

**CRACK THE  
PRICING CODE**



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**GET PAID FOR  
YOUR WORTH**  
(NOT YOUR TIME)

25 Pricing Tips for Professional  
or Business Services Firms

**TRIVERS CONSULTING GROUP**  
Your Catalyst for Dramatic Growth

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# PRICING TIP NO. 1

Value Based Pricing is when professional and business services firms charge fees commensurate with value delivered to or experienced by the client or customer.

Value may be quantitative, qualitative or a combination.

Value Based Pricing is not connected to time in any way.

Value Based Pricing increases revenue and profit—and enhances client relationships—for knowledge-based firms:

- Accountants/ CPAs
- Lawyers
- Designers in all fields
- Educators and Trainers
- Subject Matter Experts
- IT Services providers
- Conflict resolution and mediation experts
- Architects
- Graphics experts
- Writers
- Consultants and Advisors

# PRICING TIP NO. 2

**Value Based Pricing** is the only ethical pricing model for companies that generate **revenue** from their **knowledge** and **expertise**.

Clients get their value delivered as quickly as possible commensurate with quality and context.

Clients get their value delivered no matter the delays or obstacles.

There is no meter running, allowing clients to call or email their providers as needed. This builds a stronger and more valuable **relationship**.

Implement Value Based Pricing and ensure that you're paid for your worth.



# PRICING TIP NO. 3

The knowledge firm's choice of pricing model is a strategic decision that must be made by the CEO/Owner.

Why? Because the pricing model affects every nook and cranny of a firm:

- revenue
- profit
- costs
- growth
- employees
- competitive position in the market
- longevity
- ability to deal with rapid changes
- owner wealth.

It's not an accounting decision and it's not a sales decision.

Choose Value Based Pricing and every nook and cranny will benefit.

# PRICING TIP NO. 4

Professional and business services firms:

Get paid for your worth, not for your time.

Let's say your firm employs 10 professionals and 2 admin staff.

The average billable rate per professional is \$300/hr. Your revenue goal relies on selling 40 hours per week per person.

Revenue ceiling =  $\$300 \times 40 \times 10 \times 52 \text{ weeks} = \$6,240,000$  per year

Does \$6,240,000 reflect the worth of the value you deliver to clients?

You don't know, because you aren't measuring value, you're only measuring time.

What if the value you deliver is worth \$10 million to your clients?

Implement Value Based Pricing.

# PRICING TIP NO. 5

Professional and business services firms ask, “How do we know what our knowledge and expertise is worth?”

Do this exercise:

Quantitative: what quantitative outcomes have your clients enjoyed since you delivered value to them?

Qualitative: What business and life changes have happened since you delivered value to them?

Analyze the past 12 months with these questions in mind. What were your charges to them? How would you adjust the fee for similar, future value delivered? Maybe some overpaid for value; many probably did not pay enough.

Track your Value Based Pricing engagements carefully, always looking for the sweet spot where the fee is commensurate with the value delivered. You didn't master hourly billing overnight; it will take a couple of quarters to master Value Based Pricing.

# PRICING TIP NO. 6

Value delivered is long lasting value. Unlike inputs, which only count in the present, value delivered makes in impact over time.

Some examples:

The P & L is an input. It records the company's PAST revenue, past expenses, and resulting profit.

The meaning of it fades as time passes. One cannot change the past.

However, when the CPA uses the P&L as an advisory tool, the company is equipped to make decisions for the future. That's where the value is.

When a CPA firm charges \$X for the time it takes to produce the P&L, they are not delivering value.

When the CPA firm produces the P&L and charges a fee based on the value to the firm of the decision-making usefulness, they are providing long-lasting value and deserve a fee commensurate with that value.

# PRICING TIP NO.7

What if timesheets are a relic of an old way of thinking?

Keep track of everyone's time and you'll be able to measure efficiency and efficacy and then...what?

Make people do their work faster or take shortcuts so you can bill fewer hours? Or have hours for other clients?

What about the client's point of view? Speed is only valuable when the client also gets quality outcomes.

