

PRICING ACCOUNTING SERVICES IN A MICRO ENTERPRISE

Case: Accounting Entrepreneurship in the Northern
Ostrobothnia Region

Soili Hilli

Bachelor's Thesis
January 2011

Degree Programme in International Business
School of Business and Service Management



JYVÄSKYLÄN AMMATTIKORKEAKOULU
JAMK UNIVERSITY OF APPLIED SCIENCES



Author(s) HILLI, Soili	Type of publication Bachelor's Thesis	Date 03012011
	Pages 43	Language English
	Confidential () Until	Permission for web publication (X)
Title PRICING ACCOUNTING SERVICES IN A MICRO ENTERPRISE Case: Accounting Entrepreneurship in the Northern Ostrobothnia Region		
Degree Programme Degree Programme in International Business		
Tutor(s) NEUVONEN, Heidi SIITONEN, Tiina		
Assigned by Tilitoimisto R.Hilli Ky		
Abstract <p>The objective of this research is to determine how the micro enterprises in the field of accounting price their services and whether or not the accounting service providers find the pricing of their services difficult. The research was conducted in co-operation with Tilitoimisto R.Hilli Ky.</p> <p>The aim of this research was to give both the companies operating in the field of accounting and the customers an idea about the differences and similarities in pricing an accounting service. In addition, the challenges in pricing a service were studied and suggestions for improving the pricing services were given.</p> <p>The theoretical part of the research consisted of introducing the different methods of pricing and describing the current state of entrepreneurship and micro enterprises in Finland. The research method chosen was qualitative and the data was collected in the form of theme interviews from eight accounting service providers, who operated in the Northern Ostrobothnia region. The purpose of the interviews was to find patterns and differences in the pricing of accounting services and to point out any difficulties in pricing the services. The future of accounting entrepreneurship in the rural areas was discussed in the research material.</p> <p>The results showed that there were differences in the pricing methods of the accounting service providers, which operated in the same region offering the same service. The results showed that some of the accounting entrepreneurs found the pricing of their services challenging. Furthermore, the research showed that the business growth of the accounting service providers in the rural areas might decrease in the future because of the aging population and decreasing agricultural production.</p>		
Keywords Accounting, entrepreneurship, micro enterprises, pricing accounting services		
Miscellaneous		



Tekijä(t) HILLI, Soili	Julkaisun laji Opinnäytetyö	Päivämäärä 03.01.2011
	Sivumäärä 43	Julkaisun kieli Englanti
	Luottamuksellisuus () saakka	Verkojulkaisulupa myönnetty (X)
Työn nimi TILITOIMISTOYRITTÄJIEN HINNOITTELUPERUSTEET TUOTETUILLE PALVELUILLE Case: Kirjanpitoyritys Pohjois-Pohjanmaalla		
Koulutusohjelma Degree Programme in International Business		
Työn ohjaaja(t) NEUVONEN, Heidi SIITONEN, Tiina		
Toimeksiantaja(t) Tiltoimisto R.Hilli Ky		
Tiivistelmä <p>Opinnäytetyön tarkoituksena on selvittää, miten tilitoimistoyrittäjien hinnoitteluperusteet tuotetuille palveluille on määritelty ja kokevatko tilitoimistoyrittäjät palveluidensa hinnoittelun haasteellisena. Tutkimus toteutettiin yhteistyössä Tiltoimisto R.Hilli Ky:n kanssa.</p> <p>Tutkimuksen tarkoitus oli antaa sekä itse yrityksille että tilitoimistojen asiakkaille selvitys siitä kuinka eri tilitoimistot hinnoittelevat palvelunsa. Lisäksi tutkimuksessa haluttiin selvittää mahdollisia haasteita tuotteiden hinnoittelussa ja antaa ideoita palveluiden hinnoittelun kehittämiseksi, jotta yrityksestä tulisi mahdollisimman kannattava.</p> <p>Tutkimuksen teoriaosuus koostuu katsauksesta palveluiden ja tuotteiden hinnoittelun perusteisiin sekä mikroyrittäjyydestä Suomessa. Tutkimusote oli kvalitatiivinen ja tutkimusmenetelmä oli tapaustutkimus. Tutkimusaineisto kerättiin kahdeksalta Pohjois-Pohjanmaan pientilitoimistoyrittäjältä puolistrukturoiduilla haastatteluilla. Haastattelujen tarkoituksena oli tutkia ja vertailla tilitoimistoyrittäjien hinnoitteluperusteita sekä tuoda esille palveluiden hinnoittelun haasteita. Tutkimuksen yhteydessä käytiin läpi tilitoimistoyrittäjyyden tulevaisuutta maaseudulla.</p> <p>Tutkimuksen tulokset osoittivat, että tilitoimistoyrittäjien hinnoitteluperusteissa on eroavaisuuksia, vaikka kyseessä on samalla seudulla, samaa palvelua tarjoavat yritykset. Lisäksi tutkimuksen tulokset osoittivat, että osa tilitoimistoyrittäjistä kokee palveluidensa hinnoittelun haasteellisena. Tutkimuksen perusteella selvisi myös, että tilitoimistoyrittäjyyden tulevaisuus maaseudulla saattaa heikentyä väestön ikääntyessä ja maataloustuotannon taantuessa.</p>		
Avainsanat (asiasanat) Kirjanpito, kirjanpito palvelujen hinnoittelu, mikroyrittäjyys, yrittäjyys		
Muut tiedot		

CONTENTS

1	INTRODUCTION	3
2	OBJECTIVE OF THE RESEARCH	4
2.1	Research Problem	4
2.2	Research Questions.....	4
3	METHOD AND APPROACH	5
4	ENTREPRENEURSHIP IN FINLAND	7
4.1	Definition of Micro, Small and Medium-sized Enterprises	7
4.2	Importance of Entrepreneurship	8
4.3	Entrepreneurship by Regions	10
4.3.1	Rural Entrepreneurship	10
5	PRICING SERVICES	12
5.1	Factors Affecting Pricing	13
5.1.1	Internal Factors	13
5.1.2	External Factors	14
5.2	Pricing Approaches.....	15
5.2.1	Cost-based Pricing	16
5.2.2	Value-based Pricing	17
5.3	Price-adjustments.....	18
5.4	Changing Prices.....	19
6	IMPLEMENTATION OF THE RESEARCH	20
6.1	Theme Interview as a Data Collection Method.....	21
6.2	Structure of the Interview	22
6.3	Analyzing the Data	24

6.4	Research Ethics	25
7	RESULTS	25
7.1	Accounting Services in the Rural Area.....	26
7.2	Pricing Services	27
7.3	Challenges in Pricing	29
7.4	Marketing	30
7.5	Competition and Plans for Future.....	30
8	CONCLUSIONS.....	31
8.1	Discussion and Suggestions	34
	REFERENCES.....	35
	APPENDICES.....	37
	Appendix 1. Themes of the Interview	37
	Appendix 2. Data Categorization.....	39
	FIGURES	
	FIGURE 1. The Enterprises in Finland.....	9
	FIGURE 2. Rural areas in Finland.....	11
	FIGURE 3. The Strategy and Tactics of Pricing.	16

1 INTRODUCTION

The starting point for this thesis was to determine how the entrepreneurs of micro enterprises in the field of accounting price their services and whether or not the accounting service providers find the pricing of their services difficult or challenging. The main goal was to find answers to the research questions concerning pricing an accounting service and to identify differences and similarities in the pricing methods among self-employed accounting service providers. The author wanted to define possible obstacles that there might be in pricing an accounting service and to find possible solutions on how to overcome these obstacles. Furthermore, the future of accounting entrepreneurship in the rural region was discussed in the research results.

The field of accounting and entrepreneurship was interesting to the author as she comes from an entrepreneurial family and has previously worked in a small accounting firm in the Northern Ostrobothnia region. Thus, the subject was of keen interest to the author. Furthermore, the pricing of accounting services seemed fascinating as the author wanted to study what factors have to be considered in pricing a service.

The empirical part of this research was conducted by interviewing eight self-employed accountants who came from the rural region of Northern Ostrobothnia situated in the western Finland. The companies that were selected as participants for this research were so called micro enterprises operating in the field of accounting. The micro enterprises consisted of the entrepreneur or the entrepreneur and his/her spouse and less than ten employees. All of the interviewees were the entrepreneurs of these enterprises. In this research the author uses the term accounting service provider to describe the micro enterprise that operates in the field of accounting.

This thesis was done in co-operation with Tilitoimisto R.Hilli Ky, a micro enterprise that operates in the field of accounting in the Northern Ostrobothnia region. The purpose of this research is to provide an overview of the pricing methods used by small accounting companies and to further study patterns and differences in the pricing methods of account services enabling companies to further develop their own pricing methods.

2 OBJECTIVE OF THE RESEARCH

2.1 Research Problem

The main objective of the research was to discover how micro enterprises in the field of accounting price their services and what factors are taken into account in creating a pricing structure for accounting services in a micro enterprise. In addition, this research aims to reflect the situation of micro enterprises and entrepreneurship in Finland today in order to make an analysis about the future of accounting entrepreneurship in the rural region.

