

STARTING YOUR OWN GENERAL CONSULTING BUSINESS

Bizymoms
Career kit



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Introduction

A consultant is someone who knows a problem when he sees one and is an expert at coming up with solutions to those problems.

Off recent the need for a consultant has soared and you can find consultants for just about any problem or issue you may need resolved or help with. In fact consultants are so much in demand that independent consulting is one of the fastest growing businesses in the country today.

Most people assume that a consultant needs to have put in years of work in a particular area or needs to be a wiz at his field in order to be a consultant. While some amount of exposure to your area of expertise is important, it is not necessary. A lot of business consultants have never owned or operated a successful business nor have they held any top ranking management positions.

Yet they operate top consulting businesses.

What is really required is the ability to market and sell yourself, and more importantly you need to have an active understanding of your area of expertise and lastly the urge to excel as a consultant.

If you feel you have all the qualities of making it good in the consulting business, then go for it. Don't let your dream of starting your own consulting business end just there. People from all walks of life and with expertise in all kinds of fields are doing it, so why not you?

Although the phrase “consulting business” does sound formidable, it really just means selling your expertise and knowledge to people who are looking for it and in the process getting paid for it.

Module 1 About the business

- **What is a General consulting business?**
- **Can I be a consultant?**
- **Income potential**
- **Who hires consultants?**

What is a General consulting business?

The dictionary meaning of a consultant is “one who gives advice or services.”

So when you go into business for yourself as a consultant, what you will be doing is offering people advice or recommendations on how best they can either resolve an a problem or find a better and effective way of dealing with either a task or an issue.

Most of the times, a consultant is thought of as someone who offers only business solutions. That is not the case. There are a multitude of consultancies such as real estate consultants, wedding consultants, travel consultants, fashion consultants, career consultants, party or events consultants, auto consultants, tax consultants, beauty consultants and so on and so forth. Some consultants specialize in a particular field and only offer their services to clients with issues or problems pertaining to there area of expertise. However there are consultants who offer advice and resolutions on all kinds of issues at a very general level. And while they may not be able to provide you with a definitive resolution, they can point you in the right direction.

As long as people will have issues and problems that need resolutions, there will be that many consultants.

As long as you can offer expertise by way of knowledge and advice, you can be any kind of a consultant.

While the list for different kinds of consultants is an inexhaustible one, here are some of them:

- home staging consultant
- mortgage consultant
- A clutter consultant
- skin care consultant
- legal nurse consultant
- philosophic consultant
- sports nutrition consultant
- sales consultant
- grant writing consultant
- prenatal and postnatal fitness consultant
- restaurant consultant
- information technology (IT) consultant
- Tupperware consultant
- Avon consultant
- online business/ business backup consultant
- social media consultant
- Mary Kay cosmetic consultant
- marketing consultant
- weight loss consultant
- art consultant
- copywriting consultant
- fitness consultant
- wedding consultant

Can I be a consultant?

One of the first questions that will come to your mind if you are considering taking up general consulting as a career or business option is - Should I become a consultant and am I suitable to become one?

You should also give serious thought as to whether or not you are prepared for a lot of change. Although being in business as a general consultant will mean that you get to be your own boss and work your own hours, there will be a need for a lot of adjustments. Whether you are a homemaker considering starting your own consultant business or are employed with the corporate sector, you have to prepare yourself as this can prove to be a life altering decision.

