

# 20 Fantabulous Ways to Raise and Safeguard Professional Fees

BY TOM J. VARJAN

**T**he Old Paradigm  
During our business studies, when we reached the fee-setting section of our business bibles, we were taught something like this:

Figure out how much you are worth, so you can calculate how much you want to make annually. Divide this amount by 1,000 (there are approximately 1,000 billable hours per year), and that's your hourly rate.

There are several problems with this concept:

➤ Instead of focusing on providing value to the client, solution providers end up trying to arrange the maximum number of working hours in order to generate maximum fees.

➤ When consultants (solution providers) start out, regardless of what they can bring to the table, they are newcomers, and forced to charge accordingly. There is no way they can charge the "going rates".

➤ Per Diem (daily) billing can also damage client relationships and cost business, because clients must make a budgetary decision every time they need help. It means they won't call every time they need assistance.

➤ Solution providers set an artificial limit on their earning potential:

*Limit #1.* There are only a certain number of billable hours in a year.

*Limit #2.* There are "going rates" in each industry, and it is hard to increase fees beyond those rates, even when the consultant becomes well established.

So now multiply your limit #1 by limit #2, and you get the maximum amount you can ever bill. It may be \$2-300,000 per year, but it is still a limit.

However one of the reasons people start their own businesses is to shake off the shackles – limits set by their employers.

## Break the tradition

One lucrative way to break this limit is to start billing by the value you bring to the table. Let's face it, there are two reasons why

professionals get hired:

- ✓ to assist clients to make more money;
- ✓ to assist clients to save more money.

This means that there is a specific dollar value for every intervention. When you emphasize to the Buyer the value of the project and juxtapose your fees against the projected improvement, your fees grow well beyond per diem rates, but since they are much less than the improvement itself, your offers are easier to accept.

## Example

Your client needs sales education for her staff members. It is a one day course for 50 sales people.

*Per Diem scenario:* If your rate is \$2,500 per day, you get \$2,500. But not many consultants can charge \$2,500 per day.

*Per participant scenario:* You charge \$300 per head for a one day course, and have 50 salespeople participating. That is \$15,000. But \$300 per day per head is not easy to charge either.

*Value-based scenario:* Your sales program is projected to improve sales by \$20,000 per salesperson per year. For 50 salespeople this is a projected total increase of \$1,000,000 in the first year, growing by, let's say, 5 percent annually, with a projected \$12.5 million in new sales by year 10.

## So what would the value-based fee be?

*Option #1:* Charge \$30,000 for a general sales program;

*Option #2:* Charge \$80,000 for a semi-customized program, plus quarterly refresher courses for one year;

*Option #3:* Charge \$250,000 for a fully-customized program, plus quarterly refresher courses, monthly Master Mind coaching programs for one year to fully instill new skill sets, maintain the most effective transfer of skills and maximize closing ratio.

The essence is that when for only \$250,000 your client could realize an extra \$12.5 MILLION, there is very little objection. There is no objection because you talk about *what is in it for the client.*

- ✓ Do you FEEL the difference between...?
- ✓ Filling in the client's tax return forms versus maximising the client's cash flow?
- ✓ Delivering a sales education course versus putting new accounts on the books?
- ✓ Facilitating retreats for executives versus creating strategies to guide the organization?

If your client is serious about solving her problem, she will pay. Why? Because just like anyone else, she too loves bargains.

If you operate on a daily fee basis now but want to change it, you can construct a letter using the points in the Sidebar to educate your clients about why value-based fee-setting is a better win-win than per diem fee-setting.

## 20 Methods to Increase and Safeguard Your Fees

Here is a list of tips to maintain your profitability. Try a few and see what happens.

1. Establish the value of the project in discussion with your client. Engage the client in the problem diagnosis and let them define the exact outcome.
2. Base your fees on the value you bring to the table, not on the basis of tasks completed.
3. If you are asked to reduce your fees, reduce the value of the project first.
4. Don't just accept what clients tell you. Find out what they REALLY need. Keep asking about the clients' real objectives.
5. Charge extra when you do something personally. Most professionals add premiums when others perform the work, thus degrading themselves.
6. If you cannot do something personally, think about subcontracting. A substantial piece of the pie is yours that way too.
7. Provide options every time, so your client can only agree with you. One of the options should be comprehensive and over-budget.