The participants in this research are self-employed entrepreneurs, who have established small accounting companies operating in the rural areas of Finland. The research is conducted in co-operation with Tilitoimisto R. Hilli Ky, an accounting company operating in a rural town, Alavieska.

2.2 Research Questions

The main research question was:

- How do the micro enterprises in the field of accounting price their services?

The answer to the main research question shall provide a holistic view of how the pricing of accounting services is structured in general. Furthermore, the outcome of the research shall identify both similarities and differences in the pricing methods of micro enterprises offering accounting services.

The sub questions for the research were:

- What are the characteristics of an accounting service provider in a rural area?
- What differences and similarities can be found in the pricing practices among the accounting service providers in the rural region?
- What obstacles are there in pricing an accounting service and how to overcome these obstacles?
- What is the future for accounting entrepreneurship especially for a micro enterprise operating in the rural region?

3 METHOD AND APPROACH

The qualitative research method was chosen for this study as the purpose supports the non-numeric gathering of information. According to Blaxter, Hughes and Tight (2006, 64) the focus, in qualitative research, is on investigating in detail small numbers of instances that are interesting and aim to achieve in-depth information about the research problem. As the author's aim was to analyze and interpret the characteristics that affect pricing a service that includes various tasks and multiple levels of difficulty, the qualitative research method can provide profound knowledge of this complex subject.

The case study was chosen as the approach of the research because the results were expected to provide detailed knowledge about the pricing practices among the accounting service providers. In conducting the research, the author tried to interpret whether there is a common theory in the field of accounting on how to price the accounting services. The research aimed to be descriptive in trying to uncover the similarities and differences in the pricing structures between the micro enterprises, offering the same services for relatively similar customers.

The study brings detailed knowledge about a case or a small number of cases. It may involve a variety of data collection methods such as interviews, observation and questionnaires. (Hollins Philip – Harper Adams University College, 2007).

The empirical part of the research was executed via interviews. Interviewing was chosen as the data collection method as it allows in-depth insight in the research problem.

The interview method involves questioning or discussing issues with people. It can be a very useful technique for collecting data which would likely not be accessible using techniques such as observation or questionnaires. (Baxter, Hughes and Tight 2006, 172)

According to Blaxter, Hughes and Tight (2006) interviews may take place face-to-face or at a distance e.g. via telephone or by email. The interview may be tightly structured with questions requiring specific answers or it may take the form of a discussion. Semi-structured interviews partially include both of these options. Interviews may only involve the researcher and the interviewee or they may be conducted in focus groups (involving more than one subject or interviewer). The interview should be recorded either by taping or by taking notes during and after the interview. Recording may make the respondents restless and less likely to be willing to reveal confidential information. However, note-taking gives an instant record of the key points of the interview. By taking notes one does not need to worry about sorting, categorizing and analysing the data collected as stated by Blaxter, Hughes and Tight (2006). Note-taking has also its downsides as the pen to paper approach by the researcher may distract the interviewee to think they have to say something significant. When an interview is carried out, attention must be paid to how to ask potentially sensitive questions. (Blaxter, Hughes and Tight 2006, 172-173)

Using note-taking for recording the data has weaknesses. By note-taking the researcher will not get a complete verbal record of what was said in the interview as taking notes is a complex process in itself. The researcher has to simultaneously write down what was discussed with the interviewee and be an active participant in the discussion. Thus, the reliability of the research might suffer as crucial information might not be recorded. The weaknesses can be addressed by not leaving the note-taking and recording the data until after the interview or by practising taking notes and interacting at the same time (e.g. this is mostly practiced during post-secondary education). (Blaxter, Hughes and Tight 2006, 175)

4 ENTREPRENEURSHIP IN FINLAND

“Entrepreneurship is an individual's creative capacity, independently or within an organisation, to identify an opportunity and to pursue it in order to produce new value or economic success.”

Commission of the European Communities 2003

The Commission of the European Communities defines in its Green Paper - Entrepreneurship in Europe (2003) that entrepreneurship is about people, their choices and actions in running a business. The commission states that entrepreneurs are a heterogeneous group but there lies certain common characteristics in entrepreneurial behavior such as readiness to take risk, hunger for independence and self-realization. A study conducted by the Statistics United Kingdom found that individuals with entrepreneurial desire regard themselves as somewhat more imaginative and creative than others (The British Household Survey 2002).

Statistics Finland uses the term self-employed for an entrepreneur. According to the Statistics Finland, the term self-employed can be used of persons, who are engaged in economic activities on their own account and at their own risk. “Self-employed can be self-employed with employees or without employees, such as own-account workers or freelancers. A person acting in a limited company, who alone or together with his/her family owns at least one half of the company, is counted as self-employed.”(Statistics Finland 2007.)

4.1 Definition of Micro, Small and Medium-sized Enterprises

According to the European Union's official website on European legislation micro, small and medium-sized enterprises are defined according to their staff headcount and turnover or annual balance-sheet total. This new definition thus strengthens the efficiency of the European Community programs and policies designed for small and medium-sized enterprises (SMEs) and the concept of the micro enterprise. The aim of the definition is to ensure that enterprises whose economic power exceeds that of an

SME do not benefit from the support mechanisms specifically intended for SMEs. The Definition of micro, small and medium-sized enterprises according to the European Union are:

A medium-sized enterprise is defined as an enterprise which employs fewer than 250 persons and whose annual turnover does not exceed EUR 50 million or whose annual balance-sheet total does not exceed EUR 43 million. (Definition of micro, small and medium-sized enterprises 2007).

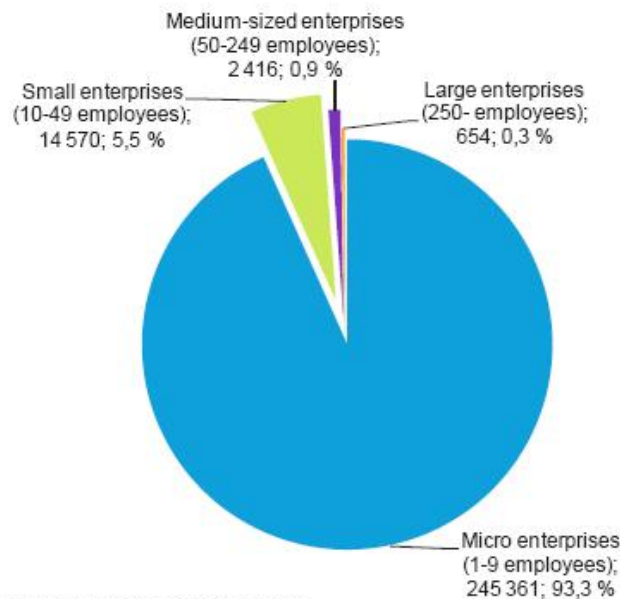
A small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million. (Definition of micro, small and medium-sized enterprises 2007).

A micro enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million. (Definition of micro, small and medium-sized enterprises 2007).

4.2 Importance of Entrepreneurship

Looking at the facts and figures from the graph below, it is obvious that entrepreneurship is the cornerstone of the economy in Finland. Out of the total number of 320,952 enterprises a little over ninety per cent (93, 3%) where micro enterprises, which employ almost half (46, 64%) of all personnel (the total amount of 1,502,213 persons). (Business Register of Statistics Finland 2009.)

Enterprises in Finland



Source: Statistics Finland, Business Register 2008

Total 320 952 enterprises.

Total 263 001 without Agriculture, Forestry and Fishing (in diagram).

FIGURE 1. The Enterprises in Finland. The website of Statistics Finland, Business Register (2008)

In an article about small business owners in Finland published in 34/2004 in the University of Helsinki news letter, researcher Kari Vesala underlines that entrepreneurship is a lot more than just the economical aspects suggests. According to Vesala, especially in the rural region the owners of small businesses have an important task in maintaining and strengthening the community and its livelihood. Vesala stresses that an entrepreneur of a small business should not be seen as forced to employ herself/himself but as an important regional service provider with a strong entrepreneurial identity. (Small Business Entrepreneur 2004).

