

Consultant Newsletter

Fee setting

A beginners guide to setting fees ...

About

This article has been printed in a number of journals for fee-setting professionals. It has relevance for any consultant or professional who offers their services on a fee basis.

These articles are a marketing communication technique used by Ian Benjamin at Consultant Training Australia to build and maintain profile in its target market.

Please feel free to forward this article to those who may be interested.

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Here are some ideas to help you overcome the dilemma many of us face when pricing an engagement.

I see four steps, the first three of which are to 'cost' the job.

1. Make sure you know what you are required to deliver. In this the focus needs to be on what the client wants. What are the problems to be addressed: both the 'apparent' and 'real problems'? To what extent is the client concerned with 'process' and 'outcomes'? What will be different after you have provided your services? Focus more on understanding what the client wants and not on the time. Often the client will specify the time or budget they have allocated for the job but you need to confirm that it is appropriate for the deliverables required. If too much is required in the time, then either the time or the deliverables need re-negotiation.
2. How much time required is the second step. This where you compare the time for the project with your base daily rate (see below). You may differentiate between 'stand-up' and 'sit-down' or 'on-site' and 'off-site' rates. You may have a certain ratio that you are used to applying: eg a one-day training program may require 3 days customisation, 1 day delivery and 0.5 days debrief. At the completion of step 2 you have a cost for your time on the job.
3. Add to this time-cost the special expenses such as travel or production costs that are necessary and incurred solely in delivering this service for that client. They do not include the marketing cost as this and other business overheads are already provided for in your base daily rate. Some of us simply say the fee plus expenses. However I specify the expenses and say in my proposal what I shall pay and what I would like the client to pay. This avoids confusion.
4. The fourth and final step is to Price the job. This is when you consider the cost calculated by the three previous steps in the light of many variables – such as the comparative ease or otherwise of providing this service, the 'urgency' (for you or for the client), what else you have on at the time and competitive pressure to name only a few.

Value pricing is offering your service at a price which gives the client the best value for them. In making this offer, focus on the value and deliverables rather than on your hourly or daily rate.

You may find it useful to have three levels for your rates - Premium, Standard and the third 'Mates' Rates for whatever or whoever you wish to favour.

Some clients are much happier paying a 'high' rate as they expect the service to be first class. They may not hire you if you charge a low rate - arguably, your fees are the clearest statement of what you personally consider to be the 'value' of your service. When you find that you cannot decide which rate to offer, simply split the difference and stop worrying.

The standard rate is what you would do for the typical client in your target market. Avoid being the cheapest. The few clients you attract will be likely to value price over outcome and your delivery will ultimately reflect this cheapness.

If you have read this far you are presumably quite interested in the subject. There is a whole chapter (6) in my book "Consulting, Contracting & Freelancing - be your own boss" (Allen & Unwin, 2007) including a work sheet to calculate your base rate on pages 109 and 132. The book is in most libraries in Australia as well as from Borders, the AIM, CBD Dymocks, and McGill's. In Brisbane it is also at Riverbend Books in Bulimba and in Perth, from the WA Government small business bookshop in Hay Street. It is also available on-line at the address to the left of this article.



Helping consultants help their clients

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