



Value- Based Fees
How to Charge – and Get – What You’re Worth
A Guide for Serious Consultants

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Author’s Bio: Alan Weiss is one of those rare people who can say he is a consultant, speaker and author and mean it. His consulting firm, Summit Consulting Group, Inc. has attracted clients such as Merck, Hewlett-Packard, GE, Mercedes-Benz, State Street Corporation, Times Mirror Group, The Federal Reserve, The New York Times Corporation, and over 500 other leading organizations. He has served on the boards of directors of the Trinity Repertory Company, a Tony-Award-winning New England regional theater, Festival Ballet, and chaired the Newport International Film Festival. His speaking typically includes 30 keynotes a year at major conferences.

Author’s big thought: In this, the second edition of Weiss’ classic book, he shows how consulting fees are dependent on only two things: value provided in the perception of the buyer and the intent of the buyer and the consultant to act ethically. Many consultants, however, fail to understand that perceived value is the basis of the fee, or that they must translate the importance of their advice into long-term gains for the client in the client’s perception. Still others fail to have the courage and the belief system that support the high value delivered to clients, thereby reducing fees to a level commensurate with the consultant’s own low self-esteem. Ultimately, says Weiss, consultants, not clients, are the main cause of low consulting fees.

Weiss clearly illustrates how consultants can educate their clients about value determining worth and consequent investment. Weiss’s value-based fees approach is about establishing a win-win dynamic with clients, while accommodating buyers’ egos and belief that “you get what you pay for”.

Chapter Notes

Chapter 1: The Concept of Fees

Will People Actually Give Me Their Money for My Advice?

- One has to develop a philosophy about fees. They are not a “necessary evil” or a “dirty part of the job” but rather a wonderful and appropriate exchange for the superb value you are delivering to the client. That exchange has a long tradition and represents the highest ethical canon of modern capitalism: agreed payment for agreed value.

- People have been receiving fees in return for advice in one way, shape, or form for millennia, so we shouldn't be tentative or hesitant about the process here in the twenty-first century.
- The exchange of goods and services for some form of remuneration, with a minimum of government interference or arbitrary regulation, is the system within which we live.
- Fees are actually dependent on only two things: is there perceived value for the services provided that justifies the fee, and do both parties possess the intent of acting ethically?
- Establishing value with the client is key. If the focus is on fees and not on value, the client has taken control of the discussion, and the client's focus will never be on maximizing your fees.
- Ethically, the transaction should be based on fair remuneration for fair value delivered.
- People believe they get what they pay for. Moreover, emotion makes them act, while logic only makes them think. Put those two immutable theorems together and you have the Mercedes-Benz syndrome (MBS).
- The buyer's perception of value is the first point of attack for a consultant who wishes to maximize income.
- Psychologically, people believe they get what they pay for. Consequently, there is tremendous power in helping the buyer stipulate his or her perceived value from the project and then working to maximize that perception.
- You have to be prepared to discuss value with the buyer very early, prior to discussing methodology, options, timing, or, heaven forbid, fees.
- The ultimate consultant always provides options for the client's review so that the buyer can determine just how much value is available in terms of offering investments.
- Offer a client various "value packages" that help the buyer ascend the MBS ladder.
- The ideal relationship occurs when buyer commitment to the project (and to you) is high and your fee is high.
- Most consultants habitually undercharge for their services and deliver far more than they receive in remuneration, considering their contribution to success.
- Consulting projects should be true partnerships between the consultant and the economic buyer.
- Large fees are dependent on emotional buy-in, and that must be achieved in the relationship aspect of the consulting sequence, well prior to the actual closing of business.
- The buyer's commitment to outcomes and to his or her role in the partnership being formed to reach those outcomes is the key determinant of high fees. Buyers who are too willing to go along with recommendations are as potentially fatal as those who dig in their heels after you've said hello.

- Effective branding actually creates fee “buoyancy”. There is actually one thing better than a buyer impressed by you and respecting you on sight and that is the buyer impressed by you and respecting you before ever laying eyes on you.
- The mere power of a brand is sufficient to overcome any resistance to fees and in fact often elevates fees merely by dint of association with such brand images as quality, reputation, client history, and media attention.
- There is no brand as powerful as your name. Brands are accelerators of credibility and therefore of relationships. They immediately justify higher fees in the mind of the buyer, and that is the only mind that counts on that matter. Brands are expressions of uniform quality. The ultimate brand for most solo consultants is their name, as in: “Get me Joan James.”
- Many successful consultants either don’t bother to use their past success to create effective brands or have created brands that they don’t properly leverage for higher fees.
- True partners never begrudge each other their proper due. In fact, there’s an implicit trust that neither partner will take advantage of the other and that terms, conditions, and time frames are innately fair.
- Fee pressure decreases with a sense of shared investment, shared accountabilities, and shared success.
- The consultant must anticipate and plan to overcome objections about how other, less enlightened consultants have charged, are charging, or will charge. That is, literally, neither here nor there.
- Leaving money on the table is the equivalent of burning money - you will never, ever recover it, and we are talking millions of dollars over one’s career.
- Finally, shared success—understood from the outset and achieved at the conclusion—is vital to the belief in consultant worth as part of a partnership with the buyer.
- The One Percent Solution®: Believe in your own value, and build your perceived value in demonstrable ways every day. That is the fuel for the acceleration of fees.

