

Breakthrough Consulting

Week 7: Pricing for Maximum Profitability

Homework

This week's homework will focus on your pricing. Though you'll probably be most familiar with hourly-based pricing, value-based pricing--if done right--will catapult your business forward.

1. Research the pricing in your niche.

Especially when you start consulting, you'll quickly want to get an idea of how other consultants in your niche price their services. You'll probably also want to do this periodically--every year or so--after you've started your business, just to keep abreast of your niche. That's not to say that you need to price yourself the same as other consultants & competitors; but rather, just to give yourself a ballpark idea of what others in your market charge.

Ideally, you'll want to find other consultants similar to you to find out their rate structure. Do they bill hourly, flat rate, retainer, or value-based? If hourly, what's the range and/or prevailing hourly rate?

If you know colleagues in your niche, most will probably be OK giving out this info.

If you're new to a niche, you can simply call them, tell them you're a consultant in your niche, that from time to time you may need to subcontract some of your projects, and you'd like to know their rate structure. Many consultants--myself included--do indeed subcontract other consultants, and before you do that, you definitely need to know their rates.

2. Practice estimating how much time your projects take.

Whether you still have a day job or have already started consulting, track the time it takes you to do your projects. Break down the project into manageable pieces so you can more accurately estimate the time it takes you.

Accurate estimates of your time are essential, not only for hourly-based billing, but for value-based billing as well.

3. Lay the groundwork for value-based pricing.

At first, even deciding to charge 3, 5, or 10 times your hourly salary rate might seem absurd. That's perfectly normal. You're used to whatever your employer was/is paying you.

But if you're going to be successful as a consultant, you need to get comfortable charging amounts that you previously thought were ridiculous. There's nothing immoral about charging a lot; as long as you provide a lot of value for your clients, they'll be happy to pay you for your services.

Start My Consulting Business

Stop whining. Take action. *Change your life.*

Part of getting comfortable charging large amounts is realizing how much value you truly provide to your clients. A good way to shift your mindset is to list all the potential value that you could provide to your clients, keeping in mind the 4 major value areas:

- increasing revenue
- increasing efficiency
- lowering costs
- ensuring compliance

For each of those areas, brainstorm all the ways you could provide value. As you go through this exercise, you'll likely start finding additional value that you didn't initially think of; oftentimes, these new values/benefits are things that are potentially VERY valuable to your clients.

One trick that helps with this exercise is to think like your clients: What would give them the biggest benefit? What are their objectives? What do they most want to accomplish? Let those kinds of questions lead your thinking as you identify all the value you could provide.

Below are some questions that are helpful in focusing client conversations on value. These questions will not only help you to identify the specific value for a project, but will get the client focused on just how valuable your services are; when the client realizes just how much value they're getting, they'll be far less likely to see your price as a cost. Instead, you want to steer the conversation to high-value results, and the fact that your services are an investment in achieving outsized results.

The next time you talk to a prospect or client, ask some of the following questions; you'll be surprised how the conversation turns from discussing specific deliverables to higher-level strategy.

Objectives:

- What are your objectives?
- Ideally, what would you like to accomplish?
- If you had to set priorities now, what 3 things must be accomplished?
- What precise aspects are most troubling to you? (What keeps you up at night?)

Establishing Value:

- What would be the impact of doing nothing?
- How will this project affect your marketing & sales?
- How will this boost your sales?
- How much time does this currently take--individually and as a company?
- If you could wave a magic wand, how would you want things to be different?
- How would this project specifically affect X for you?

Measures for Success:

- How will you know when this objective has been accomplished?
- What information will you need from prospects/clients, or employees?
- How will your marketing & sales be improved?
- What constitutes acceptable improvement? Ideal improvement?
- How would you be able to demonstrate a level of improvement?