



Compilation of Regional Peer Roundtable Calls 8.10.2021

Attendees:

- Yvette Hernandez, Achieve Staffing, Cleveland
- Suzy Murphy, Action Associates at Work Skills Corporation, Brighton, Michigan
- Bruce Grant & Ally Thornton, Beyond Talent, Wilmington, North Carolina
- Ayron Reeves, Blue Jacket, Fort Wayne, Indiana
- Sasha Ongtengco, Cara Connects, Chicago
- Venois Peebles, Community Staffing Solutions, Middletown, Ohio
- Tom Grant, Concordance Employment Agency, St. Louis, Missouri
- Vicki Comegys, Des Moines, Iowa
- Kevin Vandenbosch, Embers Staffing Solutions, Vancouver, British Columbia
- Brian White, First Step Staffing, Atlanta, Philadelphia, Southern California et al.
- Michael Estrada, GSG Talent Solutions, Austin and Memphis
- Jim Fuller & Clarence Scott, GoodWork Staffing, Charlotte, North Carolina
- Suzanne Warsaw, Harmon Personnel, Greenfield, Massachusetts
- Joan Nassef, Kennedy Center, Trumbull, Connecticut
- Chris Rylko and Lee Humason, Uplift Northwest, Seattle
- Mickey Wiles, Working Fields, Vermont and New Hampshire
- Willie Davis, Right Time
- Mark Winter, WinSource

Topic: **Pricing Strategies and Techniques**

Presenter: Supplier Partner **Mark Winter**, CEO, [WinSource Group](#)

Key Takeaways:

- Have regular conversations with your team about pricing, ideally quarterly, twice a year minimum.
- The majority of staffing firms quote prices using wage rate plus markup. The second method – quoting bill rate based on target gross margin – has two advantages. It's a competitive differentiator, since most staffing companies quote by markup, and it conveys that it's value-level pricing. Markup, by nature, is commodity-level pricing.
- Have a pricing guideline in place for your salespeople.

- Look at your Ideal Customer Profile and current book of business and assess if you're helping accounts grow, maintain or avoid. If you're helping customers grow, that's a high-margin place to be. If you're helping them avoid something, it's high margin but short-term. If you're helping them maintain continuity, that's sustainable but it's least profitable.
- Use the Service – Workers – Pricing triangle in your sales process to learn what's important to your customers. Let customers tell you what they want and let them take pricing off the table.
- Alternative staffing businesses should be paid for the extraordinary efforts they make on the Service side of the triangle to vet workers, recruit from alternative sources, provide wraparound services, and keep workers engaged. That's the justification for charging 10 to 15% above what other staffing companies do.
- On the Worker side, the current momentum around employer commitment to diversity, equity and inclusion practices offers an opportunity to build that into your pitch. "We can deliver a diverse talent pool to help you live up to your DEI commitment."
- Pre-sale is the best time to have the pricing conversation. Business account reviews are another great time and offer an opportunity to draw attention to the work your teams put in. The more you brag, the better they'll understand what you do on their behalf. Compelling market events offer additional reasons to discuss pricing. Finally, if customers bring extra expectations to the table, boost your rate.
- Pricing conversations can be intimidating. When you negotiate you want to partner. It's not adversarial, it's about "what is fair compensation for what we're doing?"

Mark Winter: I've been in the staffing industry for 20 some years, starting back in New Hampshire/Vermont. I now help staffing companies increase revenue. We work on sales process, training, anything that touches the customer. I'm on the Board of Valeo Vocation, an alternative staffing organization here in Tacoma, Washington. One reason I joined the Alternative Staffing Alliance is to help power up this staffing model which is a machine for good. We need to amp it up.

- **Mark:** To begin, when was the last time since you talked pricing strategy with your team? How often does that happen? Anyone within last year? Six months? Pricing is something we get squishy talking about, but it's the economic driver for your organization. The level you price at determines how fast you hit your mission. We're so focused on recruiting and filling orders that we're forgetting to have this pricing conversation. There's still a way to increase revenue and that's getting top dollar for your services. ***The first thing you can do to help yourself is have regular conversations with your teams about pricing, ideally quarterly, twice a year minimum.*** Ask yourselves:
 - Is our pricing strategy working?
 - Are we getting paid enough for what we do?
 - Are we charging enough to accomplish our mission?