The European Commission's Green Paper about entrepreneurship in Europe supports Vesala's ideas. The Commission sees that entrepreneurship can also contribute to the social unification of a community for regions whose development is lagging behind. Furthermore, entrepreneurship helps to foster economic cohesion in these regions by stimulating the regions' economic activity via job creation. (Commission of the European Communities. 2003, 6-7)

In relative terms, the Federation of Finnish Enterprises notes that the proportion of entrepreneurs and the number of people who plan to start a business in Finland is below the EU and OECD average. This is contradicting as many surveys show entrepreneurship is held in high regard in Finland but the actual number of people who take on the challenge of being an entrepreneur is below the EU average. (Entrepreneurs in Finland 2008)

4.3 Entrepreneurship by Regions

Hannu Piekkola (PhD in Social Sciences) notes that economical growth lies more on know-how and research than before. Because competence is based on education, it is evident that the larger cities have an advantage in attracting skilled workforce. According to the study about the most competitive regions in Finland the ten on the top of the list where: Helsinki, Tampere, Oulu, Vaasa, Turku, Jyväskylä, Porvoo, Varkaus, Turunmaa and Salo. In the study the competitiveness was measured by the level of education, professional capital and profitability of enterprises. Piekkola states that the growth of turnover in 2003 and 2004 was the fastest in Turku, the Helsinki region and in a couple of small cities such as Kaustinen and Loimaa. Furthermore, it was said in the news letter that Salo and Oulu were on the top of the charts in competitiveness. (Piekkola, Hannu 2006)

Finland can be divided into a couple of regions, which each have their own strengths. In the west (Pohjanmaa and Oulu region) the level of innovativeness is high. The level of education is not necessarily high but there can be found the most peculiar enterprises. Nevertheless, the aging population is the downside for business growth in the more rural regions in Finland. The livelihood of the rural regions largely depends on having an entrepreneurship program when the farming industry decreases. (Piekkola, Hannu 2006)

4.3.1 Rural Entrepreneurship

In Finland, the Rural Development Program for Entrepreneurship 2020 is an activity program planned to be implemented between the years 2010 and 2012. The program presents concrete measures for the development of rural entrepreneurship. The objec-

tive is to create visions of growth areas and identify the operational environment for entrepreneurs in rural areas. (Rural Development Program for Entrepreneurship 2010)

The map below shows the rural areas in Finland (light and dark green regions). The dark green areas indicate the more densely populated rural regions and the light green areas the sparsely populated regions. According to Statistics Finland, there are 179 towns in the densely populated rural areas and 129 towns in the sparsely populated areas. The light red areas on the map indicate the rural regions neighbouring a city and the red areas indicate cities (growth areas). (Rural areas in Finland 2005)

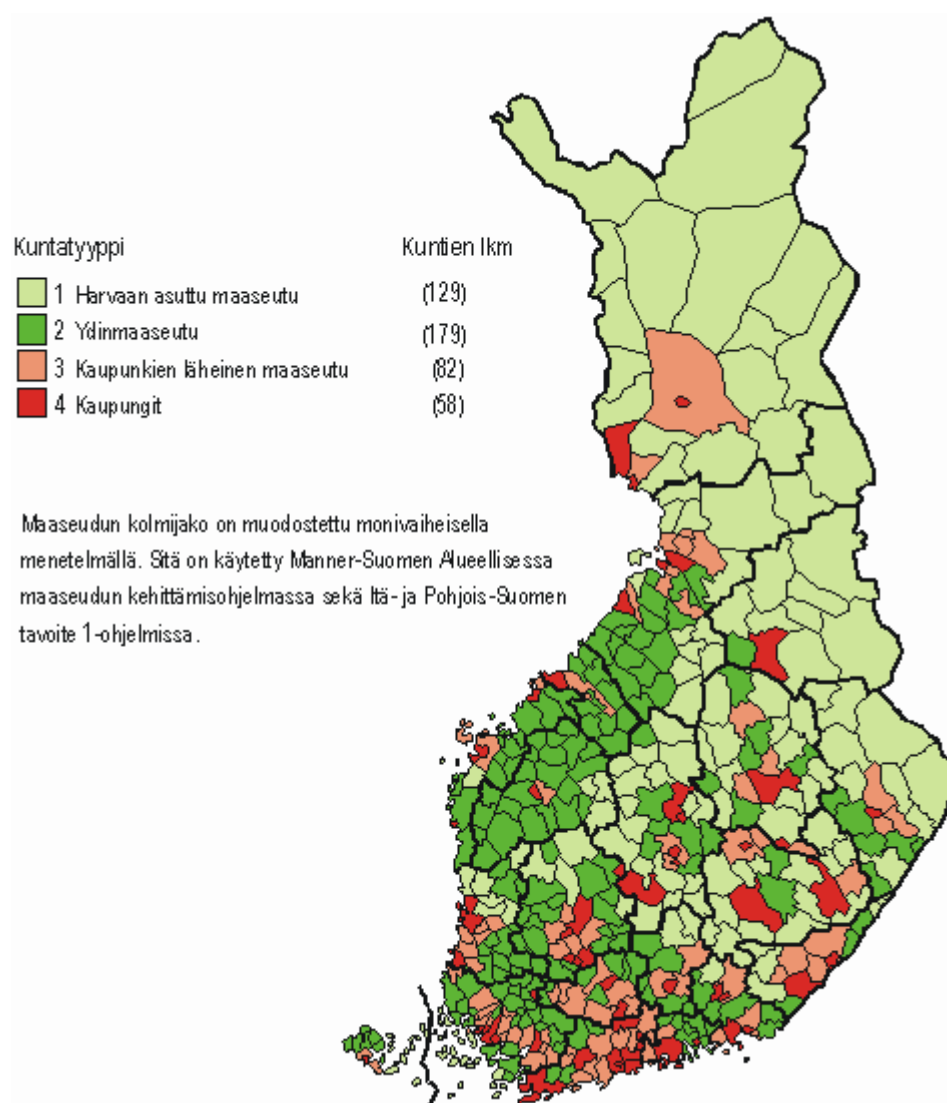


FIGURE 2. Rural areas in Finland 2005.

The rural areas of Southern and Western Finland have the best qualifications for business growth and development as they provide relatively good surroundings for living.

The residents are able to work in the neighboring cities and growth regions and the “countryside” attracts families. The increase in families wanting to move to the rural areas helps the community in broadening their service offerings and creates investments for developing the region. The more densely populated rural areas have a strong agricultural background and the Rural Development Program for Entrepreneurship sees that it will continue as such also in the future. (Rural areas in Finland 2005)

5 PRICING SERVICES

Today, companies face a fierce and rapidly changing pricing environment. The recent economic difficulty has put companies in a difficult situation as they have little or no pricing power. Reducing prices can lead to loss of profits, which is not the best response. Most customers are willing to pay a fair price in exchange of real value. Another problem for companies is that they might settle a price that is too cost-oriented. It is advisable to revise pricing often enough to reflect market changes and to charge different prices depending on the product, service, individual customer or market segments. The challenge for enterprises and entrepreneurs is to find a price that will let the company make profit without forgetting to offer value to the customer. (Kotler, P. et al. 2005, 664)

According to an article on how to price services written by Elizabeth Wasserman, pricing services is more difficult than pricing products because you can often pinpoint the cost of making a product but calculating the worth of the staff’s expertise and the value of the time consumption is more difficult. Nevertheless, one can use some of the same underlying pricing guidelines to figure out the costs and operating expenses plus the target profit in setting the price for services. (How to Price Services, 2009)

All products and services have a price but pricing in itself is controversial. It is “the sum of all the values the consumers exchange for their benefits of having or using the product or service.” (Kotler, P. et al. 2005, 665). Historically, prices were set through bargaining. Different prices for the same products and services were paid depending on the supply and demand but also on negotiation skills. Fixed-price policy is a relatively modern idea meeting the large-scale retailing demands. Now, the World Wide Web might take us back to dynamic pricing as the different social networks and wireless communications connect consumers and sellers easily and the online auctions

make the negotiations for pricing possible. All in all, not depending on what method is used, price is what produces revenue. (Kotler, P. et al. 2005, 665).

5.1 Factors Affecting Pricing

Pricing decisions are affected by internal and external environmental factors. Internal company factors include marketing objectives, marketing-mix strategy, costs and organisation (who within the organization set the price). External factors are e.g. competition, nature of the demand and market, government and economy. (Kotler, P. et al. 2005, 665).

The main difference between pricing a product and service is that your service or your time is your product. The entrepreneur must evaluate what the competition is charging for similar services in order to determine where his or her own services fit in. Can an entrepreneur offer the same service at a higher quality? This way the entrepreneur would probably be able to charge more. But if the competitors are offering more to the consumer than the entrepreneur is capable of, the prices may have to be set lower. (Pricing Products and Services, 2009)

5.1.1 Internal Factors

Carefully selected target market and positioning make pricing fairly straightforward. A company with clear objectives will find it easier to set the price. Survival, current profit maximization and market-share maximization are examples of the most common objectives. Survival is selected as a fundamental objective in companies that deal with a lot of capacity, heavy competition or changing consumer wants. Survival as an objective provides short term advantages (survival is more important than making profit). In the long run the company using survival as an objective should learn how to add value or it will face extinction. Current profit maximization is used by many companies as it brings current financial results rather than long-run performance. Current profit maximization includes estimating the demand and costs at different prices and choosing the price that produces maximum current profit, cash flow or return on investment. Market-share maximization as an objective demands setting the price as low

as possible in order to pursue a specific market-share gain. (Kotler, P. et al. 2005, 666-667).

Price decisions must be coordinated with the marketing-mix strategy (product design, promotion and distribution) as decisions made for the other marketing-mix variables may affect pricing decisions. Often companies make pricing decisions first and base the other marketing-mix decisions on the prices. Therefore, price is an important factor in product positioning as it defines the product's market, competition and design. (Kotler, P. et al. 2005, 668).

