the only thing you complete is the ideas give away, again if they are paying you, take notes for your reference, in case they will hire you and you need the notes to write your contract.

If you offer a "free" visit (this term sounds so cheap), you should not stay more than an hour and you should not give ideas away. The first "not compensated" visit serves the purpose of getting to know each other's and the scope of work. The contract is presented on the second visit. If you offer a "free" visit, do you ask to compensate you at least of your mileage? What if the client lives 200 miles away, who pays for your petrol and the wear and tear of your car?

Susan - Pennsauken, NJ

How do you come up with a fixed fee when it is obvious BEFORE signing the contract that the client has trouble making decisions? It would obviously take longer working with this client than a client who is a good decision maker for a project with the same parameters.

Time is your best tool. Specify in your contract that your flat fee will be from.....to..... months. Contract will be reviewed when that time has been used up and no decisions have been made. When setting your flat fee with undecided people, account for additional few hours for the "unknown".

Amely - Seattle

So it that right that your only profit on a project is the time you charge on your hours? If you feel comfortable, would you mind sharing with us what types of hourly fees you tend to factor into your contracts so that we can understand the types of "profit" this method will generate? Thank you

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My ideas are the valuable asset of my business. I rather make the money with my ideas that will build and create spaces to nurture the client soul, assure them an harmonious living spaces, functional and comfortable for their life style, than making a small profit off the furnishing, pay more tax on it and have lot of paperwork to process.

I am in a high cost living area, therefore my prices are set accordingly, as everything else here in California, but in various states the cost of living is not this high, perhaps your fee would not be the same.

Sue - Woodbridge, VA

Does she charge a separate design fee? Over and above the Fixed fee?

No, it is all included.

Amy - Scottsdale

Does Valentina specify a "not to exceed" amount of hours to avoid scope creep?

Actually, my contract specifies not to exceed xxxxxx months. I don't have any project that will be completed in a week, except color consultation. Knowing the scope of work, you should be able to determine how long it will last.

Diana - Houston

Does the client know about the commission from the showroom? If it is not disclosed, this is contrary to ASID ethics.

Yes, they do and not all showrooms give commissions to designers.

Brooke - Raleigh

Do you charge for the initial appt or contract signing appt?

No charge for appointment to sign the contract. That's why the first appointment is a bit higher, it covers part of the second one for signing contract. The day of signing a contract, I take a small gift to the client, nothing personal, but something useful, it will encourage signing the contract and it is my way to say "thank you" in advance.

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Please give the gift the moment you enter the house and not after client has signed the contract.

Trish Johnson - Delafield

If you can purchase furniture and accessories at cost for your clients, do you charge them that cost or do you mark it up?

I apply the mark up. I charge them the cost and I disclose it. My mark up percentage is specified in my contract as a rule and they must agree to that, otherwise I buy at retail, where they can purchase directly to the store.

Amely - Seattle

How do you keep a set fee contract from becoming an indentured servant situation? So many projects take turns and expand that unless a fixed fee contract is confined by hours (which makes it effectively hourly) you end up getting hired to do a living room and expected to do the whole house. I know you can do change orders for changes in scope but then clients get frustrated by the change orders. Please tell us what the solution is. Thank You.

My answer to Linda - Portland.

Remember, when this situation occurs, make your rule to review the contract and to write addendums for the new project, every time.

Marlene - Glendale, CA

Isn't one large number for a fee more intimidating than an hourly rate?

I know of designers in my area who charge \$500.00 per hr. If I were a client, I would be very intimidated by the hourly fee, don't you think?

One small suggestion from me:

You cannot manage time, you can only manage activities!

Be very focused and plan your days well. Before you close the office at night, write the plan for the next day. Have a list of things to do and don't stop until you have them all done.

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My day starts with two hours of marketing and writing a personal note to at least 5 people every day. Then, I go to my list of things to do. I have 7 things to do every day, some take more time than others to be completed.

I keep on doing them until they are all done and completed. Occasionally, there is one activity it doesn't get done, but it will be on top of the list for the next day.

Don't multitask, it is useless, not a productive way to live, not necessary.
"To get the top, you must be mentally prepared for it".

Remember to breath. Take one hour of sitting down lunch, doesn't matter where. Life is a gift, live it, don't rush through it.

Ciao,

Valentina