Before you go ahead and make any plans I suggest you sit down and honestly evaluate the following questions:

- Am I a leader? Do you like taking up responsibilities and roles where you are the head or the leader?
- Am I confident? In the business of general consulting confidence is something that you will need in abundance.
- Am I organized? Believe it or not, at the forefront of any business are good organizational skills.
- Am I a self-starter? Self starter, self motivated again are attributes that are vital and necessary if you want to succeed at this business.
- Am I competitive? Having that competitive edge will keep you motivated to aim high and achieve your goals.
- Do I have lots of energy? Running a consultancy or for that matter any form of business requires a lot of energy; mental and physical both.
- Can I work long hours and unconventional schedules for an unknown length of time? Some consulting jobs can run for days or weeks which may require you to put in long hours and work within unconventional schedules.
- Am I a risk taker? Risk within a business is an on going process. New line or work, new clients, new projects etc, the risk factor never ends.
- Can I carry on business knowing there is no fixed time period of revenue returns? If you are a natural worrier and like to see a pay check every two weeks, then you may want to re-consider your decision.
- Do I have a backup? Will I be able to afford taking such a risk? In the eventuality that I do not succeed, will be able to regain ground again?
- You may have to forego health benefits with this job. Will you still be able to function?
- Are you skilled at handling administrative tasks such as answering the phone, stuffing envelopes, answering email, typing letters, and managing the books?
- Do you have the necessary skills and knowledge that is required in your field? If you are going to specialize in a particular field, your clients will come to you assuming you have all the necessary skills to get the job done.
- Do you have the support of your family and friends?
- Do you good customer service or interpersonal skills to make sales, manage clients, and negotiate with stakeholders?

Income potential

A consultant is usually paid by the hour, or on a daily basis or by assignment /project, on commission, or in some cases even based on performance. However, most consultants prefer charging an hourly rate which can be anything from \$30 to \$120 and upwards. It all depends on the kind of consulting work that you are taking up and the kind of fee that other consultants in your field are charging. The highest fee of course is charged by IT, business/marketing and fitness consultants. However it really does not matter if you are a tax consultant or a beauty consultant or a home decoration consultant; your income is really dependant on what you can offer your clients and on how satisfied they will be.

There is a very nice story that does the rounds in the consulting business, it goes like this

A company's machine breaks down. The company's owner, an old school chum of Niels Bohr, calls in the physicist to fix it.

Niels Bohr examines the machine and an X on the side and says, "Hit it right here with a hammer."

When the company's mechanic hits the machine with a hammer it starts working again. The company's owner thanks Niels Bohr for getting the job done and sends him on his way.

A couple of days later, the owner receives an invoice from Bohr for \$10,000. Shocked, the owner phones Bohr!

"Niels! What's this \$10,000 invoice? You were only here for 10 minutes! Send me a detailed invoice."

Bohr agrees to send the invoice. A few days later, the company's owner opens a new invoice.

INVOICE

Drawing X on the side of your machine	\$ 1
Knowing where to put the X	\$ 9,999

Total	\$10,000

This really explains the job of a consultant perfectly. The client knows he has a problem, you know that your client has a problem and you both know that the only one who can do anything about it is you.

Of course I am not saying that your invoices will look like this, but if you can be good at your job and provide you clients with effective and easy solutions, you can make a decent income form this business.

But let's talk actual numbers here. Considering you charge an hourly fee of say around \$40 per client and say you start out with 2 or 3 clients initially. Even if you spend a minimum of 10 hours a month working on their issues and requirements, you can easily make \$800 to \$1200 a month. As the number of your clients increase, you can do the math as to what that can mean in terms of an income for you.

Veterans of this field say that without new comers can easily gross anything like \$30,000 to \$60,000 excluding taxes and office expenses, in the very first year of business.

Who hires consultants?

One burning question that must be eating at you is who or what kind of people actually go to consultants. The market for consultants is huge and spreads across a wide spectrum of clients.

Big and small businesses, governments, non-profit agencies, the common man on the street, they all hire consultants. The reason why Big and small businesses, governments, non-profit agencies prefer going to a consultant is because they can expect to use the skills and expertise of the consultant for as long as they want as opposed to hiring someone full time to get the job done.

For the common man on the street, his problems and issues need quick and simple resolutions. And if he can get an expert to provide him with that solution then he is saving a lot of time and effort he would otherwise be spending on getting something done he is not even sure about to begin with.

