

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

About

This is Part 2 of an article was distributed in March 2009 as Newsletter # 26. Part 1 is on the web-site as CTA_Pricing_3a

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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Continuing on from CTA_Pricing_3a where we started to address the issues that may flow from quoting hourly rates to clients.

Our first three responses dealt with in 3a were:

1. Why are you quoting hourly rates?
2. Please do give the client options: for example – large plan, medium plan, small plan.
3. In discussions with the client, focus on what the business plan will do for her.

Let's introduce some more points:

4. Be thinking about future work. It is really significant to get this first engagement. This client sounds like she is good at business and is on a growth path. Remove obstacles to doing business – so go back to point 3 – sell the deliverable and her new situation that the plan will create.
5. Make the point to clients that fees are confidential as is what you the consultant learn about each client's business while undertaking your assignments.
6. And one more for good measure. There is an accomplished handy-man in my area and he does most trades other than electrical work. He always quotes fixed price for his services. I asked him why. He said "I used to quote an hourly rate but that had two big drawbacks. First, everyone tries to knock it down. Second, and this is worse than the first, people will look at you and say, 'Why have you stopped?', or 'You haven't done much in the time I was out!' This way, I am in control and I am assessed on how the job turns out, which is how it should be."

OK – that is what I would have liked to say to the consultant. You may have other ideas.

And to the client, who was focusing on the \$150 an hour she was quoted was, I said: 'Have you ascertained whether the consultant has a good track record at this sort of thing? If yes, then 'what is it worth to you'? What is the difference to you of saving on the hourly rate but having an ordinary business plan, or paying a higher rate but having a plan that exceeds your expectations?'

Consultants, please avoid getting hung up on lose-lose discussions about rates. Package your short-term deliverables into products, do a diagnosis and then, having scaled the opportunity, give a quote of two or three options. Sell the outcome, not the fee, which is after all, the unpleasant part of the transaction for the client.