Costs "set the floor" for the price a company can charge. A company wants to cover all its costs for producing, selling and delivering a service. Costs are either fixed (e.g. rent, heat, salaries) or variable (costs that vary with the level of production). Total costs include both fixed and variable costs for any level of production. (Kotler, P. et al. 2005, 670-671).

Once the costs are determined the services need to be marked up to ensure a profit for the business, which is a delicate balance. An entrepreneur of course wants to achieve a desirable profit margin, but at the same time, particularly in a down economy, one wants to make sure not to get a reputation for overcharging the services. (How to Price Services, 2009)

5.1.2 External Factors

Pricing must take into account the competitive and legal environment in which the company operates.

Pricing Strategy 2002-2010.

The company must consider its pricing on the pricing decisions of competitors. From a competitive standpoint setting the price too low may risk a price war or on the other hand setting the price too high may attract a large number of competitors in order to have a share of the markets. Nevertheless, a company can not price its products at any level it chooses from a legal standpoint e.g. fixing prices at an agreed level with competitors is illegal in many countries. (Pricing Strategy 2002-2010.)

The freedom of pricing varies with different types of market. The four different types of a market are recognized by economists as pure competition, monopolistic competition, oligopolistic competition and pure monopoly. Pure competition consists of many buyers and sellers and no buyer or seller has much effect on the market price. In a pure competitive market product research, pricing, advertising and promotion play only a little (or no) role. Monopolistic competition is a market where many buyers and sellers trade over a range of prices. Oligopolistic competition consists of a few sellers whom are highly sensitive to each other's pricing strategies. In a pure monopoly, the market has only one seller whether a government monopoly or a private regulated or non-regulated monopoly. The government permits the company to set the pricing in order to create a fair return in a regulated monopoly but non-regulated monopolies can price at a level they choose and the market will bear (although charging full price is not always desirable because it can attract competition or create government regulations). (Kotler, P. et al. 2005, 673-674).

According to Kotler et. al. in the end, consumer perceptions and it's affect on buying behaviour must be considered when setting prices. Consumers do not only buy a product or service, they want to obtain something of value. It is the benefit of having a product or using a service that has been exchanged for a price. Thus, effective pricing involves understanding the consumer's perspective of the value (whether actual or perceived) they receive and setting the price accordingly. Also each price has a different level of demand which needs consideration.

In a normal market situation the higher the price the lower the demand and vice versa. If demand does not change by much when there is a small change in price, the demand is said to be inelastic (e.g. hard to find, unique products). If demand changes greatly, the demand is elastic (creates a need for differentiation of the offering). (Kotler, P. et al. 2005, 676).

5.2 Pricing Approaches

According to Kotler et. al. (2005) the pricing concept of a company should consider costs, consumer perceptions and competitors' prices. A general pricing approach includes one or more of the previous factors. On that note we can define two main

pricing approaches: the cost-based approach (cost-plus pricing, break-even analysis and target profit pricing) and the buyer-based approach (value pricing). The two above mentioned approaches are illustrated in the Figure 3. Cost pricing is product driven and the pricing is determined so that all costs are covered plus a target profit is set. In value-based pricing the company sets its target price based on perceived value of the product. (Kotler, P. et al. 2005, 680-684).

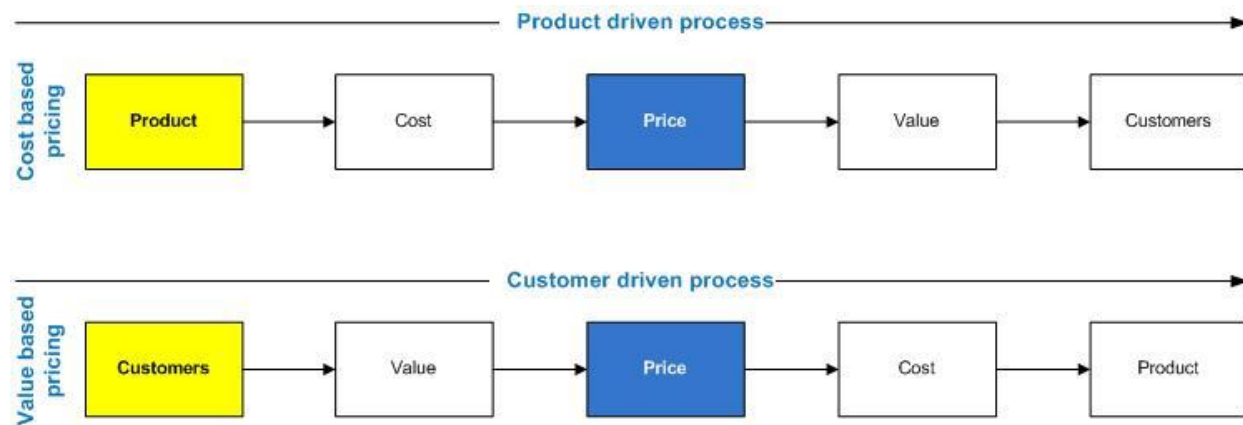


FIGURE 3. The Strategy and Tactics of Pricing. 3rd edn by Thomas T. Nagle and Reed K. Holden 2002, 4. Referred by Kotler et. al. 2005.

5.2.1 Cost-based Pricing

Out of cost-based pricing approaches the cost-plus pricing is the simplest method. Cost-plus pricing is calculated by adding a standard mark-up to the cost of the product. Professionals such as accountants and lawyers typically price their services by using the cost-plus pricing method. The disadvantage of using cost-plus pricing is that it ignores demand and competitors' prices, which may not lead to the best possible price. Mark-up pricing works only if it actually brings the expected level of sales. Mark-up price is calculated by dividing the unit costs with desired return on sales. Unit costs are calculated by dividing fixed costs with unit sales and adding variable costs. Despite the disadvantage, mark-up pricing remains popular because it's easier to define than demand and in an industry where all use it as a method the prices tend to be similar and competition is minimized. Also many feel that cost-pricing is fairer to both buyers and sellers. (Kotler, P. et al. 2005, 681-682).

Break-even analysis is another cost-oriented pricing approach. By using break-even analysis a company tries to determine the price at which it will make the target profit it seeks or to break even – point where total revenue covers total costs. This method is used by public utilities, which need a fair return on their investment. Break-even volume is calculated by dividing fixed costs by the sum of the price deducted by variable costs. If break-even pricing is used the company should consider different prices and estimate break-even volumes, demand and profits for each. (Kotler, P. et al. 2005, 682-683).

5.2.2 Value-based Pricing

Value-based pricing uses buyers' perceptions of value rather than cost as the key to pricing. Before the marketing programme is set price needs to be considered along with the other elements of the marketing-mix. Using value pricing a company must pay attention to what value buyers attach to different competitive offers, which can be difficult. Recently, many companies have adopted value pricing as they offer just the right combination of quality and good service at a fair price. This has involved the less expensive versions of brand-name products or in other cases brands have been redesigned to offer more quality for a given price or the same quality for less (e.g. IKEA). (Kotler, P. et al. 2005, 683-685).

In addition, a company has to determine whether to practice a fixed-price policy and charge all the customers the same amount or whether to institute variable pricing, in which bargaining and negotiation help set the price for each customer. Charging different prices to different customers can create a negative image for the company as people will talk about it. A business can not afford to lose its integrity and respect among customers. (How to Price Services, 2009)

The challenge in pricing in business-to-business marketing is to maintain the company's pricing power. Pricing power means maintaining or raising prices without losing market share. Many companies take on value-added services as a strategy to differentiate their offers aiming to support higher margins rather than cutting prices to match the price competition. (Kotler, P. et al. 2005, 685).

5.3 Price-adjustments

“Companies usually adjust their basic prices to account for various customer differences and changing situations.”

Kotler, P. et al. 2005, 693

There are seven price-adjustment strategies: discount and allowance pricing, segmented pricing, psychological pricing, promotional pricing, value pricing, geographical pricing and international pricing. Companies often adjust the basic price to reward customers for reasons related to early payment of bills (cash discount) or volume purchases (quantity discount). These adjustments are discounts and allowances, which can take many forms. Discounts are an incentive to the customer and it aims for them to buy more from one seller. A trade discount is a price reduction to trade channel members that perform functions such as selling or record keeping. (Kotler, P. et al. 2005, 693-694).

When the company sells a service at two or more prices even when the difference in prices is not based on difference in costs it is called segmented pricing. Segmented pricing has several forms such as customer-segment pricing where different customers pay different prices for the same service. Product-form pricing is used when different versions of a product are priced differently –not according to differences in costs. Location pricing includes pricing the service or a product differently in different locations. There can also be seasonal discounts offering off-season charges. This is called time pricing where prices can vary even by the hour. (Kotler, P. et al. 2005, 695-697).

Consumer may use price to judge quality. This is referred as psychological pricing where the pricing approach considers the psychology of prices. If consumers lack knowledge or skill in judging the quality of a product or a service, price becomes an important quality signal. Another aspect is reference prices where buyers form an opinion of the value when looking at a given product. The opinion might be based on noting the current or past prices or evaluating the buying situation as a whole. Sellers can influence or use the buyers reference prices when setting the price for a product or a service. (Kotler, P. et al. 2005, 697-698).