Accountants, tax and audit consultants are mostly hired at year end or during tax periods, while marketing and business financial experts can be used as and when the need arises. Governments, colleges and schools and non-profit agencies might hire consultants to help out with various jobs such as writing success stories or speeches proposals or grants etc.

On the other hand a wedding consultants, fitness, beauty consultants or a home improvement consultant is on demand at all times. Stay at home parents, working women, teenagers, housewives or even your friendly neighbor can require your services.

Module 2 Planning your business

- **Creating a business plan.**
- **Startup costs.**

Creating a business plan

So you have gone through the “can I be a consultant” section and have finally decided that this is where you belong. Fantastic!

So what do you do now? How do you go about actually transforming your dream into a reality? Sure making the decision to become a consultant is the first step, but what do you do after taking that decision.

Being a consultant does not end with you calling yourself a consultant, or by putting up the tile of a consultant on your cards. This is a step by step process that requires much thought and planning on your part.

The very first step in setting up your general consultant business is to come up with a business plan. A business plan answers the how, where, how much, what etc of your business.

The main objective of creating a business plan is simple

By creating a written evaluation of all the different aspects of your business, you are better placed at evaluating your business potential and projecting your profits and growth.

It helps to remember that a business will and does face unseen contingencies that can affect your business, for good or for worse. And it is for such times precisely that you should have a business plan outlined.

NOTE: A detailed description of a business plan is outlined in your ekwa “easy business guide” book.

Startup costs/Initial investment

One of the positives about the consulting business and this is a major one, is that it does not require a lot of heavy investment from your side. Most part timers or beginner in the field of general consulting start out working from home initially. The reason being, you really don't need one of those fancy or plush interior offices to get started. You can do it from the comforts of your home itself.

If you have a spare bedroom, or study or dining room or a portion of the basement will work just fine with a few minor adjustments and changes. Initially when you start out you will be taking care of bookkeeping/filing etc. You will require some basic furniture to begin with.

To get a better picture of the kind of initial investment required prepare a list which includes the following:

- Business stationary and miscellaneous supplies,
- Phones with answering machine (you can use your residence phone to begin with)
- copy machine (you can rent of initially)
- Computer (with internet) and fax which will be essential to take orders and addresses of your customers.
- Basic furniture (table, chairs, filing cabinets etc.)
- Initial marketing and advertising investment.

In addition to materials and equipment you will have to keep aside a portion of your startup costs for marketing and advertising.

With careful planning you can keep your initial investment to or less than \$2000 or \$3000.

Module 3 Marketing

- **Know your market.**
- **Spreading the word about your business/Publicity**
- **Marketing your General consulting business.**

Know your market

The first thing you need to know about the consulting business is that it is huge and virtually inexhaustible. Every day you will find newer forms of consultancies opening up. The latest in my neighborhood is an organic food consultant. If you look at it, it was only a matter of time before someone caught on to that since a lot of people today are turning to organic foods.

So if you have a specialty and you feel that someone can benefit from it, then go ahead and start one. The only contention to that being is that you do a little bit of market analysis and research first.

Market research is vital on two counts:

- Identifying your audience/ target market
- Improving and expanding your business

Researching a market is a vital part of any business. If you want to break into a market it is imperative that you find answers to questions such as market size, sales potential, assessing competition, information on prevailing pricing and marketing practices, the kind of clients you most likely are going to get and their expectations.

All this information is important if you want to break into your intended market. Most importantly market research will help you harvest information that can be instrumental in making a success of your business.

Client information is the most important link in the market research chain. If you want to survive in a competitive market, then you need to first understand the market segment you are targeting.

For example if you are a fitness consultant, then your area of expertise will extend into food habits, nutrition, exercise, dietary habits etc. So your market research analysis will include information on the kind of people you can expect as clients, the age group most likely interested in seeking help, the social strata that your potential clients belong to (helpful when compiling a pricing strategy), in a lot of cases the sex of your client (women will naturally prefer going to women consultants) the kind of help that other fitness consultants are offering. These are just some of the things that your research will include

The second area where market research is most helpful is in the expansion of your business. Correct and timely analysis of a market provides you with the opportunity of getting to know your future clients better and in reaching out to them.

