

Pricing – defending hourly rates is not what we want to do ...

About

This is Part 1 of an article was distributed in March 2009 as Newsletter # 26. Part 2 is on the web-site as CTA_Pricing_3b

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

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'How much should I be paying a consultant to develop a business plan? I think \$150 an hour is too much!'

This was the gist of a recent call from a restaurant owner.

Before responding, I learned that the business was 'coffee shop restaurants', established in 2004 with two additional ones in '06 and '07 in nearby densely populated coastal locations with a total of 20 FT employees and 15 casuals. The Bank required the plan and the restaurateur intended to use it for the upcoming franchising of the business.

The consultant was well recommended and specialised in retail businesses. However, one of the 'referees', a previous client of the consultant, had revealed that his fee was \$125 an hour six months ago while he had quoted the restaurateur \$150, plus GST. 'Was this reasonable?' – asked my caller.

Well reader, what do you think? What would you say?

We consultants love engagements on hourly rates – without a constraint of a 'total price' for the job. Many contractors are hired on such a basis. (Many of these are quasi-employees).

If I could talk to the consultant I would say:

1. Why are you quoting hourly rates? On this type of job, how do you feel about establishing the parameters and then giving a fixed price? You know how to write business plans – simply do some preliminary diagnosis and then work out how long it will take, be specific about what you will deliver – even to the extent of the number of pages of the plan and the fact that it will be formatted to meet the bank's expectations and contain what the client required for her future needs.
2. Please do give the client options: for example – large plan, medium plan, small plan. Perhaps small plan is suitable only for the bank. Large option might approximate a brochure to present to intended purchasers of one of the franchises. You might offer a customised training session on how to answer the bank's anticipated questions. Or, don't call it training, call it 'conduct a practice interview'. Each of the options would be priced accordingly.
3. In discussions with the client, focus on what the business plan will do for her. Describe how comfortable she will feel knowing that she has presented her business to the bank in its most professional light. Talk of how she is taking the right steps to set up her franchises so that she can achieve what she wants! Sell to the dream, not the hourly rate. Hourly rates are defensible but defending them is negative territory and the least preferred place. Selling the dream is a positive place and it can be a collaborative task – you and the client join in describing the 'new' post delivery situation. [Reader: there is more on this in CTA_Pricing_3b]