Reputation needs to be thought about when pricing a service. With good reputation, people will most likely be willing to pay more for the service since the perception is that they are getting more. If you have a reputation as e.g. someone who can take on big jobs at the last minute, perform high quality work, and deliver on schedule, you will be able to charge premium prices. (Pricing Products and Services, 2009)

By using promotional pricing companies will temporarily reduce the price below the list price to increase short-term revenue. Nevertheless, constantly reduced prices can have an affect on the brand's value or it may affect the customers buying behavior as they want to wait for the brand to go on sale before buying the product. Frequent promotional pricing can lead to price wars within an industry. This is not desirable as it usually benefits only one or a few companies with the most efficient operations. (Kotler, P. et al. 2005, 698-699).

Geographical pricing entails that pricing is based on where customers are located. Therefore, a company must decide how to price its products or services in various parts of the country or in the international markets. Geographical pricing includes taking into consideration the costs of logistics on the produced product to be delivered to the customer. In international pricing a company can set a uniform price to be used worldwide but most companies adjust their prices to reflect the local market conditions taking into account the costs. (Kotler, P. et al. 2005, 700-701).

5.4 Changing Prices

Many companies have been “forced” to raise prices in recent years but a successful price increase can greatly increase profits. One factor in price increases is cost inflation. Costs rise and the profit margins are smaller which leads to regular increases in prices. Over-demand also may result in a price increase as a company cannot supply all its customers' needs. The increase in price should be reported to the customer and the company should explain the reasons for the increase in price. Situations that affect on reducing the price are e.g. excess capacity, desire for market domination or the falling market share in a fierce price competition. Nevertheless, a company needs to consider the reactions of its competitors as well as its customers to the price changes. (Kotler, P. et al. 2005, 702-703).

In tough economic times, many businesses are concerned about keeping costs down and may agree to fixed-rate or flat-fee basis for pricing your services. As stated in the article *How to Price Services* (2009): "Customers want a fixed rate" but "Entrepreneurs want an hourly rate". The question is who bears the risk? In the case of charging a flat rate the entrepreneur bears it. The entrepreneur might end up losing money, if a project takes longer than expected to complete. (*How to Price Services*, 2009)

6 IMPLEMENTATION OF THE RESEARCH

The main objective of this research was to discover how the micro enterprises in the field of accounting price their services and what factors have an effect on creating a pricing structure for accounting services in a micro enterprise. The author started the data collection process by searching for secondary data through Internet publications, articles and previous studies about the current state of entrepreneurship and micro enterprises in Finland. The reason for discussing entrepreneurship in the theoretical part was the author's aim to firstly point out the similarities in characteristics that the entrepreneurs have according to previous studies. This provides background information for the first sub research question. Secondly, the author wanted to define the concept of micro enterprise and illustrate the differences between micro, small and medium-sized enterprises.

The secondary data about entrepreneurship brought insight on the state of entrepreneurship in Finland today and its level of importance to the immediate community the entrepreneur affects. The author wanted to then deepen the analysis into entrepreneurship in different regions, which provided the grounds for answering the sub research question about the future development of accounting entrepreneurship in the rural region. As it was important to reflect the state of entrepreneurship now and based on that analyse future developments of entrepreneurship in Finland, the Internet was the best data source for the study. Furthermore, the author searched literature available in the library about different pricing methods.

As there was not enough secondary data to answer all of the research questions, there was a need for collecting primary data. The primary data was collected by the author by conducting semi-structured theme interviews to micro enterprises operating in the field of accounting in rural areas of Finland.

6.1 Theme Interview as a Data Collection Method

Theme interview is a semi-structured interviewing method. Semi-structured theme interviews include a pre-determined view point on the studied subject and it is aimed at certain topics. The interviewees have experienced or are in a similar situation thus the theme interview studies subjective experiences. Theme interviews highlight the thoughts, feelings, knowledge and experiences of an individual. Theme interviews can either be qualitative or quantitative. (Hirsjärvi – Hurme 2000, 47–48.)

According to Blaxter et al. (2006), the unstructured interview can be described as naturalistic, autobiographical, in-depth, narrative or non-directive. The informal interview is modelled on the conversation, which is a social event between the participants. Conducting an interview is a social situation that is based on the conversation between two people who influence each other. The researcher studies the contents of the interviewee's speech. Therefore, the interviewee's answer always reflects also the presence of the researcher and his or her influence on the situation. (Hirsjärvi – Hurme 2000, 49–52.)

There are many kinds of interviews e.g. individual interviews, pair interviews or group interviews. Individual interviews are easier to render for an amateur interviewer and it is also the most commonly used method. (Hirsjärvi – Hurme 2000, 61.)

The chosen themes should be so broad that the true variety of the studied phenomenon is revealed. The researcher draws up discussion topics by themes for the interview. Detailed lists of questions should not be used. Based on the discussion topics the interview can lead to in-depth analysis about the research topics. The nature of theme interviews allows the interviewee to expand and elaborate the studied topics with his/her answers. (Hirsjärvi – Hurme 2000, 66–67)

The time and place for performing the interview are decided in advance. The interview can be conducted at the interviewee's home or at a public location. Nevertheless, the location for the interview is optimal when there are distractions as little as possible. (Hirsjärvi – Hurme 2000, 73–74, 89–91.)

A good interviewer knows the topic and the meaning of the interview and asks clear and not too complicated questions. The interviewer should observe verbal and non-verbal messages and also be aware of his or her own behaviour and its affect on the interviewee. The interviewer views the goals of the research seriously and is accountable. (Hirsjärvi – Hurme 2000, 68–69.)

Theme interview was used as a data collection method of this research because it studies subjective experiences from people who are in a similar situation. As the purpose of the research was to study micro enterprises, which offer accounting services the research material was collected from subjective experiences of entrepreneurs operating in the field of accounting. The author's aim was to find similarities and differences and make further analysis about the pricing structure of these service providers based on the interviews.

6.2 Structure of the Interview

The structure of the interview was designed by reflecting the research problem and thinking about the information that needed to be gathered from the interviewees. The themes of the interview were drafted in co-operation with Tilitoimisto R.Hilli Ky, an accounting service provider. Then the themes of the interview were compared to the research problem to determine the relevance in order to meet the needs of the author.

The selection of the interviewees was conducted in co-operation with Tilitoimisto R.Hilli Ky. The author used the Internet database Fonecta Profinder B2B as a tool in searching the desired sample of respondents. Fonecta Profinder B2B was used in sorting the accounting service providers in the Northern Ostrobothnia region by the amount of turnover (information from the year 2009). Based on the search on Fonecta Profinder the author selected four interviewees. In addition, four interviewees were randomly selected. The latter four were not listed in the search done on Fonecta Profinder's database. All of the eight interviewees were from the rural region of Northern Ostrobothnia.

A pilot study was conducted with one of the interviewees to find out if there should be any changes or improvements on the discussion topics and to estimate the length of

the interview. After the pilot study the final draft of the interview was prepared. (See Appendix 1.)

The author contacted the potential interviewees via telephone and the interviews were arranged according to the schedules of the interviewees. Face-to-face interviews would have been difficult and costly to arrange thus the interviews were conducted via telephone. The author took notes of the telephone interviews in order to keep record of the discussed topics for further analysis. According to Baxter et al. (2006) the interview should be recorded either by taping or by taking notes during and after the interview. As stated in the chapter 3 recording may make the respondents restless and less likely to be willing to reveal confidential information. Note-taking gives an instant record of the interview's key points. (Baxter, Hughes and Tight 2006, 173).

The interviews were conducted in Finnish because of the language barrier. Using English might have distorted the research results and possibly limited the amount of respondents as some of the interviewees might not have been able to communicate in English. Before the actual interviewing the author made a short introduction, in which the purpose of the study was explained and the initial trust was being built by assuring the confidentiality, explaining how the information was going to be used and by whom and promising a short description to be sent via email about the research results. This was done in order to motivate the interviewees to take part in the research.

The interview began with background questions that the interviewee would most likely find easy to answer. The goal was to create a relaxed atmosphere between the interviewee and the interviewer making it easier for the interviewer to move on to more difficult topics. The body of the interview consisted of discussion topics about accounting services in the rural area, pricing, marketing and competition. At the end of the interview the author asked for additional comments and possible corrections and thanked for the participation in the research. The contact information of the interviewees was gathered and the author agreed to send the results of the research to each interviewee along with her own contact information ensuring that the interviewees could also contact the author for further inquiries. After the interviews, the author wrote down additional information and practical details such as the length of the interview, a description about the interaction between the interviewer and the interviewee and if it varied when the discussion topic changed.

6.3 Analyzing the Data

As stated by Hirsjärvi and Hurme (2000), the gathered research material can be analysed word-for-word by transcribing or it can be analysed by coding it according to the themes. If transcribing is not necessary the material can be analysed by themes. Each interviewee's information can be saved as their own file by using computer software. Using a software allows the researcher to write the information in the correct order and the coding can be changed afterwards. (Hirsjärvi – Hurme 2000: 138-141.)