Leaders have to discard their love of tracking and measurement in the old way.

When value is delivered and the fee earned is commensurate with the value from the client's point of view, measuring time is a distraction.

Value is the only thing your company should be selling. Not time.



# PRICING TIP NO. 8

“Time is of the essence.”

This is a commonly used term in contracts or agreements.

It means the client wants their outcome fast.

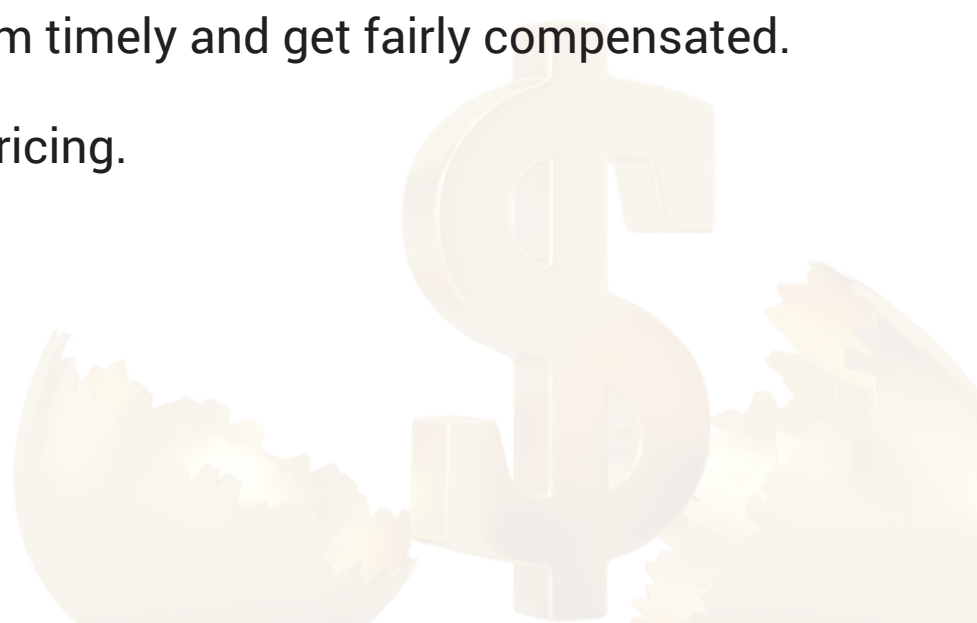
When your firm bills by the hour, “time is of the essence” strikes terror in your heart.

The quicker the work is completed, the fewer hours you bill, the less money you make.

Can you look a client in the eye when they say, “Time is of the essence?”

You can, in fact, serve them timely and get fairly compensated.

Implement Value Based Pricing.



# PRICING TIP NO. 9

Beliefs and practices that reduce the profit of professional and business services firms:

- Time is money
- Firm Fixed Price
- Retainers
- Services that specify number of sessions or meetings or calls
- The Therapy model

Each of these ties fees to time, not to value delivered to the client.

Replace them all with Value Based Pricing.



# PRICING TIP NO. 10

When professional services firms work on pricing, they look at what the competition charges, their own history, their industry “best practices” and expenses.

They do not include profit as a requirement, but as a left over.

Here’s a quick exercise to do the opposite:

List ALL expenses (direct, indirect, taxes, overhead, everything you pay out)

Multiply that total by the profit percentage goal.

Like this:

ALL expenses = \$1 million

Profit Goal = 25%

Total revenue must equal \$1.25 million.

Deliver sufficient value so that you’ll generate at least \$1.25 million in revenue.

Implement Value Based Pricing.

# PRICING TIP NO. 11

Advisors, accountants, attorneys, designers, educators, trainers, consultants:

Your services are not the same as therapy, where clients book one session at a time and hope to get deeper understanding that will eventually make a difference.

Your clients need quick results, momentum, and access when they face hiccups and obstacles.

Avoid the therapy model of hourly billing and one session at a time because it holds clients back.

Implement Value Based pricing with unlimited access upon demand.