I also see that alternative staffing businesses don't want to get in the way of getting people to work, so we offer low pricing, we don't charge conversion fees. The client companies you're placing people with are not nonprofits. You're giving them great deals and potentially shortchanging your ability to deliver services to your workers.

- **Mickey:** I benchmark myself against the traditional staffing agencies in my pricing. What do you mean about underpricing and what is the right price value?
- **Tom G.:** I find that with our clients it's the reverse. They feel like they're giving back to the community. Sometimes they will continue to employ our people even in cases when we should pull them, because of what we stand for. It's a whole value equation that I grapple with because sometimes their view and our view are different.
- **Mark:** We provide value in the staffing world by providing people that allow a company to achieve a goal. The other set of value we provide is the value of the people that we put to work there and the supportive services. Sometimes when clients understand that value, they'll keep people longer than they might with traditional staffing companies. Going back to Mickey's question, ***being competitive with secular staffing companies is a good benchmark, but I think we should be 10 to 15% higher.*** I realize that sometimes we get funding that allows us to offer lower rates, but straight bill rate should be higher.
 - **Tom K:** The [recent SHRM study about formerly incarcerated job seekers](#) found 85% of hiring managers say these candidates perform better, are more loyal and convert to full-time employees. That's a value add – percentage of success rates and conversions. That's why a client would pay more. The conventional staffing industry has a 400% turnover rate, meaning they're turning over their entire pool every quarter.
 - **Mark:** I agree. On the front end, alternative staffing provides a lot more touch, we do a lot more work.
- **Tom G:** So, when we talk about a value prop, when you demonstrate value, you can drive revenue. We've doubled the minimum time on our payroll from 520 to 1,040 hours (from 90 to 180 days' FTE).

Pricing in Staffing

- **Mark:** I first want to make sure we're level set on what goes into pricing and am using a pricing example from the American Staffing Association. This example is across all staffing segments – light industrial, IT, etc.

In staffing, we can generally offer gross margin (flat bill rate) pricing or markup pricing. What do people use? [Across all three calls, majority of participants reported they quote wage rate plus markup; some quote bill rate based on gross margin.]

In staffing, the majority of firms use markup. My preferred method is bill rate, first because it's a competitive differentiator – most staffing companies quote by markup so it

throws the customer off a little bit – and second, because it conveys that it's value-level pricing. Markup, by nature, is commodity-level pricing.

American Staffing Association example is \$17.00 per hour wage with 51% markup. Wage and statutory benefits (FICA, FUTA, SUTA) are fixed costs, meaning they're set by someone other than you. Workers comp is variable but it's not a cost you control. Admin costs and profit are the variable component.

Average markups in manufacturing, e.g., range from 38% to 51%. At \$25.76 bill rate, that translates to gross margin dollars of \$4.04 per hour at low end to \$6.34 per hour at high end [in percentage terms, 15.7% gross margin at low end and 24.6% at high end]. Salespeople will often acquiesce to lower markups when customers pressure them without any consultation. The impact is huge.

For example, if you assume 4 workers full-time for 6 months at \$2.30 less gross margin per hour (38% markup), you're giving up about \$8,900 in gross margin dollars:

- $4 \text{ workers} \times 37.25 \text{ hours} \times 26 \text{ weeks} \times \$2.30 = \$8,910$

What would it take to make up that gross margin? How many extra workers do you have to put out to make up that gross margin? It's 2.2 workers. In other words, 6.2 workers at 38% markup yields about the same gross margin dollars as 4 workers at 51% markup. That's a lot of extra work! Therefore, ***you should have pricing guidelines set up***, e.g. 45% to 50% markup, and every time a salesperson wants to quote less than 45%, they have to consult with a second person in the organization. Put controls in place to prevent people from backsliding on pricing.

As another example, what if the customer asks you for an additional service, such as a 10-panel drug screen or upgraded background check? Assume job order is for 4 people and your cost to get them on the job will go up \$115 each. How many hours does it take to make up \$460 of gross margin lost on additional screening costs? It's about 114 hours. That's a whole extra person for 3 weeks.

