

Title:

IT Consulting: Considering the Hidden Costs of a Start-Up

Word Count:

344

Summary:

IT Consulting professionals need to consider the utilization rate at start up. You need to factor in the fact that you won't be billing at 40 hours a week when starting IT consulting.

Keywords:

IT consulting, IT-consulting

Article Body:

In IT consulting, what does a \$75 an hour consulting business equate to in the long run? What happens if your rate structure extends beyond that?

If you keep carrying something like a \$75 or \$85 level beyond the grand opening special to get your first couple of clients, your business will become more of a hobby or non profit-type organization.

Consider Overhead and Expenses

You say, "How can that be? Why doesn't \$75 an hour equate to \$150,000 a year?" Wrong, \$75 an hour in running your own IT consulting business doesn't come out to \$150,000 a year because you can't bill 2,000 hours a year.

New consultants often fail to consider all the overhead and expenses that usually come up as an IT consulting business matures. The uninformed person just starting out usually believes that \$75 an hour times 40 hours a week times 50 weeks a year is \$150,000 a year in IT consulting revenue because they think they're going to bill 40 hours a week every week.

Know There Will Be Inconsistencies

It's not going to happen unless you're working 100 hours a week, and it's probably still not going to happen every week consistently, for many reasons. Starting an IT consulting business sounds great on the surface. You're thinking, "I'm going to work from home. I'm going to keep my overhead as low as possible."

Consider Your Utilization Rate

You need to consider what's called your utilization rate. It's the reality of only being able to bill out, on average, about 75% of the 40 given hours in a week. It still can take you six months to a year to even get to that level consistently.

The Bottom Line about IT Consulting

Finally, one of the most important things new IT consulting businesses overlook is the question of what happens as your business grows and you want to scale up? In setting your rates, you need to consider these factors.

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