Chapter 2: The Lunacy of Time-and-Materials Models

- Clients will pay a great deal for the outcomes, results, and long-term value of that advice. And that value has nothing whatsoever to do with time.
- The idea is to meet demand with a minimal supply of labor and, in fact, meet growing demand by an increasingly diminishing investment of time. This is called working smart, not hard.
- It’s simply not smart to be booked 80 percent or more of the time, because your flexibility is eliminated. The last thing a good consultant wants to happen is for a client to make comparisons based not on the value of the contribution but rather on the charge per hour. Our value is simply not conveyed by merely showing up.

- What we should want to accomplish is an ideal relationship of interesting, growth-oriented work and fees based on our contribution to the client's results.
- Supply and demand is for commodities, not consultants. Your supply will always exceed demand. It has nothing to do with good consulting, and it should never be used as a basis for fees.
- Whenever a consultant accepts work on the basis of being paid for time spent on the project, an immediate conflict of interest arises.
- Value-based fees are far better for the client because they remove the ethical compromises that attend hourly or daily billing. You want the client to make a single return-on-investment decision at the time of the proposal, not a new ROI decision every day (or hour).
- Most any client will reasonably ask for some estimate of investment so that a proper budget can be allocated. Even with the most exacting formula, these are always only estimates, and the client's budget is actually endangered constantly.
- As projects unfold, something has to give: either the client will have come up with additional funds to pay for more hours, or the consultant will have to leave work undone (or work free of charge).
- The client's natural compulsion will be to reduce one or both of the only two variables representing the buyer's costs: amount of time or amount of money per time unit. The consultant will be compelled to try to do the exact opposite. However, since the client is the only one who can say yes or no, the buyer's determination will prevail.
- For legitimate ethical interests, for the client and the consultant, time-and-materials billing is problematic and compromising. Not usually compromising. Always compromising.
- The very worst aspect of billing based on time is the limitation it places on profitability. The only intelligent business proposition is to attempt to maximize profitability.
- It is absolutely crazy to adapt any billing scheme that can place a cap on your income. Time unit billing does just that. The only good reason for deliberately making less money is the urge to work less, and even there, Weiss has a hard time believing that you must also take less money if you're smart.
- The focus on "billable time" has driven both independents and large consulting operations to focus on work, use, and task, on the assumption that something is better than nothing. Something is not better than nothing. Some things are worse than nothing because they cost you money.
- The problem with professions that use time-and-materials charges is that the practitioners have no real appreciation for their own value and hence cannot adequately (or dramatically) convey their value to the client.
- There isn't one profession using time units or percentages as billing bases that can match the potential fees of consultant using value based fees. Not one.

- Taking a percentage of some arbitrary figure is no better than time unit billing. Why not be paid for the true value you bring? If you don't believe that, the client won't either.
- Professions that focus on commodity billing—be they legal, financial, architectural, search, consulting, or any other—are those that don't believe their own value proposition in terms of client outcome and therefore can't adequately make a case for it.
- In true client-consultant partnerships, neither party wants to put the other at a disadvantage. Partners simply don't do that to each other. Our job is to educate prospects from the outset about how we operate. That means that certain steps are important to take and others important to avoid.

Chapter 3: The Basics of Value-Based Fees: It's Better to Be an Artist than to Be an Engineer

- The goal of a consulting intervention is to improve the client's condition by meeting or exceeding mutually established project goals that are expressed as business outcomes. If those goals and outcomes are thus met or bettered, the resultant improvements will justify any reasonable investment required to achieve that particular return.
- The point of value-based fees is that both the client and the consultant feel well treated and are happy with the finished picture.
- Here is some phrasing:
 - Q: How can any buyer whom you have established as a peer and with whom you have a trusting relationship possibly object to this description of your fee basis?
 - A: My fees are based on my contribution to the value of the outcomes of this project and represent a dramatic return on investment for you and equitable compensation for me.
- Most consultants place their value proposition at the wrong end of the equation: they focus on their ability to do rather than on the client's ability to improve.
- The problem is that consultants focus on task—what they do—and not on result—what the client gets.
- Tasks are basically commodities that can be compared and contrasted. The intrinsic value of outcomes is enormous because they meet client emotional and visceral needs and can't be compared to anything else. Thus the sole difference in the client's perception of task (commodity) versus result (outcome) is within your power to influence.
- Move the prospect from what you do to how the prospect benefits as early as possible in your contacts or discussions. Ultimately, your fees will be based on those early moments.
- Once you change the focus to the client's outcome, the commodity mentality tends to disappear.
- There is no reason on earth that a consulting project can't be sold, implemented successfully, and concluded brilliantly without a single mention of "deliverables"—unless, of course, that's what the consultant is selling, implementing, and concluding.
- The key in avoiding deliverables is not to talk about them but to talk about value and outcomes instead.
- It's fair to give your prospect a notion of the type of methodology you'll be using.
- The absolute worst deliverable to suggest, commit to, and base fees on is your time. When your value is based on showing up, you tend to show up whether you're needed or not.
- Fees that are based on true outcomes and client results require that some metrics be established for those results so that you and the client can relate the improved client condition to your involvement and not the fate or actions of others.
- There are two kinds of metrics to assign to the desired client outcomes: quantitative (improvement by an objective yardstick) and qualitative improvement by an agreed-upon subjective reference point).