- $\$460 / \$4.04 \text{ gross margin per hour} = 114 \text{ hours (equates to 3 weeks @ 37.25 hours per week)}$

I offer these examples because sometimes people don't understand the impact of pricing decisions. We often don't realize what we're giving up on the front end. What are your thoughts on that?

- **Tom G:** I think going in on the high side is always a good tactic because if the prospect is interested, they'll negotiate. I also find that because they know what we represent, we're worth more. I find it to be 5% more than what the marketplace commands. I always start high, if they come back to negotiate, they're ready to buy.
- **Mickey:** In the example on the slide, workers' comp seemed really low to me, and workers comp is a wild card depending on the industry you're working in. I look at pricing

on a job-to-job basis and am always taking workers comp into account. If the workers comp rate is high, I'll start at 55% to cover.

- **Sasha:** I also focus a lot on workers comp when I determine pricing. I usually start there.
- **Yvette:** I do as well.
- **Tom K:** The national staffing firms, when the salesperson prices the business, they need to gather a lot of information from the client before they quote. There's a half dozen key variables. Clients use staffing companies to mitigate workers comp risk in lower-end jobs and affect their own mod rate.
- **Clarence:** A couple years ago we created a bill rate calculator in Excel for all our territory managers. Once they plug in the correct workers comp rate they can come up with the bill rate. Our minimum threshold for gross profit is \$2.00 per hour and it includes all the fixed costs and overhead. We did it because we've been burned in the past.
- **Mark:** It's so easy to get burned, and the first place you get hit is the net profit line. From an overhead perspective, your internal staff are probably putting in more hours to find workers now than they were last year. You've had to add workers or reallocate priorities. It's an opportunity cost if nothing else. If your recruiters are putting in 20% more hours, you should be charging for that.

Pricing your Value: Avoid, Maintain or Grow?

- **Mark:** We've talked about value proposition a lot in former calls. There are three things we help clients do – avoid something, maintain their business, or grow. Which of these categories do you think is most valuable? It's grow. This ties back to Ideal Customer Profile. If you're helping customers grow, that's a high-margin place to be. There's more money to share. If you're helping them avoid something, it's high margin but short-term. As soon as their pain is fixed, they'll want a discount. If you're helping them maintain continuity, that's sustainable but it's least profitable. Businesses want lowest possible margins to maintain the status quo.

Look at the customers you're serving today and the prospects in your pipeline, especially right now when you can't service everyone. Are you helping them grow, avoid or maintain? You're best off pursuing companies that are in growth mode as opposed to maintain. Avoid is good but it's short-term. If you're helping businesses maintain, but you can point to higher productivity, higher retention, that's an opportunity to adjust pricing.

Pricing Model: "Two out of three ain't bad."

- **Mark:** In staffing we're unique because we have elasticity in pricing, services, and workers we provide. None of these 3 are the same for any client. They all vary. They might want high touch services, or quick turnaround, or highly vetted or higher-skilled

workers, for example. There's a whole range of what we can provide. During the sales process we have to have conversations to find out what's most important to them. We can only provide 2 at any one time.

- Customers that want best quality or highly-vetted worker but lowest price will get workers when they get them. It might take us weeks to fill that order, and on the service side the workers will probably turn over fast because if they're the best quality workers, they're in high demand.
- Customers that want best quality services, meaning we're super responsive, and lowest price, will get whoever's available that meets the criteria. The spectrum of workers is off the table.
- If the customer wants high quality service and workers, we get to set the price.

What's your reaction to this model?