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8. Make sure that clients know about all of the services you provide. You are less likely to be pigeonholed as someone who does xxx only.
9. Use a proposal as a summary, not a discovery of possibilities. The real proposal is the interview with clients, when they tell you about her problems, concerns and objectives and together you develop strategies to solve those problems. Once you have a conceptual agreement, write the proposal only if the client is committed to doing business with you.
10. Make sure you clearly understand the client's objectives as soon as possible. Try to broaden the objectives, so you can increase the value, thus your fees.
11. When asked prematurely about fees, just say you don't know. Be prepared to explain your fees anytime. We live in a per diem world, so first most buyers will be surprised to find out that you don't have set rates. However, they will learn soon that they are actually winning with this program.
12. If you must lower fees, start reducing value on the project. Some clients want you to lower your fees, but want all the bells and whistles.
13. If you are UNAWARE of current "going rates", you're probably undercharging. Don't be blinded by the "going rates". Jaguar, Rolls Royce, Porsche and Ferrari don't, and they are still in business.
14. Psychologically, higher fees mean higher perceived. Clients don't like bragging about hiring the cheapest professionals.
15. Broaden your expertise, so you can broaden the scope of your engagements.
16. Educate your potential "per diem" referral sources about your fee-setting strategies to avoid misunderstandings with future referrals. You wouldn't want to accept a \$50 per hour engagement referred by a friend just because she herself charges \$50 per hour.
17. Do not accept unpleasant business. Awkward prospects make even worse clients. At least every two years, ditch the bottom 10-15 percent of your book of business. This is how you can grow.
18. Start with payment terms maximally beneficial to you every time. Make sure you get paid in full before completion. Regularly practise – e.g. role play with your business coach – presenting your

fees, and keep your emotions out of the way.

19. Focus on improvement, not problem solving. Improvement is raising the bar. Problem solving – fixing things – is just restoring the status quo. Raising the bar commands more respect and is much more lucrative.
20. Always be prepared to walk away from business. If you present a powerful solution to your client's biggest problem and then are willing to walk away with the solution in your briefcase, leaving your client stuck with his problem, that gives you incredible power and attraction.

### Conclusion

Value-based fee-setting can be extremely beneficial both to solution providers and their clients.

Surgeons are the real example. An operation lasting for a few hours can cost as much as \$100,000. Why? Definitely not for the use of tools and the hydro bill on the equipment, but because of the value of the outcome of the operation to the patient.

Just like surgeons, you don't get paid for the hours you spend standing by the table, but by the value you bring to it.

One fact is certain. Professionals get hired to produce results and value for their clients. The more you focus on the outcomes of your services, the more attractive you become for your clients.

You might as well get paid according to the value you produce for your clients. **SBCM**

*Tom J. Varjan is a B.C.-based executive coach, and professional speaker. He specializes in assisting organizations to improve performance, productivity and profitability, based on existing talents, uniqueness, innovation and empowerment. His latest free Special Report "Five Fascinating Steps to Selling Big-Ticket Solutions" is available by contacting him at [hurling.frootmig@bluecrow.com](mailto:hurling.frootmig@bluecrow.com) or Tel: (604) 599-3804.*

### – Sidebar –

#### *Some ways to explain the benefits of value-based fees*

- There is an upper limit on clients' investment. The client always knows exactly how much will be spent and will have no surprises.
- It is easier for clients because they don't have to make a new budgetary decision every time they need your assistance.
- Since there is no need for ongoing budgetary approval, the client's people are more willing to share their views, which further assures the success of the project.
- If the client finds additional, related work that must be done, s/he can freely request it without worrying about increased costs.
- If the consultant decides that additional resources are necessary, there is no extra cost to the client and the consultant can employ additional help as required.
- If there is any change in the client's organization, the client won't be in the difficult situation of having to request that the project be completed in less time. The quality approach is assured, since the fee is set and paid.
- This is the easiest way to work together. Both the client and the consultant know what exactly billable expenses are.