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Value Based Fees by Alan Weiss
"How to charge and get what you're worth"

Three key elements to a successful win/win in consulting relationship:
1. You have to be treated well financially.
2. The client has to appreciate your value.
3. Clients truly believe they get what they pay for.

No buyer has ever bragged about being successful in capturing the cheapest consultant available.

Mistakes consultants make at the conceptual and strategic level:
*Failing to understand that perceived value is the basis of the fee, and consequently attempting to manage (lower) the fee rather than manage (raise) the value.
*Failing to translate the importance of their advice into long-term gains for the client isn't he client's perception, and therefore believing that they must base their value on deliverables, time, and materials, which are actually low-value commodities.
*Failing to create a relationship with a legitimate, economic buyer, meaning that the liens may not do the right thing ethically (delay payment, argue on value, change objectives...).
*Failing to have the courage and belief system that support the high value delivered to the client, and thereby reducing fees to a level commensurate with the consultants own low self-esteem.

Consultants, not clients, are the reason for low consulting fees.

80% of consultants fail to get a statement of value from the buyer relative to the success of the project.

Larry's comment: My father and I were invited to play golf with some friends. We went to the 9 hole course and had a blast. At the 9th tee, my father asked what we owe for the round of golf. The host said, "we are members here and we only have to pay $1 for guests." My father said, "It's not what it costs, it what it is worth that matters."

Fees are based on perceived value. That perceived value is on the part of the buyer. Consequently, the buyer's perception of value is the first point of attack for a consultant who wishes to maximize income.

Logic and emotion are part of buying. Logic is the thinking side and emotion is the feeling side. Higher fees must engage both elements. Think how the buyer feels when they get in a new vehicle they are interested in buying. The feelings will drive much of the perceived value.

Clear outcomes are valuable in accepting higher fees.

If you choose to get paid hourly, you are saying your time is your only value.

Focus on OUTPUTS vs INPUTS for determining fees. Inputs are used in calculating your profit and your decision to do a project. Outputs are the results that will determine the perceived value to the client.

The nature of the measurement of success must be agreed upon by both parties.

Look at measuring qualitative and quantitative elements.

Constantly redefine what is possible for the client. That will allow new targets and measurements to be met with your help.

Three criteria for value based fees:
1. Clients objectives (clear)
2. Agreed upon measurement of success
3. Value to the client for meeting these objectives

The value of the client doing nothing should always be identified in the process (and communicated).

Choice of YESES. Give the buyer choices of things they can say yes to. Don't give them a firm yes or no option. Multiple choice of yeses, could be to offer a project for a fee, and then offer a lesser obligation or program for a lessor fee, or a different project/outcome for a different fee. Let them choose between those options. Don't make "NO" an easy option.

Ten rules to effective retainer relationships:
1. The client is educated that ACCESS is the value.
2. Access is not instantaneous.
3. There is agreement as to who has access.
4. Access must be unlimited for the client.
5. Payment must be in advance of the time period.
6. Boundaries are established.
7. The time frame is infinite and not turned off.
8. Renewal is automatic and clearly defined.
9. Create high priority potential collaboration opportunities.
10. Always stress that collaboration is the model

Be willing to walk away. And do it.

60 ways to raise fees
1. Establish value collaboratively with the client.
2. If value different, fees can differ.
3. Base fees on value, not on task.
4. Forget about what has happened before.
5. Never use time as the basis of value.
6. Practice stating high fees.
7. Think of the fourth sale first (down the road fees and revenue)

8. Don't use round numbers, but don't be ridiculous.
9. Engage the client in the diagnosis; don't be prescriptive.
10. Never voluntarily offer options to reduce fees.
11. Never, ever deal with a purchasing manager or accounts payable.
12. Add a premium if you "do it all".
13. Remove fees from all printed materials.
14. If forced to consider fee reductions, reduce value first.
15. Always make it clear that expenses are extra.
16. Always provide an option that is over the budget.
17. As early as possible, ask the question guaranteed to result in higher fees. "Can we begin with asking what you'd like to accomplish as a result of this project?"
18. Broaden objective as appropriate to increase value.
19. Ensure that the client is aware of the full range of your services.
20. If something is not on your playing field, subcontract.
21. Always ask yourself, why me? Why Now? Why in this manner?
22. Use the proposals as confirmations, not as explorations.
23. When asked prematurely about fees, reply, "I don't know".
24. If you must lower fees, see a quid pro quo from the buyer.
25. Don't accept troublesome, unpleasant, or ugly business.
26. When collaborating, use objective apportionment.
27. Any highly paid employee must bring in new business.
28. Seek out new economic buyers laterally during your projects.
29. Respond to scope creep with "I'll send a new proposal".
30. It is better to do something pro bono than to do it for a low fee.
31. If you do something for free, send an invoice. Show pro bono.
32. Fees have nothing to do with supply and demand, only with value.
33. Raise fees at least every year or two.
34. If you are unaware of current market fee ranges, you aren undercharging.
35. Keep acutely sensitive to margins.
36. Psychologically, higher fees create higher value in the buyers perception.
37. Value can include subjective as well as objective measures.
38. Use other people only when absolutely necessary.
39. Introduce new value to existing clients to raise fees in these accounts.
40. Do not accept referral business on the same bases as the referring source.
41. Ask the comparison questions (compared to other things in the business they pay large sums for (copy machine warranty, software maintenance fees, etc.)
42. When forced into phases, offer partial rebates to guarantee future business.
43. Cite a time frame for the proposals acceptance.
44. At least every two years, consider jettisoning the bottom 15%.
45. At year end, always emphasize early payment.
46. Practice saying, "I can do that for you".
47. Start with payment terms maximally beneficial to your every time.
48. Suggest key objectives beyond the project.
49. If payments are late, pursue the buyer.
50. Offer incentives for one time, full payments.
51. Be clear on what the client owes for expenses.
52. Send in expense reimbursement requests promptly.
53. Read the fine print and then push back (if you use their contract)

54. Never accept payment subject to conditions to be met on completion. (You don't pay for a book after reading it.)
55. Focus on improvement, not on problem solving.
56. Have a client absorb expense billing.
57. Provide proactive ideas, benchmarking, best practices from experience.
58. Cite US dollars drawn on US banks.
59. Practice stating and explaining your fees.
60. Always be prepared to walk away from business.

I used to say, "I was so stupid two years ago." Now I say, "I was so stupid two weeks ago". This is to give clarity of how fast the world is moving and how critical it is to receive outside advice, education, constant learning, and direction in the business world.

Write a book on your expertise and your value immediately goes up.

Attributes of an elite consultant:

1. Business sources: Key buyers seek you out.
2. Business qualification: Selects only those of interest.
3. Fee integrity: Not even discussed or maximizes margins in every case.
4. Fee levels: Above average or at the highest level.
5. Non-consulting fees: Top of profession and typically not even discussed.
6. Margins: Extraordinary.

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