- **Suzy:** I agree with what you're saying. Unfortunately, we have so many competitors out there that are going to say the opposite in front of the customer. We tend to walk away and wait and keep in touch. Typically if they try to do all three, they fail after a while. Then we can swoop in and get the business back.
- **Mark:** I agree. This model is a good basis for a conversation with customers. ***I share this spectrum with companies and ask them, where do you fall? Which two are most important?*** You'd be surprised at their reactions to having to make a choice. To your point, most competitors are overpromising all three. When you lay it out to customers that staffing can't commit to more than two, that's a competitive differentiator right there. You might have to wait, but this level of analysis has got me invited back. Sometimes the customer or prospect will share this model to challenge the incumbent provider or use this to have conversations with competitors about service levels.
- **Clarence:** I'm in a situation like this with an existing customer. They're looking for top-notch HR workers but the positions are temporary for three months. I'm trying to educate the client that the top notch people are employed, and not looking for a contract position. I've presented three candidates that aren't employed and the customer's not interested in any of them despite the skills. I don't know if I'm moving the needle, but I think they're starting to see that this will take longer unless they cut back on what they expect.
- **Mark:** I'm in the same boat. We place CRM Administrators and they're in high demand. For a month-long position, the bill rate is so much higher than the usual market rate would be. We say we can get you a person, but it's going to come at a much higher rate because it's a temporary role. Then if they say no, you may have saved yourself a bunch of time.
- **Tom G:** I agree with this pricing model. In this market, when you talk about workers, you don't hear about staffing firms that have a worker pool. In this room, we have a worker pool. It takes work to get them up to where they need to be, but we have it and that brings potential clients in.
- **Mark:** And the reason you have that worker pool is because of all the work you do on the service side of the triangle. You put in extraordinary effort to vet workers, to recruit from alternative sources, to provide wraparound services, to keep workers engaged. ***The amount of work you do is unbelievable, and you need to get paid for it.*** That's the justification for charging 15% above what any other staffing company does.

- **Sasha:** Also on the worker side of the triangle, ***there's momentum around employer commitment to diversity, equity and inclusion practices, and we have an opportunity to build that into our pitch.*** “By working with us, you are living up to those public commitments because we can deliver a diversified talent pool.”
- **Mark:** That's a fantastic point. That's another strength that you all provide. This triangle will help your pricing conversations. Bring this to your team. Figure out what you want your pricing strategy to be. Talk to your existing customers and ask them why they use you. I'm certain it's going to be these 2 categories – service and workers. Do that same exercise with your salespeople and ask them why they think customers use you. It will likely be workers and price. That tells me ***we have a pre-sale internal bias that pricing will be an issue before we ever talk to the prospect. We need to scrub this and focus on the conversation about service and workers.***
- **Jim:** I agree, and it been interesting to see the willingness of our customers to increase their pay rates this past year to compete with Amazon. It's been phenomenal. It tells me we've been worried about price and in the client's mind they're willing to go up, \$2, \$3, \$4 bucks an hour.

Timing of Pricing Conversations

- ***Pre-sale is the best time to have the pricing conversation.*** Start high, you can always back down. I typically offer a range. The top end is shocking to them by design. Then narrow the range by asking how we're going to impact the business. Do thorough discovery, and make sure the client's expectations about service delivery match what we're willing to do.
- ***If a customer brings extra expectations to the table, boost your rate.***
- After you do ***a business account review or annual review is another great time to revisit pricing,*** especially if you're helping them grow. ***You have to brag about the work you and your teams put in.*** It blows my mind how little clients know about the level of work and engagement you put into their accounts. The more you brag, the better they'll understand what you do on their behalf. That becomes part of your service commitment, and you can charge more for it. We miss that mark a lot. What you do is second to none in the staffing industry.
- ***Any compelling market event is an opportunity to discuss increased pricing.*** In the past year, there have been no fewer than 3 compelling market events – COVID, the labor shortage, and the increase in job board costs – these should all be pass-through costs that staffing companies are absorbing.
- Pricing conversations can be intimidating. I always say “be easy on the people, tough on the issue.” ***When you negotiate you want to partner. It's not adversarial, it's about “what is fair compensation for what we're doing?”***

Post-pandemic Pricing

- **Mark:** Pricing is going up across the country. It's too much effort to push pricing up by a nickel or a quarter or fifty cents or 2 margin points. I suggest, if you're not shocking people with your initial pricing, and working down from there, you're not shooting high enough. Pricing is going up everywhere else and it's time to leapfrog. Don't get left behind.