Magazines and newspapers, television, the internet are all good sources of information and the ideal place to begin your market research.

You could also look at existing consultancies for information in your area of expertise. If you have the money, become a client. Sit in only for the consultation for an hour or two. You will be surprised at how much you get to learn about a business this way.

Spreading the word about your business/Publicity

All you advertising and marketing strategy aside, the best publicity that your business can benefit from is the “word of mouth” publicity.

Whether you are a marketing consultant or a beauty consultant, if you can get clients through referrals, then it can only mean one thing you are doing something right. The reason why word of mouth publicity is excellent for any business is because the person who is recommending you has already tried you and is a satisfied customer. And most of us would prefer using the services of someone who comes recommended from a known person.

Going to a consultant means you are willing to spend good money and people expect their money's worth. If you can satisfy a client above and beyond his/her expectation, then that customer is a happy customer. And you can be sure of getting referrals from that customer. He/she is going to not just recommend your name, but will also take the time to explain just why they are recommending you.

Now that is the kind of publicity you should aim for. Every happy customer can translate into free publicity and marketing for your business.

Apart from getting publicity through referrals, another way of using “word of mouth” publicity is by using your family and friends and work buddies to market your business.

If you attend social gatherings of any kind, family or community or even a night out with friends, don't shy away from spreading a word or two about your general consulting business.

Marketing your General consulting business

Having set up your general consultancy business now all you have to do is to wait for clients to roll in. That wait can turn into one long wait if you have not attended to the marketing aspect of your business.

It's not enough to tell family and friends or print a few cards and pass it on. You have to think up an effective marketing strategy if you want to take you're business out there.

You may have your own idea as to how you want to market your business; however here are some basic marketing ideas and tips to get you started-

Networking

A great way of boosting your business and of gaining clients is through networking. Networking with people in your industry has manifold benefits.

- Your chances of gaining new clients increases as people from your industry may recommend you to their clients. This works both ways, and you could do the same if you feel a particular client is on the lookout for an expert opinion in a field other than yours.
- Another reason why networking is important is because you can pick up a lot of tips and advice or information on running your business. Whether you are new to the business of consulting or are a veteran, you could always do with some good tip or advice.

Referrals

I can never over emphasize the importance of referrals in a business. The kind of publicity and marketing that a happy customer brings to your business is unbeatable. If your customer is satisfied with your work or recommendations don't feel shy to ask him/her for referrals. When other clients see good things said about your work they will be more confident about your skills and definitely more willing to work with you. A referral simply means that someone has already tried your services and has walked away happy.

Business cards

Every businessperson owning and operating a business should have business cards. A business card does the work of a handshake in a professional environment. Ensure that your business cards hold information about your business, all your contact information like name, phone numbers, home/office and website address and fax numbers. Also if you can give a small but catchy description of what your business is and or what kind of consultation services you can offer, it would be great. Don't forget to pass on your business card whenever the opportunity presents itself. At functions, or at a get together or even when you meet someone new, get into the habit of passing on your business card.

Cold Calling

It is one of the oldest methods of marketing and businesses big and small do it all the time. The only things that you need to watch out for are the timings, your introduction, sales pitch, and closing statement. The best way to learn about cold calling is to look up information on the net or through books. The next time someone calls you selling a product or service listen to how they make their bid; you could pick up useful tips and incorporate them yourself. You could also join a course or attend a seminar to gain more insight and experience.

Public Speaking

What better way of creating awareness about your business and skills than in front of an audience? If you are a part of a club or an organization, or at a mom's meeting or ladies get together or even at meetings of your networking group you could try public speaking. Public speaking is a great way of presenting your skills to people who can become potential clients.

