

Dramatically Reduce the Cost of Using Outside Experts

I am talking about consultants, accountants, ad agencies, design houses, lawyers, creative people, and anyone who is not on your staff but who you periodically pay to provide you with some sort of service. Your goal must be to reduce and control your costs incurred in conjunction with the use of outside experts while maximizing your results.

Remember, lawyers, accountants, consultants, etc., are like anyone else in every other profession. From the local auto mechanic to the doctor at the hospital, some are very good and some are very poor at what they do. Some are ethical and some are not. I have met many so-called experts that were excellent and others who I could describe in no other manner than to say they were incompetent.

Despite what you may think, letters after one's name does not guarantee they are good at what they do. The only thing it will guarantee is that you will pay more. Whether or not it will be worth it is another matter altogether.

You must verify qualifications and you must check out these people carefully and completely. You should not just worry about wasting your money on their advice, you also must worry about the cost and implications of following their advice. This could be far worse than any money you lose on their fees. The damage resulting from bad advice that you have followed could be irreparable.

With this said, let me also point out that when worked with properly, the right "outside experts", can indeed be an invaluable asset to your company. They can bring a new perspective to your organization. They can provide you with the expertise you need and when you need it, without having to have this type of talent on staff year round. They can be a tremendous source of input and ideas. They can do things you may be unwilling or unable to do. The key here is to use the right people, at the right time, for specific purposes, under the right arrangement.

The very first question you should ask is - "why do you need the outside expert?"

Any use of outside experts must be cost justified. All too often, consultants and other "outside experts" are used merely to shift responsibility from an internal party to an external party. In other words, you are paying someone outside of your company to do what someone inside your company should be doing. Every single relationship your company has with an outside expert must be very carefully and frequently scrutinized. Ask the questions and seek ways not to justify the relationship, but to justify not having the relationship.

Pay them for results.

Whenever you are working with an outside source who claims to be able to help you sell more, improve productivity, improve quality, improve your bottom line or somehow benefit you in a fiscal manner, you should be thinking of a contingency relationship and not an hourly or project rate. The exception to this would be if you are absolutely positive that it is in your best fiscal interest to do otherwise.

A contingency relationship is when someone works with you in exchange for a portion of the profits generated from their efforts. An hourly rate or project rate is paid to the outside expert regardless of any success or failure that results from their rates. If their efforts result in unmet expectations, they still get paid. Yes, of course, their efforts could result in a much higher rate of return than the amount you paid them. But in most cases, wouldn't it make more sense to ensure that they have a more vested interest in the success of the project?

Also think how fast an hourly rate can add up. At \$150 to \$500 per hour it does not take long to run up a very high bill. Think of all the meetings and wasted conversations. Think of all the time you are charged that you can never verify was ever spent on your behalf. All the risk is on your side of the ledger.

If a sales trainer comes in and tells you he can increase your sales by 20%, great. But if he is so confident why would he not be willing to earn his fee out of the **net profits** generated from this 20% increase in sales? No increase, no cost to you.

If you do work with someone on contingency you must be fair, you must be honest, and you must agree on a course of action that you follow through with. To do otherwise would be unfair and unethical. The outside expert's income would count on these things. If what he has proposed works he is entitled to your honesty and his or her fee.

I am not a believer in putting any type of outside expert on retainer. I prefer to pay for their services only as I need them.

I have never known anyone who felt they saved money by paying a monthly fee for services they may or may not even need. Use them and, pay for them, only when you absolutely need them.

Negotiate lower rates from your outside experts by offering a long term association.

For example, I was able to get my accountant to lower his hourly rate by 25% and to hold it at this rate for two years by agreeing not to review other accountants for at least two years as long as his work continued to be satisfactory. Think of this as a form of volume discounting. This strategy saved me over \$5,000 per year without costing me anything in the area of service. Rates are not set in stone. Think of the rates of outside experts as list prices. We never want to pay list prices.

Ask for a lower hourly rate.

See the above strategy. The rate they quote you is the asking price. Without exception, when I have asked for a lower rate from an outside expert I have received one. Don't tell them what you want to pay. Rather, tell them you are hoping to establish a long term relationship and you would like a rate that reflects this.

Why should you pay the same hourly rate as someone who walks in off the street?

From my accountant to my lawyer, this has worked thereby saving me tens of thousands of dollars per year.

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