

Fee-Fi-Fo-Fum

**What's A Consultancy To Do To
Generate The Most Income?**

**- Managing the Utility of
Consultancy Pricing Options -**



By Donald A. Kerper
Misty River Consulting

Main Theme

Small consultancy's have a variety of contractual fee alternatives to choose from that vary in their utility depending on the situation.

Point #1 - Contractual Fee Alternatives

Worker Fee Arrangements

- Hourly Work - Undefined or Specific Project
- Daily Work - Undefined or Specific Project

Point #1 - Contractual Fee Alternatives

Event Fee Arrangements

- Event – One Price
- Event – Price Per Participant
- Event – Minimum Price with Upside Growth

Point #1 - Contractual Fee Alternatives

Project Fee Arrangements

- Specific Project – One Price plus Expenses
- Specific Project – One Price
- Specific Project – % of Return

Point #1 - Contractual Fee Alternatives

Retainer Fee Arrangements

- Retainer – One Price for Estimated Work Within A Specified Time Period
 - Future Work Charged Against This Fee
- Retainer – One Price for Specified Time Period
 - Just Creates Availability
 - Future Work Is Additional Fee

Point #2 - Advantages & Disadvantages of These Contractual Fee Alternatives

Time Based Arrangements

- Hourly or Daily Fee Focuses on Efficiency of Time Based Revenue Generation
- Advantage – You are paid for your time
- Disadvantage – No Way To Emphasize Value

Point #2 - Advantages & Disadvantages of These Contractual Fee Alternatives

Event Based Arrangements

- Event Based Arrangement Focuses On Clearly Stated Objective With A Definitive Start & End.
- Advantage
 - Simple
 - Can Leverage Value To Some Degree

Point #2 - Advantages & Disadvantages of These Contractual Fee Alternatives

Event Based Arrangements

- Disadvantage
 - Can Suffer if Fee Linked to Number of Participants
 - Has Definitive End Point

Point #2 - Advantages & Disadvantages of These Contractual Fee Alternatives

Project Based Arrangements

- Project Based Arrangement Focuses On Clearly Stated Objectives That Can Have Real ROI's.
- Advantage
 - Simple
 - Measurable Return on Investment
 - Can Leverage Value

Point #2 - Advantages & Disadvantages of These Contractual Fee Alternatives

Project Based Arrangements

- Disadvantage
 - You are accountable for the outcomes
 - Scope creep very difficult to avoid

Point #2 - Advantages & Disadvantages of These Contractual Fee Alternatives

Retainer Based Arrangements

- Retainer Reserves Time For The Client.
- Advantage
 - Simple
 - Provides Ease of Mind for the Consultant
 - Can Leverage Value

Point #2 - Advantages & Disadvantages of These Contractual Fee Alternatives

Retainer Based Arrangements

- Disadvantage
 - If something better comes along, you are not available
 - If client doesn't use you within the specified time period, you might not be considered in the future.

Point #3 - The Contractual Fee

Alternative used should provide the highest degree of utility

- Example #1
 - Large scale organization change initiative should not be time and materials; it should be a project
- Example #2
 - A single workshop on Action Planning should not be time and materials, it should be an event that has a set fee and extra fees for session size larger than some maximum threshold.

Point #4 - Transitioning to and Solidifying Value Based Fees.

- The Goal – Be Perceived As Providing Superior Value
- The Definition of Value
 - Value = Benefits – Cost
 - Superior Value =
The Value You Provide > The Value Your Competitors' Provide

Point #4 - Transitioning to and Solidifying Value Based Fees.

Creating The Perception of Value

- Avoid Hourly or Daily Work Like the Plague
- Always search for the true need – not the stated need – from the accountable manager (not the HR or purchasing manager).
- Collaborate with and gain consensus with the client on the project objectives, key measures of success, potential strategies of action, etc. prior to proposal creation or fee discussion.
- Work with the client to determine the potential return for the project proposed.

Point #4 - Transitioning to and Solidifying Value Based Fees.

Creating The Perception of Value

- Create a proposal that emphasizes the value being provided and that deemphasizes the cost of the project.
- Emphasize that the project's cost are an investment that has an expected return.
- Insist that the client setup and review the key measures of success themselves – not you.
- Insist that the client track the return on investment from the project, not you!
- Guarantee your work.

Point #4 - Transitioning to and Solidifying Value Based Fees.

Creating The Perception of Value

- If the project implementation is actually not achieving the agreed to objectives, change the implementation strategy or plan and reimplement without additional cost, if possible.
- Include other work as needed to keep the initial project on track without additional cost to the client if at all possible.
- Think of and behave like this project paves the way for many new future projects with the client.
- Turn down business that is not value based in nature.

Point #4 - Transitioning to and Solidifying Value Based Fees.

Creating The Perception of Value

- Write A Book and Get It Published – That Impresses People
- Become A Celebrity – People Pay To Rub Shoulders With Celebs

Point #4 - Transitioning to and Solidifying Value Based Fees.

Creating The Perception of Value

- Bottom Line -

Focus on maximizing the value that your client is getting from you – don't focus on minimizing your costs or in charging for services provided that are outside your contract scope unless absolutely necessary.

Conclusion

Small consultancy's have a variety of contractual fee alternatives to choose from that vary in their utility depending on the situation.

Use The Alternative That Best Provides Value For You and Your Client!

Misty River Consulting

Donald A. Kerper

511 South Vine Ave.

Marshfield, WI 54449

Phone: (715) 387-0718

Email: misty@mistyriver.net

Web: <http://www.mistyriver.net>



Misty River Consulting