According to Hirsjärvi and Hurme (2000), the description of the research material creates a basis for the research analysis. Hirsjärvi and Hurme emphasize the importance of how to analyze the gathered information. This includes describing, categorizing and combining the material. In describing the research material, the researcher should describe different phenomenon and experiences. Categorizing the research material creates a basis for interpreting the results. Based on the categorization, different parts of the interview material can later on be compared, simplified and interpreted. Combining the research material is done to find similarities. The results of the research can be interpreted in various ways and from different point of views. Interpretation is successful when the reader is able to find the same point of view as meant by the researcher. To ensure this the researcher must include a detail description of how the conclusions were made. (Hirsjärvi – Hurme 2000, 145–152.)

The author grouped the discussion topics by categorizing the answers based on the different themes of the interview. (See Appendix 2.) The transcription was done by sorting the data into tables, which helped the author to categorize and find links between different parts of the data. Furthermore, the transcription of the material made it possible for the author to compare what was said in different interviews and to find explanations and patterns from the interview material. The findings were processed by looking for significant statements and questioning the patterns and referring the findings to the research questions multiple times until the author was able to conduct an analysis on them, write down the results and determine conclusions.

6.4 Research Ethics

“The conduct of ethically informed social research should be a goal of all social researchers.”

Blaxter et al. 2006, 158.

Blaxter et al. (2006) state that most commonly, ethical issues are thought to arise predominantly with research designs that use qualitative methods of data collection because of the closer relationships between the researcher and researched. Blaxter et al. (2006) continues that all social research (whether using surveys, documents, interviews or computer-mediated communication) gives rise to a range of ethical issues around privacy, informed consent, anonymity, secrecy, being truthful and the desirability of the research. Thus, it is important as a researcher to be aware of these issues and how to respond to them. According to Blaxter et al. (2006) the researcher has a duty to other researchers and to the subjects of and audiences to exercise responsibility in the processes of data collection, analysis and dissemination. (Blaxter, Hughes and Tight 2006, 158).

The author emphasizes the importance of research ethics in conducting this research. The confidentiality and anonymity of the interviewees is valued throughout the research process especially when Internet (email) is used in sending the results to the interviewees. Only by following the principles of ethicality can the reliability of the research be guaranteed.

7 RESULTS

All eight interviewees were self-employed entrepreneurs offering accounting services. All of the interviewees had previously worked in financing and six out of the eight interviewees had worked mainly only as an accountant before becoming an entrepreneur. Among the interviewees were both male and female entrepreneurs. The number of years as an entrepreneur offering accounting services out of the eight interviewees was divided as follows (n=8):

1 interviewee / over 5 years but less than 10 years

3 interviewees / over 10 years but less than 15 years

2 interviewees / over 15 years but less than 20 years

2 interviewees / over 20 years

Five out of the eight interviewees said that the main reason for them becoming an entrepreneur was the poor employment situation. Other reasons were the desire for independence, desire for brighter future, entrepreneurial family background and adventurous attitude.

7.1 Accounting Services in the Rural Area

All of the interviewees said that they chose to set up a business in the rural area because it was their current place of residence. Only one of the interviewees was not born or raised in the rural area their business was in. Two of the eight interviewees had from two to eight full-time employees. Both of the two companies were listed as one of the 70 highest accounting service providers based on annual turnover in the Northern Ostrobothnia region. One of the eight interviewees had 3 part-time employees. Some of the interviewees had had employees in the past but not for a few years.

All of the interviewees had mostly SME's as customers. These SME's operated in many different fields of business e.g. transportation, as self-employed care takers or industrial services. Three interviewees offered accounting for agriculture but they were not the main source of income for these entrepreneurs. Thus, none of the interviewees focused their operations on offering accounting services mainly to agricultural operations. Reasons for not offering accounting services for agricultural operations as discussed with some of the interviewees, were the lack of experience and know-how along with low awareness towards the European Union's regulations.

The two interviewees, who also had full-time employees (from 2 to 8 people) emphasized that their largest customer bought somewhat substantial amount of payroll services from them. The other interviewees also offered this service but when discussed about customers they did not mention payroll clients as a substantial source of income. The number of customers varied vastly between the interviewees especially among the entrepreneurs who had no employees. Two of the interviewees had about

20 customers. Four interviewees had more than 50 but less than 100 customers. The two interviewees, who also had full-time employees, had 150-250 customers.

When the discussion topic was trust between the accountant and the customer all of the interviewees said they considered it very important. One of the interviewees stated that “an accountant knows the customer’s financial situation better than the customer does”. One of the interviewees saw that trust is build with time because you tell everything to your accountant. It was also said by one of the interviewees that changing accountants is not easily done by the customer because exchanging information is somewhat difficult from one accountant to another as the there is a deep relationship between an accountant and the customer. One of the interviewees viewed trust as important as between a doctor and a patient. It was also stated by one of the interviewees that trust is the key in providing accounting services because if it is not earned you will loose customers. However, only one of the interviewees had been asked to show qualifications for being an accountant. Four out of the eight interviewees had never been asked about their education or qualifications certificates considering accounting. The topic of qualifications was not discussed with three of the interviewees.

7.2 Pricing Services

The pricing structure varied between the accountant service providers. Seven out of eight interviewees used mainly transaction based pricing. Reasons for using transaction based pricing where said to be that it is fairly easy to calculate because it is based on the material. Also one of the interviewees stated that the customer can keep track of how they are charged by using transaction based pricing. However, one of the interviewees did not use transaction based pricing at all. One of the interviewees only used hourly rate in pricing their services and piece rate for the pay slips. Altogether, the hourly rate was frequently used by three of interviewees. Three of the interviewees used hourly rates for pricing infrequent, special services and additional tasks that required e.g. information seeking from other sources. One of the interviewees used hourly rate for pricing the accounting services for agricultural operations. One of the interviewees did not use hourly rates at all because it cannot be proved.

There was a distinctive similarity in the pricing of accounting services as the results show most of them used transaction based pricing for their services. However, there were differences in opinions about the usage of hourly rates. Some accountant service providers viewed it as a valid pricing method for special or additional services that are hard to measure and price otherwise but some used it as the only method for pricing their services. The topic of hourly rates seemed to be controversial since the validity of pricing services by time consumption was seen by some accountant service providers as somewhat unfair and improvable pricing method whereas others did not express any doubts about using it. The accounting service providers, which belonged to the Fonecta ProFinder's list of accounting companies with the highest turnover, used more hourly rates for different tasks than the others.

Five of the interviewees offered monthly rates as a method for pricing for tax declarations, payroll services and annual notifications of earnings. Balance sheet pricing was mostly priced with an hourly rate based on the time consumed. One of the interviewees had a separate price for balance sheet calculations. One of the interviewees used a minimum charge plus the time consumed as a method for pricing balance sheet calculations. Two of the interviewees said that the balance sheet pricing depends on the size of the customer and one of them stated: "In the case of a big company or time consuming calculations we use hourly rates."

Based on the research results there was a difference in the usage of monthly rates. Some of the accounting service providers used monthly rates for specific, frequent tasks such as tax declarations, payroll services and annual notifications of earnings whereas some did not mention the usage of monthly rates at all. The ones, who did not mention using monthly rates were among the 70 highest accounting service providers based on turnover.

Two of the interviewees used piece rate as a pricing method for fiscal declarations. One of the interviewees had a separate price for the fiscal declaration, which did not include an hourly rate. Four of the interviewees used time-based pricing with an hourly rate. One of the interviewees used a minimum charge plus the time consumed for pricing the fiscal declarations. All of the eight interviewees used piece rate for pay slip pricing. Two of the interviewees also offered fixed prices for calculating pay slips. These interviewees had somewhat substantial customers who bought payroll

services from them. Thus, the pricing of fiscal declarations varies significantly among the accountant service providers but their pricing method for pay slips is the same for all of the interviewees.

As it comes to the expenses and charging material costs three of the interviewees said that they did not charge any material costs. Three of the interviewees stated that they charge postal expenses. Three of the interviewees told that they sometimes charged direct costs such as binders and folders. All in all it seemed unimportant to most of the interviewees to charge material costs at all. One reason for this might be that it is hard and time consuming to keep track of the consumption of the materials for each customer. A differentiating factor was about the customer size and its affect on pricing. Three out of the eight interviewees said that the customer size did not have an affect on the pricing. Five interviewees saw that the customer size had an affect on the pricing of their services.

7.3 Challenges in Pricing

The research revealed differences on the viewpoints about challenging factors in pricing services. Interestingly all female interviewees identified challenges in pricing their services but only a couple of the interviewees who were male discussed about the obstacles they had encountered in pricing. Three of the interviewees stated that they had not encountered any challenges in pricing. This was explained by the fact that they did or had done auditing for other accounting service providers and was aware of the pricing that was used by others.