Updates:

- **Yvette Hernandez, Achieve Staffing:** Soft launch last November, hard launch planned for October 1, working toward putting ATS system and other processes in place.
- **Suzy Murphy, Action Associates:** Our staffing business focuses on serving light manufacturing clients, light industrial to professional positions. In addition, our parent Work Skills Corporation offers production services that create employment opportunities, and we manage residential homes and operate a home health company.
- **Bruce Grant & Ally Thornton, Beyond Talent:** We've added 1 or 2 contracts since last month, staffed 1 or 2 more people. We've been ramping up our recruiting to find candidates to support our business partners.
- **Ayron Reeves, Blue Jacket:** Our push from Board is to reach 100% employment of graduates of our Career Academy. We're typically 85% placement rate. Besides the staffing business, we operate a professional clothing store and we offer commercial cleaning services. We're expanding the cleaning service business to offer jobs to people who may need supervision before placement through staffing.
- **Sasha Ongtengco, Cara Connects:** I will be transitioning out of Cara after 10-and-a-half years to pursue some project-based systems change and systems alignment work. It's been valuable to be part of such a supportive, innovative, trailblazing group. You'll see a new person from Cara, and I'm still happy to participate as an individual. One initiative I'll be working on is an effort to address the acute local shortage of transitional housing case managers. Through a lens of inclusive employment, we want to build talent pool by targeting customer-facing workers in other industries like health care or hospitality, lift up their lived experience and persuade housing program stakeholders to relax their education requirements. We'll be piloting project to build a pool of nontraditional case manager candidates – people who've gone through transitional housing system themselves, with a high school diploma – and train them up front about de-escalation, harm reduction, a lot of the Adverse Childhood Experiences (ACEs) curriculum and trauma-informed care, which we believe drives success. Also, Cara has received federal funding to create Community Health Worker positions across the city.
- **Venois Peebles, Community Staffing Solutions:** We had two temps convert to permanent employees with a local company and we're starting to get candidate referrals from that company, to employ on a 90-day temp-to-hire basis and access supportive services to set them up for success. The word is spreading and our business developer is getting a lot of client meetings and more temp job orders.

- **Tom Grant, Concordance Employment Agency:** We're in the process of offering full healthcare insurance to participants, partnering with Centene Corporation, a Medicaid managed care organization here in St. Louis. They're an investor in Concordance and helped us put the plan together.
- **Vicki Comegys:** I'm a Contract Business Advisor to United Way of Central Iowa, working with Pat Steele, formerly at Central Iowa Works, to pursue a staffing enterprise in this market.
- **Kevin Vandebosch, Embers Staffing Solutions:** Business is pretty steady, construction is picking up. The fires are about 3 hours east of here and we've only had to deal with smoke a few days, when the wind comes from the east. Weather and temperatures have been very hot. We've been making sure our workers are fully hydrated and taking extra breaks. When it's too hot to work, the sites are shut down. General labor gets treated tough sometimes, and we've had to step in a few times to ensure extra breaks.
- **Brian White, First Step Staffing:** We're in the same boat as others. We have some great jobs, just trying to be creative on recruiting and get the word out to candidates about our training and supportive services. We're working to change people's mindset.
- **Michael Estrada, GSG Talent Solutions:** I'm the Director of Operations at GSG; Keith Sommer has been promoted to Vice President Business Solutions.
- **Jim Fuller & Clarence Scott, GoodWork Staffing:** We have some new business that came in, but we're still struggling to fill those orders. We're sitting on 200 open orders right now and that's been consistent the last 6 months. People are starting to stay on the job longer.
- **Suzanne Warsaw, Harmon Personnel:** We're finally looking to update our staffing software. Like Bruce, we're getting more clients, and our biggest problem is still trying to find candidates. One of our biggest customers has raised their pay rate and shortened their shifts to 8 hours which helps. We've streamlined our online recruiting and onboarding process, so we're making progress there.
- **Joan Nassef, Kennedy Center:** We're getting set to launch into staffing. We've developed relationships with some of the businesses to place individuals there, but their preference is to outsource their repair work or manufacturing completely. So we have an enterprise where we hire people to perform contract work.
- **Christine Rylko & Lee Humason, Uplift Northwest:** Washington state, city of Seattle and King County have mandated that employees and [on-site] contractors have to be fully vaccinated. We're trying to figure out what that means for us as subcontractors.
- **Mickey Wiles, Working Fields:** We just posted a position for a new account manager in Manchester, New Hampshire, our first venture outside Vermont.
- **Willie Davis, Right Time:** We're a Supplier Partner and offer a process that provides a candidate's dynamic information to help members employ hard-to-employ. We just finished a pilot with a call center in Texas and New Mexico. We're in the early planning stages of helping a city government in Ohio solve their homeless problem by assessing an individual's work readiness and prioritize services they need. It's a triage type approach.