- The objective measures of client improvement are clear and obvious. They include areas such as market share, revenues, profits, response time, customer ratings, employee ratings, return on investment, return on sales, etc. There are several critical aspects to even such clear and objective measures.
- First, the nature of the measurement device must be agreed on. It's up to the consultant to evaluate the metric and help the client establish a sound one if none exists or if the current one is inadequate.
- Second, you cannot base your contribution on a "magic number." The reason is that there are far too many variables that can affect that number adversely for you to take that risk.
- If you feel pressured to agree to some number by a client who is not comfortable with ambiguity ask what a conservative improvement or achievement would represent. Once the client arrives at it, cut that number in half. This will ensure an unequivocal ROI ratio. Even better, ask for a range, and take the low end of the range and cut that in half.
- Qualitative measures can be among the most powerful and create the highest fees if a significant buyer is doing the measuring.
- People will change behavior for the long term—that is, with commitment and not just compliance—only if their rational self-interest is met. Motivation is intrinsic, and people can motivate only themselves to change.
- The keys for all of us, when dealing with subjective and anecdotal measures. Is to agree on the specific behaviors and evidence with the buyer and to compare notes on relative progress frequently.
- Qualitative and subjective measures are often the most valuable that a buyer wants to pursue, so don't demand that they be somehow metamorphosed into quantitative metrics and numbers.
- Value-based fees are most directly related to the client's self-interest being served. That self-interest may be organizational: higher sales, better retention, improved image—or personal: less stress, better time use, improved effectiveness. In either case, it's the buyer who counts.
- All clients know what they want. Few know what they need. It's imperative to explore this early and tap into the buyer's self-interest, which is always going to be to find the best organizational or personal improvement.
- The key to geometric growth is to find that rich vein of true need and mine it assiduously.
- No one cares, really, about how good you are. Clients care about how good they are going to be when you're done with them.
- We are actually worth the transformation that we achieve in turning our history into the client's future.
- Constantly survey your past clients to determine your full breadth and scope. We are often ignorant of what the client feels has been the true impact of our partnership.
- The point not to be lost is that you must have a conscious model for determining your value to the client, and your models, whatever they are, must start with your own acceptance and buy-in. The first sale is always to yourself.
- Most consultants are unaware of their own business model.
- Our ability to influence the client's future is an ongoing need and a continual value. If we're really good, the collaboration isn't just about new futures and the requisite journeys.
- The very work you do with a client should make you more valuable to that client as time progresses.
- We come and go too quickly, in general, and we underestimate the improving value we provide simply by dint of successfully working with the client and reaching our mutual goals in real time. We leave too early because we disengage too early, and we disengage too early because we don't think it's right to market while we deliver.
- The opportunity to turn our past into the client's future is very existential. Our past improves as our work with the client progresses. As that value grows, so should our client relationship and the duration of our partnership.

- Consulting is art and science. The danger is that we become excellent technicians and lose our aesthetic sense. We need to paint visions of the future—for our clients and for ourselves.

Chapter 4: How to Establish Value-Based Fees: If you read only one chapter....

- Never lose sight of the fact that fees are a means to create wealth, and wealth is a function of your freedom to allocate time to important personal objectives and needs.
- Consulting is a relationship business. Trust is essential to relationships. When a buyer trusts you and you trust the buyer, you are in a position to acquire the three essential building blocks for a value-based project:
 1. The business objectives to be met
 2. The metrics or measures of success to assess progress
 3. The value to the client of meeting those objectives
- That's all you need from the client to set a fee based on value. And you can only obtain that from the economic buyer. The sequence here is simple and straightforward, but also ineffable.
- Without the economic buyer, the discussion is irrelevant; without a trusting relationship, the important information is unlikely to be shared; and without conceptual agreement, we are unable to establish the value as perceived by the client, which is the key input to determining our own fees.
- *Objectives*: Business outcomes (for example, higher sales, better teamwork, faster time to market) that are essential for the project to deliver for the client
- *Measures*: Objective or subjective (anecdotal) criteria that will indicate progress and, eventually, completion for client and consultant
- *Value*: The demonstrable organizational or personal benefit stipulated by the client as representing the actual improvement in the client's condition
- A second major component of value, however, can be ascertained without the buyer's involvement, and that's your uniqueness and personal contribution.
- Here are three questions that you should answer in every single engagement, prior to establishing fees:
 1. Why me?
 2. Why now?
 3. Why in this manner?
- Ask yourself whether you bring some inherent value that others can't, whether by design (a book you've written) or by accident (you're the only one who can begin next week). Sometimes it's as important to be lucky as it is to be good at what you do.
- It's easy to assess your own unique value, but most consultants, don't bother. If you don't do it, no one else is going to do it for you.
- When a prospect contacts you, there is always an implied urgency. The key is to determine just how great it is or to increase it through your relationship with the buyer.
- By determining special circumstances, you'll be in a position to establish your ability to contribute to those special needs.
- Whenever a client contacts you, there is the strong possibility that the urgency and need for a resolution are greater than initially indicated. This is why effective marketing is so important: prospects who contact you are much more inherently valuable than prospects you contact. The value proposition is entirely different in the two situations.