# PRICING TIP NO. 12

When it comes to pricing at **knowledge work** firms, I teach them to use this formula as part of the **Value Based Pricing** model:

Expenses + Profit = Revenue

This ensures that **profit** is guaranteed. It's not what's "left over" after expenses are paid out of revenue.

If a sale doesn't include the profit, there's no sale.

Value Based Pricing supports this view.

Clients and customers tell the firm what value they're looking for. The firm increases revenue by increasing value delivered.

The firm increases its rate of **profit growth** when it reduces its costs. If costs stay the same, there may be profit but there is no profit growth.

Hourly billing limits revenue and profit growth, unlike Value Based Pricing which supports revenue and profit growth.

Implement Value Based Pricing.

# PRICING TIP NO. 13

I was recently asked if a professional services firm should separate products or task-generated deliverables from advisory services. This firm wanted to charge a time-based fee for the former and a value based fee for the latter.

My answer?

Focus on the advisory services and include the task-generated deliverables for no additional or specific charge.

Why?

Because the advisory services are where your firm can stand out.

You'll be providing exceptional value that changes the client's life. The deliverables may be useful but they're not life-changing by themselves.

It's what you do with them that makes the difference.

Become known as a life-changing advisor, not a producer of deliverables.

# PRICING TIP NO. 14

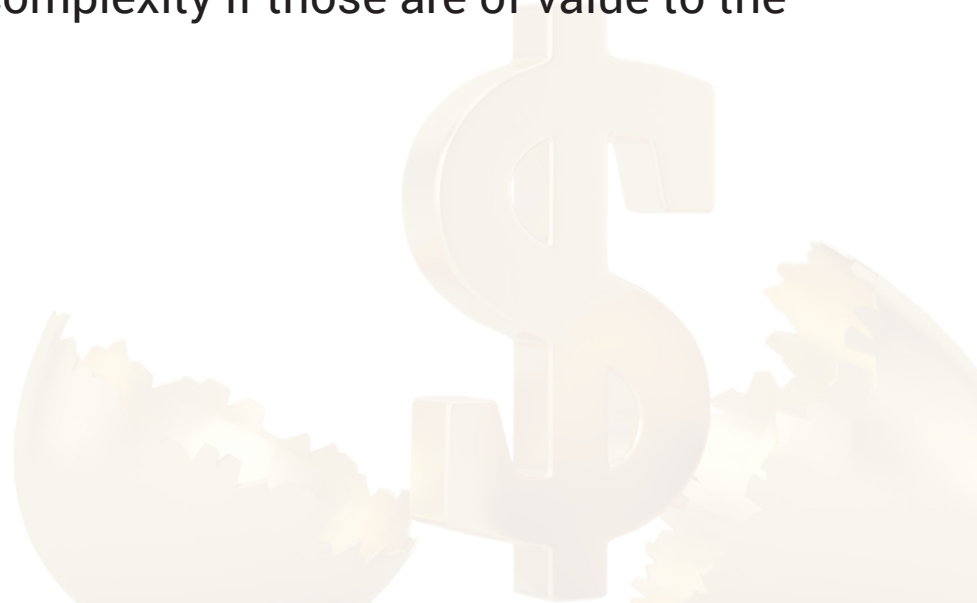
Just because a pricing model is legal doesn't mean it is ethical.

What do I mean?

There are no laws against hourly billing, retainers, and similar time-based pricing practices used by professional and business services firms.

These are unethical however, because they pit your firm's interest in higher fees against the client's interest in getting their desired outcome as fast as possible commensurate with quality and complexity.

Value Based Pricing allows your firm to get compensated, not penalized, for speed and complexity if those are of value to the client.



# PRICING TIP NO. 15

I was fortunate to attend a great webinar from operations expert Sara Hartary and value creation guru Dan Doran.

Guess what is high on her list of factors when a company studies its operations? “Pricing”.

Without studying and understanding your company’s pricing, you’re putting the brakes on growth and earnings.

What are you doing to study and understand your firm’s pricing?





