The Sales Minute by Tom Klein

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Is a high contingency fee good for TSI? Last month a very large healthcare client terminated TSI because "our rates were outrageous and we took advantage of them". They were at a 30% contingency fee and we didn't think this was a problem. This should be a wake-up call for all of us!

This is not an isolated instance; we are losing business over uncompetitive fee rates. I've also had several client discussions in the past two months where prospects have raised TSI's reputation for high contingency rates. Nearly half of our top 80 healthcare clients have rates over 30%, representing a significant exposure for TSI. We have countless medium and small clients with up to 50% rates.

If your client has a rate higher than 25% you should proactively review the competitive landscape and where appropriate adjust pricing within our EBIDTA guidelines – **protect the base**. If you're selling a new client, **know the competitive price range**. Rethink selling 30% to 50% rates, just because you can get away with it, this doesn't make it the right thing to do. It is the rare instance the paper justifies these rates and does create a competitive and reputation risk for TSI.

TSI must proactively change the market perception of being high priced and taking advantage of clients. I'm not suggesting all clients are or have this view, however our competitors will use this against us. As you know the industry is small, clients talk. More importantly, once a client feels taken advantage of its nearly impossible to change their mindset.

Remember last month's watermelon, when we become complacent our relationships weaken and we risk losing clients and new business.