- At this point, you have two excellent sources or indicators of the contribution you are providing to the client's improvement:
 1. The stipulated value that the successful completion of the project will deliver to the client
 2. The unique qualities that you, personally, bring to the equation to ensure that those results are met and exceeded
- Assess all the emotional and psychological factors that may prompt a buyer to perceive that he or she is getting a really good deal. That same process will enable you to raise fees, provided that the "good deal" is not about lowering fees!
- The psychological shift from "Should I use Alan?" to "How should I use Alan?" is enormous. The buyer, in the latter instance, actually enters into a collaboration with you to determine how best to apply your talents and use your contribution. The former, a binary choice, is a sales proposition; the latter, a pluralistic choice, is a partnership proposition.
- By simply providing options, you move the sale to an assumptive close and the fees to a "migratory range" that is ever upward. Every buyer wants to lower fees, but not one wants to lower value.
- Once you've established a general fee range for your contribution based on the value generated (all the factors discussed previously in this chapter). You can then spread them across a "choice of yeses" to engage the buyer in the best outcome for the client.
- Never place a buyer in a "go or no-go" dynamic, and never be constrained by a stated budget. If you really believe it's about value, then any budget can be adjusted by a buyer who perceives greater value than expected.
- Here's a terrific hint for getting a fee even above the buyer's stated budget. When you provide the options, cite two that are within the budget and one—with even greater and perhaps irresistible value—above the budget.
- Don't use a fixed-fee formula. But do have some guidelines that you can apply until you're comfortable moving away from the "science" and toward the "art."
- The Step-by-Step Choice of Yeses (see page 80). The "formula" is simple, but the toughest part of this sale is to yourself, not the buyer.
- The "choice of yeses"—options—is the key tactic in moving a buyer to a consideration of value-based fees, and the propensity will be to move upward through increasing value. Never submit a proposal without options of distinctly different value propositions.
- If you must use a formula, fix it at 20 to 1 or better—in other words, 10 to 1 is just fine.
- The key to even this formulaic approach is to work backward from the ultimate client value through your unique contribution to the current fee schedule spread over options. Do not work forward, trying to calculate the amount of time, number of days, volume of deliverables, or variety of tasks. They are commodities and, no matter what margin you add to these activities and commodities, it will be minuscule compared to your margin for a truly value-based approach.
- Finally, here is a strategic and conceptual "formula" for those who are really enthused by the idea of value-based fees and ready to try them: The tangible outcome and its annualized duration; plus the intangible benefits and the worth of those, emotionally, to the buyer; plus the peripheral benefits (such as being seen as thought leaders) times the number of people who will appreciate them—all of this divided by the investment—equals the value. How can you not demonstrate a huge ROI?
- Use the fee formula until you get comfortable, then let the art overtake the science. Remember that you never have to justify your fee basis to a client, and only low-level people will usually make such a demand. You only have to demonstrate the value of the outcomes. Fee setting is a time to be aggressive, not defensive.
- If you can't articulate your own value, you can't very well suggest value-based fees. Look in the mirror, and practice on the toughest buyer of all. The first sale is to yourself.

Chapter 5: How to Convert Existing Clients: Correcting Your Own Mistakes

- Nothing raises fees like your willingness to walk away from business.
- The first order of business is to establish the decision criteria to determine which clients even to approach. A general “triage” system works best:
 1. High-potential clients for change to value-based projects
 2. Clients who could go either way but require more work
 3. Clients who will not change short of having their legs broken
- Depending on your client base, you might have as few as three or four candidates or as many as a dozen or so. The key is to approach each one with a clear and customized strategy.
- The top priorities can’t be lost, so while the goal is to move them to a value-based system, the essential is not to drive them away.
- It’s almost impossible to convert all current clients to value-based billing, but it’s always possible to convert a few if you carefully establish your targets.
- Let’s be clear: you don’t want to lose significant clients; that’s the bottom line. You would like to transfer as many of them as possible to value-based fees. That’s the goal. Ignore low-potential clients, and focus on increasing perceived value to high-potential clients.
- Once you’ve identified the top priorities with which to attempt conversion, you can build those plans into your normal visits.
- That groundwork can be laid with dialogue, observations, and reminders with the buyer:
- Keep these four critical factors in mind:
 1. Every piece of new and potential business should be treated exclusively as a value-based prospect
 2. The first sale is always to yourself
 3. Although the idea is to retain the client at all costs, you can’t be fearful
 4. You must provide additional value as perceived by your buyer
- The most important and most effective method for converting existing clients to a value-based fee system is to offer new value. Clients will abandon an old system if a new system provides more value and better appeals to their self-interest.
- You must determine what your client would pay more for, since value-based pricing must provide more income than hourly or daily work.
- Here are some generic methods to provide increased value with existing clients.
 - Offer access at any time, subject to mutually convenient schedules, by phone, fax, e-mail, or in person, if needed.
- It does provide the immediate perception of far more extensive interaction for a fixed fee.