Direct Mail advertising

Direct mail advertising can be done through postcards or sales letter mailings and brochures

Promotional gimmicks

Big brands do it all the time. Advertising or promotional gimmicks such as using t-shirts or different accessories to advertise to endorse a product or service is commonplace these days.

Marketing for your business is an ongoing process. Even after you have established yourself in your field, the need to market your business actively is essential. These are just some of the more common forms of marketing options available to you. Based on this information, I would suggest that you come up with your own marketing strategy that is both conducive to your business and financial situation.

(Read more about online and offline marketing in the next section)

Online and offline marketing ideas

Marketing does not have to necessarily have to involve high costs. There are several low cost marketing ideas that are just as effective and fruitful. Here are just some of the options that are available to you-

Offline marketing

- Print flyers and brochures about your general consulting business and distribute them at popular hang outs like, shops, and department stores, schools or any public place which is frequented by the general public.
- Place advertisements about your photography business with local directories or in the Yellow pages. Be creative when you write out your ads but remember to keep it simple, attractive and short.
- Talk about your business to family and friends at parties, or family functions or your church meetings or even the PTA meets. People at such gatherings are all potential customers.

Warm up to the idea of giving something free this is an excellent way of creating awareness for your business. You could volunteer to speak at events and functions of a local charity or non profit organization or you could even offer a free consultation or consultations at a discounted rate for a specific period of time or within an age group etc. You could also offer a free course within your area of expertise.

- It would do wonders for your business if you could get in touch with your local paper or magazine and set up a column or write an article about consultation. As a general consultant you could perhaps write a weekly column or article on any of the areas you are offering consultation on. Talk to the editor of the newspaper or magazine and see if you can add your business information at the end of the column or article.
- Use your answering machine as a marketing tool by adding information about your business at the end or the beginning of the phone message.
- Add information about your general consultation business to all your personal and business correspondence. You could also attach stickers, stamps and handwritten notes to your mail.

Online marketing

- Place advertisements about your general consultation business with online directories.
- Add information about your general consultation business to your email signatures. This way every email that leaves your inbox is armed with information about your business. Anyone receiving your emails can then pass on information about your business to their family and friends or colleagues.
- If you are running your general consultation business from home, then home based business discussion group and forums are excellent options to spread the word about your business.
- You could also try online networking as a means of creating awareness about your business. Get registered with other home and small business sites that offer free link exchanges and use banner rotation to advertise each others businesses. The give and take policy is a good way of getting your business name flashed across different websites.
- Set up a website about your business and use it to market your business extensively. Add information about your achievements and assignments and referrals from your customers. You could also add tips and links that you think will be useful to others.

Again work out a marketing strategy that suits you and your business.

Module 4 Pricing and Invoice

● Pricing strategies for your consultation business

Irrespective of the nature of a business, pricing is always one of the most difficult aspects of running a business.

And as someone who is just starting out, it can be especially difficult as not only do you have to pay attention to earning a decent profit for yourself, but you also need to keep in mind that you maybe up against veterans in your field of expertise who already have established businesses. To help you come up with a pricing strategy of your own, here are some of the pricing methods in the consultancy business explained

Doubling/tripling your hourly wage

One of the most common methods of coming up with a pricing strategy is to set fees by taking the hourly wage (plus benefits) that you would probably earn if you were working for someone else and then doubling or tripling it. In most instances tripling the hourly wage figure is the most conducive.

The basis of the division is as follows

- One third goes to your real wage,
- One third to expenses
- One third to administration, low utilization and bad debt.

Setting a daily rate for consulting

Again of the most common and simplest methods of pricing is to set a daily rate fee structure.

What you do is multiply the hours you work in a day by the hourly rate you plan to charge your customers. So for example if you plan on working 8 hours a day and the hourly rate you have fixed is at \$40, then the daily rate for consulting will be at
 $8 \text{ (hours)} * \$40 \text{ (hourly rate)} = \320 per day

Setting Consultant Fees by the Project

Another method of coming up a fee structure is to set rates by the project or assignment. If you can come up with an exact time period required to complete an assignment or task or project, simply multiply that number by the hourly rate you have set.