# PRICING TIP NO. 16

You're the firm's owner and chief executive. What's the highest and best use of your time and energy?

- Selling billable hours?
- Wondering whether others will sell the entire inventory of billable hours?
- Worrying about cash flow?

OR

- Thinking day in and day out about growth?
- Nurturing relationships with existing clients, and learning about the new and additional value they would love to have?

If it's the latter—it should be—then phasing in Value Based Pricing will free you up for growth-minded thinking, planning, and activities.

Implement Value Based Pricing and use your time and energy to make more money.

# PRICING TIP NO. 17

Tenacity is on my mind a lot lately because of the pricing questions owners are struggling with.

They understand intellectually that hourly billing is a huge obstacle to revenue growth. They want to be completely ethical, which Value Based Pricing is.

And yet...they worry that they don't have the tenacity, grit, resolve or persistence to phase in Value Based Pricing.

I remind them that they founded and have been running their own companies for years!

Value Based Pricing is another goal not unlike all the goals they've already met. It's a process. Think it through, plot it out step by step, get some advisory support to keep you on track.

Within 6-12 months you'll be making more money in a completely ethical way, while working no more than, and perhaps even less than, when you did hourly billing.

Value Based Pricing is "Life-changing" as one CPA told me.

Implement Value Based Pricing.

# PRICING TIP NO. 18

When is tenacity and grit not helpful in your business?

Sometimes that persistence and internal power engine need to be turned off or redirected a bit.

One huge example for professional and business services firms?

Killing yourself for low value clients and customers.

By low value I mean buyers who buy only your undifferentiated offerings with the lowest profit margins. These buyers aren't interested in your higher value offerings.

Too many firms keep these buyers because they like the steady stream of revenue, their history, and they are so "nice" and don't ask for much.

If a buyer has shown you for 12 months or more that they will not buy anything else, you have to let them go.

The best way is to tell them that you're no longer offering what they've been buying and that you will recommend them to another provider.

Then be tenacious about that!

Think of it as being tenacious about your firm's growth.

And while you're at it, begin to implement Value Based Pricing.

# PRICING TIP NO. 19

I'm competing in a Draft test with my Bernese Mountain Dog this weekend. A friend told me she thinks I'm very brave to do this.

I don't feel that being in the show is brave. It is the logical destination for all the training we've done.

Which made me think about what is brave in professional and business services firms?

Bravery is starting the firm in the first place. Bravery is keeping it going and becoming a better business owner which requires a different skill set from your professional knowledge and expertise.

Bravery is making changes to achieve more demanding goals.

One of those goals is increasing profitable revenue.

It requires bravery to upend years of time-based pricing and to commit to implementing Value Based Pricing.

Are you going to make the brave decision to implement Value Based Pricing?

# PRICING TIP NO. 20

“Money is tight, and that’s all I can think about. Day and night, whatever I’m doing, the fact that I have hardly any money is in my head.”

This business law firm owner had a good number of clients, and got calls daily, but still had little revenue and zero profit. Why? Because she charged for her time, not the value she delivered to the clients.

We studied her caseload for the prior 6 months to estimate a fee-to-value ratio. She delivered great value and in most instances her fee was way too low.

She agreed to phase in Value Based Pricing and phase out hourly billing.

Six months later she said “I am so much more innovative because I have more money in my bank. There’s an absolute connection between my innovation and my bank balance.”

If you want to increase the cash in your firm’s bank account, implement Value Based Pricing.

# PRICING TIP NO. 21

“What are you doing to sabotage the likelihood of reaching your firm’s revenue goals?”

They give me a puzzled look.

Not a single professional services firm ever says “We’re doing this to sabotage revenue.”

They say they’re working really hard, every single day, to reach their revenue goals.

They tell me about marketing and sales and improving customer service. They talk about their strategic planning efforts and their investment in branding.

They never talk about their pricing model.

Every time-based approach you can think of is the reason why a firm isn’t enjoying as much revenue as they could.

Why?

Time is perishable, has no intrinsic value, and puts you in an ethical conflict with your clients.