- New services, which might seem prohibitive on a per diem, cumulative basis, will seem like a bargain when combined with ongoing services under a single fee for a finite time frame.
- Offer to combine as many other operations as requested under a single fee
- Value-based fees can be strong compromises for the client who is unsure which budgets should be used, how to charge back time, and how often to take advantage of the consultant as a resource.
- As part of a value-based proposition find new and unique access points so that the client feels a more comprehensive relationship.
- Discipline yourself to unbundle the potential value propositions that you can deliver to a client.
- Use the strength of your own community to include excellent clients in interactions (breakfasts, teleconferences, chat rooms, and so on) only available to your elite buyers.
- A new buyer within an existing business does not necessarily have to undertake a project with you on the same basis as others have. The important strategy is to refrain from educating the new buyers incorrectly, as you have the existing buyers!
- If you believe that new buyers within the client organization represent new sales that can be placed on a value basis, then they deserve quite a bit of effort. Here are seven tactics to reach them efficiently and effectively:
 1. Ask your current buyer for recommendations.
 2. Seek out meetings at which to present your reports and suggest that “interested others” and support groups attend.
 3. Listen for key names of power brokers, and when you find yourself with them for any reason at all, introduce yourself.
 4. Publish in the organization’s house organ or, even better, allow them to interview you and discuss the results of your work.
 5. Offer to brief support units, internal customers, internal suppliers, and any other even remotely interested parties.
 6. Volunteer within the company.
 7. Monitor personal changes, promotions, transfers, and other internal events.
- Finding new buyers within existing clients is essential for any highly successful consultant but absolutely critical for the consultant who wants to convert existing, high-potential hourly clients into long-term-term value -based clients. Start off with them as “new” clients whom you can educate properly.
- The final tactic for converting clients to value-based pricing is to find some new client, market, or environmental circumstance that supports the reasoning for such a change at this particular juncture.
- Within your existing clients who are still on a time-and-materials basis, be alert for opportunities to promote a change to value-based fees. In fact, you can use this “new circumstances” approach with your moderate-priority clients as well.

- You only have 100 percent of your energy and resources to apply. Wasting any amount of this on no-promising and underperforming business is negligent behavior. You must abandon a portion of your business periodically because no one else will do it for you. The worst clients tend to be the most loyal.
- Unless we abandon business regularly, we give ourselves no leeway to reach out for new and more profitable business. Our time is usurped and our energies depleted by business that not only can't be converted to more lucrative arrangements but is actively impeding us from converting (or acquiring) other, higher-potential business.
- You simply have to let go in order to reach out. There is no way to both hold on to past unprofitable business and to acquire future, highly profitable business.
- Finally, remain in touch, and use the client as a reference and referral source. Maintain a friendly relationship, although not a business one.
- Unless you deliberately, proactively, and methodically abandon business, you'll be unable to convert any higher-priority clients to a value-based approach, nor will you have the time to acquire new business at the rate or pace that makes sense.
- You have to let go to reach out. Let go of those who can most easily go their own way before more important clients let go of you. Don't try to convert every client to value-based fees, and don't stop trying if some balk or resist. If you convert one or two high-potential clients, you will have created huge new margins for yourself. Life is about success, not perfection.

Chapter 6: The Fine and High Art of Using Retainers

- There is a difference between value-based fees and retainer fees.
- A *value-based fee* is compensation paid by the client in exchange for the consultant's contribution to the ultimate value improved condition) that the client agrees will be derived. Value-based fees concern projects of finite scope.
- A *retainer fee* is compensation paid by the client in exchange for access to the consultant and the consultant's talents for a specified interval. Retainer fees concern time periods of finite duration.
- A Contingency fee is compensation paid by the client as a fixed percentage of a stipulated financial outcome at a certain point in time. Contingency fees, often called "performance fees," concern percentages of monetary gain.
- A retainer represents the client's opportunity to approach you—to approach you, not for you to approach the client—that is the great value here.
- You must get comfortable with the idea that access to you is of inherent value.
- Ten Criteria for Lucrative Retainer Agreement Conditions
 1. *The Client Is Educated That Access Is the Value.*

