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The experiment that boosted my consulting rate 70%, and what it means for you

by Greg Miliates

One of the things I emphasize on this blog is the benefit of experimentation. Without experimenting, I wouldn't have been able to do things like raise my consulting rates over the years, or tap into new marketing channels which have brought me some of my biggest clients. Experimentation is one of the best ways to learn and to grow your consulting business.

Over the years, I've steadily increased my hourly rate so that I'm near the ceiling for what I can charge per hour in my niche.

Not bad, but I've started to see a little pushback from some clients who are more budget-conscious.

That's OK, since I'd rather focus on clients who see the value in investing in services that will produce exceptional value for them.

While it's been great to have increased my rate 7-10% every year, I wanted to see if I could boost my rate more than that, with the goal being that I'd be able to earn more while working a bit less–and still give exceptional value to my clients.

So, while in past years I've raised my rate incrementally, this year was different, and **the results so far have been a breakthrough**.

To raise my hourly consulting rate in past years, I'd send an e-mail to my clients thanking them for their continued business, and gently announcing my new rates, which would be about a 7-10% increase. For new clients, I'd simply quote a higher hourly rate, testing out a price ceiling, and seeing if I met any resistance on price.

(For those of you who might be thinking of getting more business by LOWERING your consulting rate, keep in mind that [competing on price alone is a losing strategy](#)).

What I did (the short version)

In January, I got a call from the IT consultant for a law firm who had already talked to a few other consultants in my niche. We talked in general terms about a few projects the client wanted, and apparently, they liked what I had to say, since they scheduled a follow-up meeting with me to discuss further details.

That led to a few more conversations with the client, on up to the managing partner of the firm, where I discussed the project objectives, focusing on the specific value they'd get. I sent the managing partner a proposal with 3

options for services, and within a few days, he sent me the signed proposal. Since this was the first time I'd worked with the client, they chose the option with the lowest price point.

I did the work, and ended up boosting my hourly rate by 70% (the project price was $4,750, and I worked about 16 hours on it).

What did I do to boost my consulting rate 70%?

There were a number of things I did differently compared to how I'd scoped projects and written proposals in the past. **The main difference was that I realized that clients don't care about what's involved in a project–they only care about the end result.**

With that in mind, I didn't bother detailing the specific tasks I'd do and how many hours each task would take. Instead, I emphasized the value the client would get from what I delivered.

First, when I discussed the project with the client, instead of focusing completely on the specs for the deliverable they wanted–which is what I used to do–I focused much more on learning about their overall objectives. What did they want to achieve? What were their goals? Once I knew that, figuring out the specs for the deliverable were pretty easy.

More importantly, once I knew their objectives and what they were trying to achieve, I was able to quantify the value of the deliverable.

Specifically, they wanted an automated report that allowed them to pull up and analyze information for groups of their clients. They wanted a tool that would give them profitability measures for their firm, and that they could use to demonstrate their effectiveness to potential clients.

In other words, they needed a tool that would help them:

- increase their revenue (through more effective marketing), and
- improve their efficiency.

This wasn't some nice-to-have doodad. It would directly add to their bottom line.

Being able to point that out in a clear way in my discussions–and proposal–made it a much easier sell, and allowed me to price my services far higher than simply doing and hours-times-rate quote.

How is this different from a flat-rate proposal?

A flat-rate proposal is a bit similar, but flat-rate projects aren't based on the value the client gets. Flat-rate pricing is based on your time + materials (if any).

If I did this as a flat-rate proposal, I would've estimated my hours to complete the project, padded slightly for a fudge factor, and capped the project cost.

Instead, I used some rough calculations of what the value was for each of their clients, and used that in my proposal narrative to show how even boosting their efficiency or marketing by small amounts would return the investment in my services several times over.

Yes, I did estimate how many hours the project would take, and partially base my pricing from that estimate, but I didn't present the hours estimate to the client. My hours didn't matter. What mattered was the value the client was going to receive.

Isn't this like a revenue-sharing arrangement?

Not at all. A revenue-sharing arrangement would've been me taking a cut of any extra business the client generated as a result of my services.

There are times where that makes sense, but for most consulting projects, value-based pricing like I did was a better way to go. Revenue-sharing arrangements require you to trust, quantify, and verify the results the client gets from your services. In addition, revenue-sharing arrangements typically require the client to implement recommendations you make–which may or may not happen; if the client doesn't do what you've recommended, they may not see results, and you won't get any revenue.

Some takeaways

A few things to note:

- Asking about higher-level objectives and goals often allows you to connect directly with the top decision-makers–who will ultimately be signing off on the project. Mid-level employees often won't be able to answer more detailed questions about objectives, so you'll have an easier time getting in front of top decision-makers.
- Discuss the value and options thoroughly before writing and delivering the proposal. Your proposal should just confirm what you've discussed with the client. Most of the selling (where you discuss the objectives and the value) is done before the client receives your proposal.
- Quantifying the results of your work re-frames your services from a cost to an investment. In your client's mind, it's a much easier decision to invest, say, $10 to get $100, than it is to pay someone $300/hour.
- Keep in mind, this isn't just about charging more–it's about highlighting the exceptional value your client will receive from your services.
- On a similar note: earning more is nice, but earning more while working less is even better, since it means you have more discretionary time to spend time with your family, volunteer, and pursue the other things you value in life.

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What you can do

- When discussing the project, focus on their objectives and goals.
- Instead of a task and hours breakdown, the proposal should list a bullet-pointed narrative outlining the value the client will receive, and options for achieving their objectives.
- Instead of listing a single deliverable, give the client 3 options, each of which has more value; prices for each option increase according to the value to the client.

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