

Service Business Pricing & Profitability — Workbook

This workbook turns the course into action. You will calculate your real numbers, build value-based offers and tiers, draft scope and retainer agreements, and set up the utilization and profitability tracking that protects your margin. Work through each section alongside its module, and use the templates to keep these numbers live in your business.

Know Your Real Numbers Before You Price

Establish your fully loaded cost, target effective hourly rate, and the price floor below which work is not worth taking.

Worksheet: Target effective hourly rate calculator

Fill in each figure for your own business for the next twelve months. Total your overhead, add your desired salary, and divide by your realistic billable hours to find the rate you must average.

Desired annual take-home salary (before tax)

Annual software and subscription costs

Annual accounting, legal, and insurance costs

Annual marketing and sales costs

Annual equipment, workspace, and miscellaneous costs

Total annual overhead (sum of the above costs)

Total to cover (salary plus total overhead)

Total working hours per year

Realistic billable percentage (e.g. 55%)

Billable hours per year (working hours times billable %)

Target effective hourly rate (total to cover divided by billable hours)

Exercise: Audit one month of where your time really goes

Using Toggl Track, Harvest, or a simple log, record every working hour for one month tagged as billable or non-billable and by activity. Then answer the prompts using your real data.

• What was your actual billable percentage, and how does it compare to the estimate you used above?

• Which non-billable activity consumed the most time, and is any of it delegable or automatable?

• What is your current effective rate (total collected divided by total hours worked), and how far is it below your target?

Checklist: Pricing foundation in place

I have calculated my fully loaded cost of delivery per billable hour

I have calculated my target effective hourly rate

I have set a minimum price floor below which I will not take a project

I am tracking every working hour by client and by activity

I have a clean annual overhead figure pulled from my accounting software

Value-Based Pricing in Practice

Quantify the value you create, package it into outcomes, and present good-better-best tiers that raise your average sale.

Worksheet: Economic Value to the Customer (EVE) builder

Pick one real service and one target client. Estimate the reference value of their next best alternative and the extra differentiation value your approach adds, then set a price that captures a fair share of the total.

Service and target client

Primary value lever (revenue / cost / risk / time)

Reference value: cost of the next best alternative or doing nothing (annual dollars)

Differentiation value: extra worth your approach adds (annual dollars)

Total EVE (reference plus differentiation)

Target capture percentage (typically 10% to 25%)

Resulting value-based price

Your cost floor for this work (from Section 1)

Client return multiple at this price (EVE divided by price)

Exercise: Productize one offer and build three tiers

Take your most common service and turn it into a named, fixed-fee outcome. Then design good, better, and best tiers that differ by outcomes, speed, and access rather than by hours.

• What is the named outcome and the headline result the client buys?

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- What exactly is included in the good, better, and best tiers, and what is the price of each?
 - How does each higher tier deliver more value (speed, access, done-for-you) without simply adding hours?
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Exercise: Write your value discovery questions

Draft the questions you will ask in a sales conversation to get the client to name the dollar value of solving their problem.

- How will you ask what solving this problem completely is worth over the next year?
 - How will you ask what the problem currently costs them while it stays unsolved?
 - How will you reflect their numbers back in the proposal so your price is compared to their result, not your hours?
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Checklist: Value pricing ready to use

- I have quantified the value of at least one service using the EVE framework
- I have at least one productized, fixed-fee offer with a clear named outcome
- I have built good-better-best tiers with the middle tier as the recommended hero
- My tiers differ by outcomes and access, never by a raw count of hours
- I have a set of value discovery questions ready for sales conversations

Scope Control and Retainer Revenue

Lock down scope with clear statements of work and change orders, then convert project clients into profitable retainers.