2. *The Client Understands That Access Is Not Instantaneous.* The idea is to create reasonable expectations of access. The key aspect of “access” is “responsiveness,” not omnipresence.
 3. *There is Agreement about Who Has Access.* The people with access must be designated in advance.
 4. *Access Must Be Unlimited for the Client.* If you don’t equate “access” with physical presence, you can actually accommodate quite a few retainer clients at once. Why can’t consultants telecommute?
 5. *Payment Must Be in Advance of the Time Frame.* You cannot run the risk of unlimited access for any significant length of time without payment in your pocket.
 6. *Boundaries Are Established.* You and the client agree on access but nothing beyond that without further compensation.
 7. *The Time Frame Is Finite and Not Turned On and Off.* You’re providing access during a given, finite time frame, not a cumulative time frame of access.
 8. *The Procedure for Renewal Is Clear.*
 9. *Carve Out High-Priority Potential Areas for Collaboration.* If access to you isn’t being taken advantage of, you need a basis for “priming the pump.” That can be established at the outset so that you have a reasonable premise for contacting the buyer on occasion.
 10. *Always Stress That This Is a Collaboration.* A retainer arrangement generally represents a pure counseling role, an advisory relationship, and a partnership.
- Here is a summary distilled down to the three key dimensions for pricing retainers and one prime directive for successfully implementing them.
 - *Time Frame.* The length of the retainer must be stipulated. Always try to be paid at the outset of the time period.
 - *Numbers.* You must make clear exactly who has access to you.
 - *Scope.* What is the extent of your involvement and your availability?
 - The Prime Directive
 - Understand that your availability and potential access are the value, and you are fulfilling that every day. Whether or not you are engaged with the client.
 - Retainers that are too short don’t give the buyer enough time to access your help under a variety of conditions, to allow truly valuable applications for your advice to arise, or to let you become adept at this particular arrangement with this particular buyer.
 - Overly long retainers cause the buyer to question the value if you’ve become so successful at advising (and transferring your skills to the buyer) that toward the end of the arrangement there is much less contact and much less perceived value on the buyer’s part.
 - Long-term retainers can turn you into a member of management, which immediately devalues your role as a consultant and therefore ultimately undermines your fee structure.

- You have to make clear to the client that any discrete projects that may rise during the retainer's time frame are not included in the fee for the retainer itself.
- You want to create a win-win dynamic for projects undertaken while a retainer is in force, causing the client to appreciate that the project required additional investment but that the investment is reduced thanks to the retainer relationship.
- You can have simultaneous retainer and project relationships with the same buyer. Keep your criteria clear for which is which, for your benefit and the client's. A retainer that includes unlimited project work will kill you.
- Here are the traits and abilities that are important for the consultant who wants to foster and build more retainer relationships, above and beyond those traits we need in any case merely to be effective consultants.
 - *Rapid Framing Skills.* The ability to recognize patterns, universal challenges, and common problems expressed by your client.
 - *Nonjudgmental Stance.*
 - *Empathy but Not Sympathy.* You need to empathize in order to gain trust, not sympathize and merely commiserate about misfortune or bad rolls of the dice. You must provide avenues toward success and not rationalizations for failure.
 - *Rapid Responsiveness.* If you have a particularly hyper or type "A" client, you may be able to save a great deal of grief by responding as promptly as possible—heading things off at the pass rather than waiting around the bend.
 - *Push back.* Your client will sometimes be wrong, based on the facts. Tell the client in a straightforward manner. Confront the behavior and help change it.
 - *Expertise.* Easily identified expertise makes the investment desirable rather than dubious.
- Not every consultant is an effective retainer consultant. Consulting on retainer is not simply an elongated project. It's a more intense and personal relationship, requiring a higher degree of communication skills.
- Establish realistic expectations with the buyer early, and stipulate them in a letter of agreement before the actual work begins. That way you can establish "rules of engagement" short of the legal department.
- Make sure you create conditions that are maximally supportive of the retainer arrangement. Organize the scope and the parameters so that they are crystal-clear.
- Exploit and capitalize on the retainer success—you may choose to move your practice partially or predominantly in that direction.
- Arrange for retainer renewals well before the period is over. Either party can unilaterally end it, but both are required to extend it.
- If you don't include retainer work as a service offering, you aren't providing a full range of opportunities for your client and your practice.
- Retainers are often the least labor-intensive of all client work and relationships; they are also highly profitable.

- Your mind and your talent are assets that represent value in themselves. Why not charge for access to those assets? After all, the ultimate brand is you.