Similarities could be found in the challenges of pricing as some of the interviewees wanted to develop their pricing further but had not figured out the best method to do so. One of the interviewees said that they needed a new pricing structure and that they had planned to measure how much time each accounting task takes in order to adjust the pricing accordingly. An issue that the interviewee was wondering about was if the hourly rate was fair to the customer and whether all the advising given should be written down and charged by the time consumption. One of the interviewees wanted to develop their pricing by giving the same task the same price in order to offer specific services to customers with a specific price. One of the interviewees saw the challenges

in pricing in the personalities of the customers, who haggle for the prices. One of the interviewees told that when they acquire a new customer there needs to be room for discussion in case the price is set too low at first and more time is actually consumed than the accountant had anticipated.

7.4 Marketing

There were differences in the marketing practices of the interviewees as only one of the interviewees used advertising for marketing their services. The interviewee had ads in the local newspaper but felt that advertising via Internet was not useful according to the interviewees' personal experience. Seven out of the eight interviewees said they had no need for marketing their services by advertising.

Similarities could be found in marketing accounting services as all of the interviewees said that word-of-mouth is the most important form of advertising for them. Most of the interviewees stated that they had experiences where new customers came because of the positive feedback of the old customers they had given. One of the interviewees said that word-of-mouth is important in creating an accountable image for the entrepreneur and thus, it is of huge importance in creating long-lasting customer relationships: "Word-of-mouth creates positive results in marketing one's business to new customers" as one of the interviewees stated.

7.5 Competition and Plans for Future

Seven out of the eight interviewees were aware of the competition they had in the rural region they operated in. One of the interviewees had not thought about the competition's effect on their business but seven interviewees felt that competition had no effect on their business. Two of the interviewees stated very distinctively that they do not compete with prices. One of the interviewees felt that if accountants would compete with prices it would lower the value of the profession. One of the interviewees felt that they can support themselves thus; they did not see competition as a threat. Based on the results, a similar thought pattern could be found among the interviewees because competition is not seen as an immediate threat among the accounting service providers.

Similarities could be found in the results about desire for business growth. Three of the interviewees carefully said that there is a possibility for future growth. One of the interviewees stated that if they get new customers there is a possibility growing the business and employing more people. One of the interviewees said that they just employed two new employees but that there was no particular aim for business growth. The interviewee felt that if the customers grow they have to grow as well. However, one of the interviewees said that they aimed for controlled business growth of not more than 10%. The interviewee stated that if the growth is 0 the business will slow down. Furthermore, the interviewee said that if the customers retire it affects the business and creates a need for new customers.

Among the interviewees there were also more distinguished differences on views about business growth as two of the interviewees wanted to keep the “package” the same aka the current customers they have. Two of the interviewees had no particular desire for business growth.

8 CONCLUSIONS

The objective and main research question for this study was to find out how the micro enterprises in the field of accounting price their services. Furthermore, the author’s aim was to examine the similarities and/or differences in pricing accounting services. According to the research results, the pricing methods of accounting services vary among the micro enterprises offering accounting services. The differences were found in the research results as one of the interviewees only used hourly based pricing for the bookkeeping tasks. Most of the interviewees used mostly transaction based pricing but also offered monthly rates, piece rates, minimum rates and hourly based pricing for specific tasks, which were time consuming. One of the interviewees did not charge hourly rates at all because the interviewee felt that it can not be proved to the customer. These differences show that the accounting service providers are not a homogenous group even though the sample group was selected from the same region offering the same service and all of the interviewees were the entrepreneurs of an micro enterprise employing less than 10 people and whose annual turnover did not exceed EUR 2 million. Thus, they should be studied as individuals with unique experiences and ideas.

The first sub research question aimed at showing the characteristics of an accounting service provider operating in a rural area. Looking at the research results, there were similarities in the reasons for establishing a business in the rural region as all of the interviewees had established their business in the rural area they resided in. Most of the interviewees also stated that the poor employment situation, the customer base and desire for independence were the driving forces in becoming an entrepreneur in the rural region. Part of the results can be explained already by the chapter four where entrepreneurship was discussed. The Commission of the European Communities stated in their Green Paper about entrepreneurship in Europe (2003) that entrepreneurs are a heterogeneous group with certain common characteristics such as hunger for independence and readiness to take risk.

As discussed in the chapter 4.4 out of 320,952 enterprises in Finland most are micro enterprises, which employ almost half of all personnel (1, 5 million). This factor makes it obvious that entrepreneurship is the cornerstone of the economy in Finland. However, as stated in the chapter four the proportion of new entrepreneurs in Finland is below EU and OECD average. The interviewees emphasized the value of word-of-mouth marketing and trust as very important factors in creating a professional image and it was said to create long lasting customer relationships for them in the rural region in which they operate. The theoretical part supports the research findings as researcher Kari Vesala stated that especially in the rural region the entrepreneurs have an important task in maintaining and strengthening the community and its livelihood making them an important regional service provider.

The second sub question aimed to discover differences and similarities in the pricing practices of accounting services. The author found that there are similarities in the pricing practices e.g. the interviewees customer base consisted mainly of SME's. Also trust was emphasized by all of the interviewees as the key in building long lasting relationships with the customers. None of the interviewees saw competition as a threat for their business. The reason behind this according to the interviewees was that accountants do not compete with prices. As seen from the research results, the accountant service providers emphasize the meaning of word-of-mouth in marketing as well as a mean to show competence in their profession.

The third sub research question concerned the obstacles in pricing an accounting service and how to overcome them. According to the results, some of the accounting entrepreneurs do feel the need for developing their pricing methods e.g. by starting to write down the amount of time used for tasks that have not been priced before such as advising and researching information for the customer. The results also show that the accounting service providers put emphasis on what is fair to the customer e.g. one of the interviewees wondered if the hourly rate was fair to the customer.

When asked about the future plans, some of the interviewees stated that they would grow their business if the customers will grow. This gives an inclination that accounting service providers in the rural area are very much customer oriented professional practitioners of which half do not have a particular desire for business growth. The theoretical part supports the research results as Vesala stated that an entrepreneur of a small business should not be seen as forced to employ herself/himself but as an important regional service provider with a strong entrepreneurial identity. (Small Business Entrepreneur 2004).

The theoretical part of the research showed that in the west (Pohjanmaa and Oulu region) the level of innovativeness is high and there can be found the most peculiar enterprises. Nevertheless, the aging population is the downside for business growth in the more rural regions in Finland. A concern about the aging population came up in the interviewing process as one of the interviewees stated that when the customers retire it is important for the entrepreneur to acquire new customers or else the business growth will decrease. The livelihood of the rural regions might decrease as the farming industry decreases, which might cause a decrease in the number of customers for accounting service providers in the future. As stated in the previous chapters the entrepreneurship is held in high regard in Finland but the actual number of people who take on the challenge of being an entrepreneur is below the EU average. However, at the moment the rural areas of Southern and Western Finland have the best qualifications for business growth and development as they provide relatively good surroundings for living. (Rural areas in Finland 2005).

8.1 Discussion and Suggestions

Looking back on the research process the author was enthusiastic about the topic of the research as she had worked and continues working in the field of financing. The co-operation with the entrepreneur, who assigned the thesis topic, was fluent and the entrepreneur provided his own insight on the accounting industry and moreover to the different pricing methods that should be studied. The interviews were also successfully structured with the help of the entrepreneur and it answered the author's demands for the research. Improvements could have been made to the relevance of the secondary data and the research topic. The author tried to give a holistic view about accounting entrepreneurship in the rural region of Finland but perhaps the entrepreneurship part in theory could have been better constructed to meet the objectives of the research.

In recording the data note-taking was a weakness as it affected the reliability of the research because some of the relevant information could have been left unnoticed. This was a risk that had to be taken as face-to-face interviews were not possible. A possible improvement to the dilemma could have been Internet based software Skype, which would have enabled recording the interviews. Recording and note-taking together as a data collection method could have made the research more reliable and valid for repetition.

The author feels that the information provided in the research would mostly benefit the self-employed entrepreneurs in the field of accounting because they can implement the ideas mentioned in the research on how to develop their own pricing. The future customers of accounting service providers can also benefit from this research as it provides an in look on the different pricing structures that might help in determining, which accounting service provider to choose.

This research can be used as a source of information to further studies concerning the pricing methods of accounting services as it gives a holistic view on how the accounting entrepreneurs in the rural area price their services. Thinking about further study possibilities in the field of accounting services a further study could be done to determine whether the pricing of accounting services varies between the micro enterprises and large and medium-sized enterprises.

REFERENCES

Blaxter, L., Hughes, C., Tight, M. 2006. How to research. 3rd ed. Maidenhead: McGraw-Hill Education. Accessed on August 1, 2010. <http://www.jamk.fi/kirjasto>, Nelli-portaali, Ebrary.

Business Register of Statistics Finland. 2009. Number of Finnish enterprises in 2008. Accessed on September 20, 2010. The website of Statistics Finland. http://www.tilastokeskus.fi/til/syr/2008/syr_2008_2009-11-27_tie_001_en.html.

Commission of the European Communities. 2003. Green Paper: Entrepreneurship in Europe. Referred to on October 5, 2010. http://europa.eu/documentation/official-docs/green-papers/index_en.htm#2003. The official website of European Union.

Definition of micro, small and medium-sized enterprises. 2007. Europa: Summaries of Eu legislation. The official website of European Union. Accessed on October 5, 2010. http://europa.eu/legislation_summaries, Enterprise, Business Environment.