Worksheet: Statement of work scope-lock sheet

Complete this for your next project so the scope is explicit and protected before any work begins. Deliverables (precise list with formats and quantities)

Exclusions (what is explicitly NOT included)

Number of revision rounds included

Rate for additional revision rounds

Client dependencies and the dates they are due

Timeline and key milestone dates

Change-order process and rate for out-of-scope requests

Total fee and payment schedule

Worksheet: Retainer design sheet

Design one retainer for a current or recent client. Define the structure, the monthly value, the scope cap, and the price.

Client and retainer type (access / deliverables / capacity)

Ongoing outcome the retainer is anchored to

What is included each month (concrete deliverables and calls)

Fair-use or hours ceiling per month

What is excluded and billed separately

Rollover rule (recommended: no rollover)

Estimated monthly effort in hours

Monthly cost floor (effort times loaded rate)

Monthly retainer price and minimum term

Exercise: Rehearse the change-order conversation

Write the exact words you will use when a client asks for something outside the agreed scope, so the response becomes a reflex.

- What is your go-to sentence for welcoming the idea while flagging it as out of scope?
 - How will you present the additional cost and timeline as a quick change order rather than a confrontation?
 - Which two clients are most likely to test your scope, and how will you prepare for them?
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Checklist: Scope and retainers under control

My statement of work template includes deliverables, exclusions, a revisions cap, and a change-order clause

I have a ready phrase for handling out-of-scope requests with a change order

I have designed at least one retainer anchored to an ongoing outcome

Every retainer has a fair-use ceiling and a no-rollover rule

I have identified my best project clients to convert to retainers first

Measure, Defend, and Raise Your Prices

Track utilization and realization, find unprofitable clients and services, and run disciplined price increases.

Worksheet: Utilization and realization tracker

Complete this monthly using your time-tracking and invoicing data to see how full your schedule is and how much value you actually keep.

Total available working hours this month

Billable hours this month

Utilization rate (billable divided by available)

Revenue at standard rate (what the billable work was worth)

Revenue actually billed and collected

Realization rate (collected divided by standard-rate value)

Total hours worked (billable plus non-billable)

Effective rate (collected divided by total hours worked)

Exercise: Run a client and service profitability review

Using the client profitability template, calculate the true margin of each client and each service line over the last 6 to 12 months, then decide what to do about the bottom of the list.

- Which clients are in your most profitable tier, and which are costing you money once unbilled time is counted?
 - Which service line has the highest margin, and how could you sell more of it?
 - For each unprofitable client you want to keep, will you reprice, re-scope, or tighten scope control, and by when?
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Exercise: Draft your price-increase plan and scripts

Decide your new rates and write the notice you will send to existing clients, leading with value and stating the new price with confidence.

- What signals tell you it is time to raise prices (full pipeline, low objection rate, waiting list, strong results)?
 - What is your written notice script, and how much notice (30 to 60 days) will you give?
 - Which top clients, if any, will you offer a transition such as a smaller first increase or a longer runway?
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Checklist: Profitability discipline established

- I track utilization and realization every month
- I know my effective rate and how it compares to my target
- I have ranked my clients and services by true profit and margin

[] I have a plan to reprice, re-scope, or release my unprofitable clients

[] I have a price-increase script and an annual review on my calendar

Your Action Plan

1. Track every working hour for one month, tagged billable or non-billable, using Toggl Track or Harvest
2. Calculate your fully loaded cost of delivery and target effective hourly rate, then set your price floor
3. Quantify the value of your core service with the EVE framework and write your value discovery questions
4. Productize your most common service into a named fixed-fee offer with good-better-best tiers
5. Upgrade your statement of work template with explicit exclusions, a revisions cap, and a change-order clause
6. Adopt a standard phrase for out-of-scope requests so a change order becomes automatic
7. Design one retainer anchored to an ongoing outcome, with a fair-use ceiling and no rollover, and pitch it to a recent client
8. Set up the utilization and realization tracker and complete it for the current month
9. Run a client and service profitability review, then reprice, re-scope, or release the unprofitable accounts
10. Schedule an annual pricing review and send a value-led price increase to existing clients with 30 to 60 days notice