A Mid-book Practicum: Ethics and Fees, Fees and Ethics

- Since the first edition of this book was published and more and more practitioners and firms have adopted value-based fees, Weiss received thousands of inquiries about ethical considerations. These are encouraging, since they are well thought through and very well intentioned. Weiss summarized the points from the most frequently asked questions.
- You can charge different fees for the same work to different clients or even within the same client organization. Value-based fees are based on the value being delivered to the client.
- Using the same methodology and perhaps the exact same time investment, you're achieving far different results for the organizations. There is nothing unethical about charging based on your contribution to that larger return, and the client's return on investment will still be superior.
- When the client's ROI becomes so low that there is a question about the wisdom of the investment, you're probably overcharging or underestimating value.
- So long as the buyer is happy, you're under no ethical, moral, or legal obligation to provide the lowest possible fee.
- A retainer is paid for access to your smarts on an as-needed basis. You are not obligated to perform when someone simply wants to ensure access.
- If a client makes a legitimate request for reduced fees, you should consider it for the sake of the long-term relationship.
- Never return money. It is quite proper to tell a client that he or she has six months left before the fee is forfeited.
- The most unethical aspect of fees are time-based, because the client is best serviced by quick resolution and the consultant is best compensated by slow resolution. It's a conflict.
- If you can solve the same problem (or improve the same situation) in twenty minutes as you can in a month, the client is best served by the twenty minutes, since the gains start sooner and the disruption is minimized. Therefore, and this is counterintuitive to many people, the consultant should be paid more for less work. This is because work is an input and is unimportant in the fee equation; business results are the output, and they determine value.
- If a client who is in deep financial trouble, has asked that you "be patient", inform your client that you are a small business, very vulnerable to cash flow, and you expect all your clients to conform to agreements, contracts, and proposals. Hence, while you

sympathize with the client's plight, you must insist on payment as agreed. Stop work until you are paid.

- Nonprofits must spend significant money to support the infrastructure that generates new funds. You are a part of that support and deserve to be paid for your value. Don't go soft on nonprofits. You're helping them reduce costs or increase revenues just as you are for anyone else.
- When a buyer asks you to work with someone else, you must establish whether the buyer wants feedback from you, wants feedback from the coaching subject, or does not require feedback. You must then make this clear with your subject. That is, you cannot report on progress (or lack of progress) to your buyer without the consent of the subject. There must be full disclosure of the nature of the project and reporting. The ideal situation is to provide no feedback to the buyer and allow the buyer to judge progress from observed behavior.
- Don't respond to RFPs because they present predetermined alternatives and are evaluated by low-level people paid to conserve money.
- It is not ethical for a prospect to show your proposal to other consulting firms being considered and theirs to you. You should stipulate in your proposal that it is for the buyer's use only and may not be shown to non-organizational personnel without your written consent. Moreover, you should put a copyright notice on your proposal if you even suspect that this may happen.
- Ideally, current clients should get the best deal you offer, and newer clients should be paying more.
- Lower your fees if the client pays 100 percent of the discounted fee up front or allows you to remove some value from the project or throws in some value for your benefit, such as referrals and introductions, or takes on more of the labor with client personnel.
- You shouldn't ask for an expense reimbursement for anything that didn't cost you money. Charge for your value, not by cheating on your expenses.
- Taxable forms of compensation must be reported.
- Cash is a messy form of payment, since there is no paper trail. There is no legitimate reason to accept cash unless you are selling products at the back of a room during a speaking engagement. And even then accept payment only by credit card and check.
- Don't raise fees when people pay by credit card. – it's tacky.
- Credit cards are becoming increasingly common, and it's no longer unusual to be paid for speaking engagements, expense reimbursements, and even modest consulting work by credit card.
- Make all invoices "due on receipt" and not "thirty days net". Send your invoices well in advance of the due date for installment payments.
- You can always arrange deferred payments or installment payments or, even easier, just delay work or billing until the next year. Paying higher taxes on increased revenues

is a pleasant problem. Every time you forestall payment, you are risking no payment. Always take the money as soon as you can.

- Drop at least 15 percent of your business every two years. You're not going to attain the next fee level as long you're carrying all that low-fee baggage from your past.

Chapter 7: Seventy Ways to Raise Fees and/or Increase Profits Immediately

- If you follow Weiss' philosophy of the 1 % Solution, ® you only need apply one technique to raise fees every day for seventy days to have potentially doubled your income in that period.
 - Maximizing your profits means improving the top line and controlling the expense line. What you keep, not what you make, is the key. Use the guidelines in this chapter as a template that you can apply to your business on a periodic basis. There will always be room for improvement because none of us do all things equally well or apply them uniformly. If you have a staff, use this list as a conversation point at meetings and strategy sessions.
1. Establish Value Collaboratively with the Client
 2. If Value Differs, Fees Can Differ
 3. Base Fees on Value, Not on Task. Never base a fee on your doing something. Always base it on the client's achieving something.
 4. Forget about What's Happened Before.
 5. Never Use Time as the Basis of Your Value. Your value is in your talent, not in your showing up.
 6. Practice Stating High Fees.
 7. Think of the Fourth Sale First. View your larger clients strategically, and anticipate how you can be of help over years on a variety of projects, not just for the present on a single project. The cost of acquiring new business from scratch seriously decreases margins.
 8. Don't Use Round Numbers, but Don't Be Ridiculous. If the client walks away thinking that the value was a bargain and you walk away feeling that you were paid well, there is no third consideration.
 9. Engage the Client in the Diagnosis; Don't Be Prescriptive. One simple way to do this quickly is to provide a "Process Visual" and let the buyer decide where the organization belongs.

There is an intrinsic value in merely involving the client in discussions of how to approach the project. Value is based not just on what you contribute but also on your embrace of the ideas and desires of others.

