

## Pricing Consulting Services

By Austin K. Pryor

Here are some comments on the pricing of consulting services. From my observation of other service businesses, they could well apply there as well. My general advice is to take multiple approaches to determining pricing. Bottom up in which one analyzes their costs and desired income (profit), and market down pricing in which one analyzes what the market seems to be paying for comparable services. Finally, if the service is somewhat unusual, analyze the "value" of the service. By value I mean both psychic value and financial value. Depending on the market segments to be targeted, one must also take into consideration what prospects can afford to pay.



### **Some Caveats in Pricing Consulting Services**

- Always avoid quoting an hourly/daily rate if you possibly can. Quote by the project.
- Remember—project tasks almost always take longer than you estimate.
- If you must quote a rate, then make it high—and be consistent! Or say: "My rates vary from \$2,500 to \$3,500 per day depending on the nature of the engagement."
- Try to avoid obvious discounting of rates—discount by estimating less time than you know it will take. Take control of pricing by adjusting your time estimates for off-site client work.
- But be very attentive to managing expectations. (write a very precise proposal with detailed deliverables)
- Once you have quoted a project cost, count hours only for your own info, and give it your "all"—but be sure you learn for next time. (Especially appropriate for sole practitioners).
- There are times when you can, and should do, "Value Billing" (premium rates). Examples:
  - Where you are providing great info in one or two days.
  - Where the client gets fantastic financial return.

### **Plausible Pricing by Market Segment & Type of Consulting (Assumes Senior Consultant)**

Type of consulting and range of plausible hourly rates upon which to base a project quote:

1. Computer Technical Support	\$100-\$145
2. "Commodity" Training & Facilitation	\$90-\$150
3. Information and Systems Technology	\$200-\$500
4. Proprietary Training (unique training program with little competition and high value added)	\$200-\$400
5. New Product consulting	\$200-\$500
6. Strategy consulting of workshop facilitation	\$200-\$500
7. Organizational development or restructuring	\$300-\$500
8. Advice and reflection with very senior executives	\$300-\$500
9. HR & Benefits	\$200-\$400

Notes: If client is non profit or a small company, then above rates may be lowered by 25% to 40%.

The upper side of the range in topics 3.through 9. is a typical hourly rate for a senior consultant/partner from a major consulting firm. To be competitive as an independent management consultant, one should probably stay in the middle of the range.