

## Episode 12 TE - Discounting and Increasing Your Fees with Price Capping Transcript

Welcome to The Lone Recruiter podcast. I'm your host, Brett Clemenson and if you're a recruiter out on your own or just lacking general guidance or mentorship, then you've come to the right place. Our episodes are designed to give you the motivation, advice and strategies you need to succeed as a lone recruiter. So join us, grab a cup of coffee and let's take your desk to another level.

Today, I would love to talk to you about discounting and increasing your fees. That's right. I discount my fees from time to time. Whoop-de-doo! And I bet you do as well. Do we like doing it? No, we do not. Do we do it? Yes, we do. I want to give you some insights into something that's working for us at the moment.

Haven't seen it a lot, and I think there's some real merit to it. And I want to let you guys in on that. So as recruitment agencies, as you would know, our fees are typically a percentage of base and super and it would probably range anywhere from I've seen anything from 8% up to 30%. You're obviously sitting somewhere in between, if you're above 30% good on you. Maybe you need to come on this podcast and tell us how you do it and share your insights there. But look, typically they're the rates. From time to time, obviously, clients ask for a discount, and if you're a good recruiter, you hold your ground. You explain to them why you are charging that much and what the value is and and hopefully they agree to your rates.

But look, sometimes there are factors outside of our control or there might be some strategic reasons why we would discount our rates. You know, we saw COVID hit and we went, okay, there might be a short on roles, so let's do what we can to just keep the money coming through or there might be a cultural rate within your market.

You know, it might be like an engineering practice is, you know, 15% or the legal market is 20%. You know, there might be that there you might strategically want to be getting into a client and just saying, look, I'll do a discount to get in the door. Let me show you what you can do and then we can review from there.

The mistake I think I see people make is that they reduce the percentage. And the reason why that's a mistake. If they're going from, say, 15% down to 12% or if they going from 20% down to 15%, it is near impossible to push a price up. People say, well, I've been getting this percentage all along, why can't I continue getting it?

It's working for us. It should be working for you. You're getting the roles. Okay, I can see your logic. But we've all had those conversations and it is hard to say. I'm now going to give you the same service, but I'm going to charge more for it. Correct. So what we have done and what seems to be working for us is a price cap.

We see it with like car servicing. When you when you buy a new car, they always talk about price caps or insurance packages, oh we price cap. I thought, why don't we try price capping for recruitment? And so I'll give you a good example, right. COVID hits, we

have a client that says we've got a few roles on, but we want 10%, Oh my God, we're not going to give you 10%, We can't do that.

That's not even profitable. So we went back and forwards, did the dance. Look, you know, the best we can do is 20%, they said no. You know, we stood firm for a bit and we just said, look, what are you trying to get here? Is it the percentage or is it actually just how much you pay? Because at the end of the day, it's about the P&L sheet, right?

What we put on that as a percentage doesn't actually matter. And they go, okay, correct. We agree. Why don't we price cap it and we put an expiry date on the terms and then we can give ourselves a run at these roles and we can review them after that. Most people will say yes to that because they're getting what they want.

Right. But what you're doing is getting your foot in the door. You get to prove to them that you can deliver on what they need. And then when that expiry happens, you have the conversation, hey, the price cap's up. I've loved working with you. You've seen what I've done now. We have no choice but to do this.

Nine times out of ten. You will be okay. You may have to extend the price cap or at that point, if they still refuse to do it, you just reduce the price cap, you know? Okay, well, look, I'm giving you a price cap at 20 K, I'm going to have to increase that to 25 K You get the gist.

So we had a scenario where this happened and we realised we did. We had a price cap at 20 grand. We did a couple of roles. It was fine. It was good for that market. It made sense. It just kind of firmed up the pricing for the client. But then then we landed a 400k salary role for like an APAC role and we realised we have price capping at 20 K and we went, there's like this is a hard search.

There's no value in this for us. They told us we were the ones to do it. So we had to have that conversation, say, look, we have a price cap in place at 20k and we cannot have that. Therefore, this role, it doesn't make sense to our business. You won't get the results you're looking for and it was a very simple, okay, that makes sense.

As long as your percentage can be, you know, in line with the other providers, which was still quite high, we can take the cap off. So it ends up being a 60k fee and I don't believe we would have been in a position to get that brief if we had not done the price capping to start with.

So you can see I'm hoping what you get out of this today is that if you are in a position where you think it a price reduction needs to happen or, you know, for whatever reason, whether that's because strategically you want to get into a client or economically, you feel you need to protect yourselves and you need to come to the party, don't reduce your fee, don't reduce your percentage.

Give them a price cap, make it fair. And the beauty of this is that you're actually for the lower level roles, increasing the amount that you're invoicing as well. So the issue with reducing the percentage is that all levels reduce, right? When you put a price cap in

place, you're securing the blowout for the client, but you're still getting you still getting your fair return for the lower levels.

So there's a there's a few reasons why price capping is way better for you than reducing your fee. Uh, that's that's it in a nutshell. So, that's all we have for you today, it's a short, sharp one. Seven and a half minutes. Very happy with that. If you got any value out of today's episode, please subscribe, share, recommend this podcast.

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