Entrepreneurs in Finland. 2008. The Federation of Finnish Enterprises. Referred to on October 6, 2010. <http://www.yrittajat.fi/en-GB>, federation of Finnish enterprises, entrepreneurship in Finland. The website of The Federation of Finnish Enterprises.

Hirsjärvi, Sirkka., Hurme, Helena. 2000. Tutkimushaastattelu. Teemahaastattelun teoria ja käytäntö. Helsinki: Yliopistopaino.

Hollins Philip – Harper Adams University College, 2007. Lecture notes provided by Heidi Neuvonen for the Research Methods for Business course held in the University of Applied Sciences in 2007 .

How to Price Services. 2009. Article published on November 1st 2009. The website Small Business Resources for the Entrepreneur. Referred to on January 3rd 2011. <http://www.inc.com/guides/price-your-services.html>

Kotler, P., Wong, V., Saunders, J., Armstrong, G. 2005. Principles of Marketing. Fourth European Edition. England: Pearson Education Limited.

Nagle, T., Holden, R. 2002. *The Strategy and Tactics of Pricing*. 2002. 3rd edn.
Referred by Kotler et. al.

Piekkola, Hannu. 2006. *Knowledge and Innovation Subsidies as Engines for Growth - The Competitiveness of Finnish Regions*. ETLA B-series No. 216, Helsinki.

Pricing Products and Services. 2009. Editorial article. The website of Virtual Advisor Inc. http://www.va-interactive.com/inbusiness/editorial/bizdev/ibt/pricing_.html#4

Pricing Strategy. 2002-2010. Internet Center for Management and Business Administration, Inc. The website of Net MBA. Referred to on October 26, 2010.
<http://www.netmba.com/marketing/pricing/>

Rural areas in Finland. 2005. *Workforce in the rural areas*. Referred to on October 10, 2010. http://www.stat.fi/tup/tietotrendit/tt_02_05_tyossakayntialueet.html. The website of Statistics Finland.

Rural Development Program for Entrepreneurship. 2010. *The Development Entrepreneurship in Rural Areas: Julkaisusarja 1/2010*.

Small Business Entrepreneur. 2004. News article about small businesses in the rural Finland based on a speech given by a researcher Kari Vesala. Writer L. Voutilainen. Published week 34/2004. Referred to on October 7, 2010. The website of University of Helsinki. <http://www.helsinki.fi/tutkimus/tiedeutiset/2004/vk36.shtml>

Statistics Finland. 2007. *Concepts and Definitions: Self-employed*. Referred to on October 5, 2010. The website of Statistics Finland.
http://www.stat.fi/til/tyti/kas_en.html.

The British Household Survey 2002. Published in 2004. *Findings from the Household Survey: Living in Britain. SBS Performance Analysis*. Referred to on October 6, 2010. www.statistics.gov.uk/downloads/theme.../lib2002.pdf. The website of Statistics United Kingdom.

APPENDICES

Appendix 1. Themes of the Interview

Tell me about your earlier experiences in working life before becoming an entrepreneur

- How long employed elsewhere before becoming an entrepreneur?
- In what type of a company: size & location
- What tasks did it include?

Reasons behind becoming an entrepreneur

- Why decided to establish your own business?
- Year of establishment

Accounting services in the rural area

- Reasons for choosing the rural area to set up a business in
- Number of employees if any?

Customers

- Customers of accounting services in the rural area in general are?
- Number of customers approximately?
- Need for trust and building one between the entrepreneur and customer

Pricing services

- What kind of pricing strategies do you use?
 - Per/h
 - Per/transaction
 - Per/task
 - fixed amount/per month
 - Balance sheet pricing
 - Fiscal declaration
 - Pay slip pricing

- Are costs taken into consideration?
- Does the pricing vary according to the customer (size?), how and why?
- Any problematic issues in pricing services?

Marketing

- Describe the need to advertise your services?
- In what media? And how?
- Word-of-mouth and its meaning

Competition

- Are you aware of any competitors in the area?
- How many?
- Competitors' effect on pricing

Future

- Do you have plans for business growth?

Appendix 2. Data Categorization

Interviewee	Reasons for entrepreneurship
1	does what knows the best, independence, desire for independent decision making
2	employment situation the biggest reason, place of residence, coincidence, from entrepreneurship family
3	from entrepreneurship family, employment situation
4	independence, employment situation, changed location, wanted more than to work for someone else
5	"you tell me" lighter future, also employment ended, wanted to work for own pocket
6	situation changed (job), place of residence
7	freedom to decide own work, was stuck with unpleasant jobs, own desire to move
8	change of location, did not want to work for someone else with long hours, adventurous

Interviewee	Why the rural area?
1	Lived there his whole life, knew that would get customers
2	place of residence, work for the city that lives in
3	from there, customers, modern software systems established
4	place of residence, it was suggested by the mayor
5	home
6	home
7	moved due to family situation
8	knew would get customers, easy transition

Interviewee	Who are the customers?
1	only SME companies, all company forms
2	farms 5% or less, SME's mostly, biggest customer has 25 employees,
3	no farms, payroll, only companies from transportation, care taking, industrial services
4	payroll, no farms, 80/20
5	no farms, small companies
6	SME's, farms
7	only SME's
8	farms 40% and companies 60%

Interviewee	Trust
1	As important as between a doctor and a patient
2	The key, if not earned you'll loose customers
3	comes with time, you tell all to your accountant, it's not easy to exchange information from one person to another, deep relationship between an accountant and the customer, needs good reasons for changing your accountant

4	very important, knows the companies money situation better than the customer
5	very important, has done his whole life
6	
7	cannot discuss about clients -trust thus important
8	very important

Interviewee	pricing €/h
1	only uses this
2	for additional tasks
3	yes also piece rate
4	mostly
5	balance sheet
6	special services
7	not at all, because cannot be proved
8	farms

Interviewee	pricing /transaction
1	
2	based on the material
3	transaction & monthly rate
4	uses piece&hour
5	mainly
6	mainly basic rate & piece rate
7	mainly basic rate + piece rate
8	companies

Interviewee	Balance sheet pricing
1	
2	depends on the company form, if time consuming also hourly charge
3	no hourly rate, own price
4	time based
5	hourly rate
6	time consumed
7	time
8	minimum payment + time

Interviewee	Fiscal declaration
1	
2	depends on the company form, if time consuming also hourly charge
3	no hourly rate, own price
4	piece rate
5	piece rate
6	
7	time
8	minimum payment + time

Interviewee	Payslip pricing
1	piece rate
2	piece rate, if regular then cheaper
3	piece rate, also fixed price.
4	piece rate

5	piece rate
6	piece rate
7	piece rate
8	piece rate

Interviewee	Expenses
1	lazy to charge, sometimes stamps
2	only binders, copies, postal expenses
3	envelopes and postal expenses
4	not charged
5	not charged
6	direct costs such as binders
7	not charged
8	binders

Interviewee	Customer size/pricing
1	no
2	yes
3	yes, if small only 1-2 payslips, big companies with hourly rate, transaction pricing is smaller
4	no
5	no
6	yes
7	
8	yes with companies and field of business

Interviewee	Challenges in pricing
1	no
2	yes, needs a new plan, wants to follow how much time each task takes to make the pricing better, is hourly rate fair for the customer? All the advising should be charged?
3	how to develop? how to make better service into products?, give the same job the same price, e.g. fiscal declaration
4	the need for knowing how to price so that the expenses are covered and makes profit
5	personality of customers, time consuming to hackle prices
6	no
7	Yes when new customers come there needs to be room for discussion if price is set too low and time is consumed more than thought, want to know the monthly rate
8	no

Interviewee	Word-of Mouth
1	Important, has gotten positive feedback from customers
2	gets customers via, no more farms
3	the best advertising when an old customer recommends
4	gets feedback, the most important form
5	most meaningful way to market
6	same package

7	ads in paper, does not believe in advertising via internet
8	gets results, professionalism

Interviewee	Competition/affect on business
1	no affect, can support himself via the business
2	no
3	no affect, is in the mid-pricing range, no competing with prices, it lowers the value
4	can be compete with prices
5	no
6	no
7	not thought about it before, counted that manages like this
8	does not compete with prices

Interviewee	Future
1	no desire for growth
2	possibly, if gets new customers has to employ more people
3	2 new employees, not aiming for growth but if customers grow they grow
4	does not desire to grow more than 10% a year, if growth is 0 the business will slow down, if the customers will retire it affects on the business -> need for new customers
5	no growth
6	same package
7	keep the ones she has and maybe couple new ones
8	no

Interviewee	Nr. of employees	Nr. of customers
1	0	85
2	2	150-200
3	8	245
4	3 part time	100
5	0	15-20
6	0	50-60
7	0	20
8	0	95-100

Interviewee	Marketing
1	no
2	no
3	no need
4	no
5	no
6	no
7	yes
8	no

Interviewee	Nr. of Competitors
1	7

2	3-4
3	4-5
4	1
5	5
6	5
7	0
8	3