Want to hit your revenue goals?

Implement Value Based Pricing.

# PRICING TIP NO. 22

Are you dedicated to a time-based pricing model, such as hourly billing, retainers, the Therapy model, or packages of 'sessions'?

Let's say that 80% of the time your clients stick to their original decision about how much time they will buy from you. You make the money you were expecting.

The other 20% of the time, clients cancel or postpone. An hour here or a half day there is cancelled or postponed and suddenly that time is not generating any revenue, leaving a hole in your revenue stream.

Even if the client re-books, that original time and its associated revenue is lost forever. You can't double up since you're charging by the hour and no one can buy or sell two hours in just one 60-minute period.

To make matters worse, your costs do not change based on usage, so that cancellation reduces profit too.

There is one sure-fire way to avoid this: implement Value Based Pricing.

# PRICING TIP NO. 23

Value Based Pricing is the only surefire way to increase revenue and profit.

Why? Value Based Pricing generates revenue from the quantitative and qualitative value you deliver to clients.

There is no ceiling on value. (There's only so many hours in a week, which means there's a hard ceiling on revenue.)

Value Based Pricing allows you to increase value while keeping costs the same.

A fantastic idea costs no more than a merely great idea.

To increase revenue and profit this year:

1. Articulate in writing the value you deliver to clients.
2. What value did you deliver and for what fee?
3. What is the ratio of value delivered to fee charged?
4. Determine how you can increase the value delivered and increase the fee.
5. Phase-in Value Based Pricing with your best clients: clients you have deep relationships with, who love your firm, and never choose other providers.
6. Phase-in the rest of your clients in Q2, 3, 4.

See increased revenue and profit on your P&L.



# PRICING TIP NO. 24

Do you know how Value Based Pricing and Firm Fixed Price pricing models compare?

Similarities:

- One price for the work
- Known to client in advance
- Payment up front or on payment schedule

Differences:

- Value delivered vs deliverables

This difference is the key to life-changing value that clients will pay for.

Deliverables are things you produce during the course of your work. They're subject to competitive pricing pressures and commoditization. These are what the fee is based on.

Value delivered is the life-changing outcomes the client experiences during and for long after your work.

Value delivered is talking to clients about their future. It's innovative and creativity. It is not subject to competitive pricing pressures. It reinforces your relationships with the client.

Here's an example of what value delivered sounds like from my recent conversation with David Safeer. "You'll have cash in the bank within 60 days and you'll know how to maintain positive cash flow forever after."

Implement Value Based Pricing.

# PRICING TIP NO. 25

How does this make sense?

If you need a business lawyer, do you want to pay an hourly rate based on seniority, where the law degree came from, and whom they clerked for?

Or do you want to pay for the results the lawyer gets for you?

The prevailing mindset of law firms is to charge hourly rates based on an individual lawyer's history plus a portion of the firm's overhead expenses.

Where is the client in this calculation?

Does the lawyer's history really and truly affect the results?

People can perform below or above their history.

When lawyers deliver value to the client, the client doesn't care how long it takes. In fact, the sooner the better, in many cases. Clients consider speed highly valuable. It's the skill of the lawyer in each current instance that enables him or her to deliver results.

I have yet to hear a truly convincing argument for lawyers NOT implementing Value Based Pricing.

Lawyers make their clients extremely happy-- and grow their firm's revenue and profit--when they implement Value Based Pricing.

# TRIVERS CONSULTING GROUP

Your Catalyst for Dramatic Growth

We provide objective counsel to firm Owners and Chief Executives by walking along side them without internalizing their perspective.

We've advised and supported the growth of knowledge-based firm revenue and profit since 1999.

Professional and business services firms have enjoyed life-changing improvements as they work with us on Strategy, Operations, and Financial systems.

Curious how we could help your firm move the needle?

Take a look at our Resources/Tools and Options at [www.susantrivers.com](http://www.susantrivers.com)

All engagements are customized to achieve your goals.

**Text GROWTH to 703-801-0345 and we'll talk.**