Setting consulting fees based on performance

Setting consultation fees based on performance is a risky option since the outcome can swing in both ways. If your proposed resolution to a client's project or issue is successful you sit to gain good revenue. However incase the resolution does not provide the desired results, you can loose out heavily.

In this form of payment, the client usually offers remuneration in the form of a share of future revenue, profits or commissions,

Another reason why this can be a risky option is because the results may take a long time to show.

Setting consultant fees strategically using real-life data

This form of pricing is based on working days per year.

For example there are 52 weeks in a year. You keep aside vacation time, sick leave etc. and fix the number of productive weeks at say 46 weeks and you work 40 hour weeks. So the total number of hours worked during this time will be -

$46 \text{ weeks} \times 40 \text{ hours} = 1840 \text{ hours a year}$

What constitute your actual billable hours as part of your consulting rate?

To come up with the exact billable hours calculate the hours worked like this:

Out of the total 100% possible hours worked you spend

- 20% spent on administration, running errands, paperwork, etc
- 20% spent on marketing, networking events, website management, etc
- 10% spent on other non-billable work

That leaves you with 50% spent actually working on the project or assignment.

Thus out of the total 1840 hours that you work in a year, the actually time spent on working over a project is at 50%.

Hence the billable hours will be at $1840 \times 50\% = 920$ billable hours

Considering bad debt rate as part of your consulting fee

Bad debts are a part and parcel of all business. So keeping that in mind here is how this will fit in your billable hours.

Supposing you set a collection rate at 97% (3% bad debts, not paid)

Out of the total billable hours of 920 hours calculate the 97% collection rate:

$920 \times 97\% = 892$ hours

So your actual billable hours will be at 892 hours.

Rate of Pay as Basis for Consulting Fees

Supposing you were working in a company, what would your salary be?

As an example- \$50,000 base salary + \$15,000 in benefits = \$65,000 salary

Salary / Billable Hours = Hourly Consulting Fee

$\$65,000 \text{ salary} / 892 \text{ billable hours} = \72.86

Overhead rates for consultants

Overheads are always a part of your pricing structure, no matter how big or how small the amount, it should be added to your fee.

To arrive at a figure, simply divide the total cost of your overhead by your billable hours:

Profit margin and consulting fees

Most consultants' markup their fees by around 10% to 33% to arrive at a healthy profit margin:

As an example if after all the above deductions including the overhead, your total hourly rate stands at say \$50 then with a 20% mark up your hourly rate figure should be

$\$50 + 20\% \text{ (markup)} = \60

Charging what everyone else charges for consulting

For someone new into the business of consultation the easiest pricing strategy would be to simply charge what the competitors are charging. This way you are safe and don't run the risk of either getting written off or of incurring losses. Also when you charge similar rates, your clients will consider you on par with the rest of the competitors.

Note - No matter what way you set your consulting fees, be sure to use a consulting contract and agreement for consulting services.

Sample of invoice

SAMPLE CONSULTING INVOICE FOR CONSULTANTS

INVOICE

XYZ Company
502 3366 XYZ Street
ROSELAND, NJ 07068
555-555-5555
abc@efgemail.com
Your website address
Federal tax # 12345
Invoice # 8
February 02/03/2008

Client name/business name
512-1822 East 123rd Avenue
ROSELAND, NJ 07068
555-555-555

Attention: SYZ, Marketing
INVOICE FOR:

Work Performed	Hours	Rate	Total
Home improvement consulting	4 hours	\$120.00	
\$480.00			
Tax		10%	\$ 48.00
TOTAL PAYABLE			\$528.00

Terms

To be paid within 21 business days of invoice date. Please make all checks payable to XYZ Company. Unpaid balances accrue interest at 12.33% per annum, calculated monthly.

Thank you for your business.