10. Never Voluntarily Offer Options to Reduce Fees. The only option Weiss ever recommend is a small discount if the client pays the entire fee up front. At the time of project acceptance.

11. Never Deal with a Purchasing Manager or Accounts Payable. The hand-off is fine if “finance” merely implements the paperwork and generates the checks.
12. Add a Premium If You Personally “Do It All.” It costs more if you’re the only one to work on the project, not less. You’re the talent; the subcontractors are not.
13. Remove Fees from All Printed Materials.
14. If Forced to Consider Fee Reduction, Reduce Value First.
15. Always Make It Clear That Expenses Are Extra.
16. Always Provide an Option That Exceeds the Budget.
17. As Early as Possible, Ask the Question Guaranteed to Result in Higher Fees, or QGTRIF: “What Are Your Objectives?” Always begin with objectives, because they focus the buyer on results (not on costs) and give you the opportunity to pursue real needs (not wants).
18. Then Broaden Objectives as Appropriate to Increase Value. It’s relatively easy to broaden the objectives—and, consequently, raise the fees—by asking a few innocent questions.
19. Ensure That the Client Is Aware of the Full Range of Your Services.
20. If Something Is Not on Your Playing Field Subcontract. If the predominant parts are within your competencies, subcontract what you can’t handle.
21. Always Ask Yourself, “Why Me? Why Now? Why in This Manner?” By asking these questions, you’ll know your intrinsic value in setting the appropriate fee.
22. Use Proposals as Confirmations, Not as Explorations. Don’t submit a proposal until you have conceptual agreement on objectives, measures of success, and value to the organization.
23. When Asked Prematurely About Fees, Reply, “I Don’t Know.” You can’t quote a fee until you have more information—but you can have the options ready within twenty-four hours.
24. If You Must Lower Fees, Seek a Quid Pro Quo from the Buyer.
25. Don’t Accept Troublesome, Unpleasant, or Ugly Business. Bad prospects are bad clients.
26. When Collaborating, Use Objective Apportionment. Use whatever formula that’s clear and objective so that everyone understands the ground rules for revenue sharing.
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. Never do pro bono work for a profit-making entity.
31. If You Do Something Pro Bono, Send an Invoice. Show the pro bono client what your actual fee would have been, and then waive it, showing a net of nothing due.
32. Fees Have Nothing to Do with Supply and Demand, Only with Value.
33. Raise Fees at Least Every Two Years.

34. If You are Unaware of the Current Range of Market Fees, You Are Undercharging.
35. Stay Acutely Sensitive to Margins. It's not what you make but what you keep that's crucial.
36. Psychologically, Higher Fees Create Higher Value in the Buyer's Perception. Buyers believe they get what they pay for,
37. Value Can Include Subjective as Well as Objective Measures. A high-level buyer's relief from stress, anxiety, unpleasant situations, poor image, safety concerns, and similar pressures is worth a great deal.
38. Use Other People Only When Absolutely Necessary.
39. Introduce New Value to Existing Clients to Raise Fees in These Accounts. Don't simply sit back and do the same thing every year.
40. Do Not Accept Referral Business on the Same Basis as the Referring Source.
41. Ask the Comparison Question. It works for putting your fees into perspective.
42. When Forced into Phases, Offer Partial Rebates to Guarantee Future Business. This tends to dissuade buyers from looking for alternatives at every new phase, using your work from the prior phase.
43. Cite a Time Frame for the Proposal's Acceptance.
44. At Least Every Two Years, Consider Jettisoning the Bottom 15 Percent.
45. At Year-End, Always Emphasize Early Payment.
46. Practice Saying, "I Can Do That for You." Often the buyer won't realize that you are as multifaceted as you are.
47. Start with Payment Terms Maximally Beneficial to You Every Time. For example, explain that your policy is to receive the full fee paid in advance. If the client finds that unacceptable, offer 50 percent on acceptance and 50 percent in forty-five days.
48. Suggest Key Objectives Beyond the Project.
49. If Payments Are Late, Pursue the Buyer. Consider this a joint problem.
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; Then Push Back.
54. Never Accept Payment Subject to Conditions to Be Met on Completion.
55. Focus on Improvement, Not on Problem Solving. Problem solving is a commodity. Orient yourself to innovation, and the worth of our project will be commensurately higher.
56. Have the Client Absorb Expense Billing. Not only does this help cash flow by preventing payments and waits for reimbursement, but it also reduces the number of invoices a client sees and reduces the total costs associated with your project.
57. Provide Proactive Ideas, Benchmarking, and Best Practices from Experience. Experiences in other industries and under other conditions that can contribute to improving the current client's condition.

58. Quote in U.S. Dollars Drawn on U.S. Banks.
59. Practice Stating and Explaining Your Fees.
60. Always Be Prepared to Walk Away from Business.
61. Make Sure Your Fee Increases Exceed the Inflation Rate.
62. Push Toward Being the Bentley of Your Field.
63. Build Strong Brands and Nurture Them. People are attracted to brands and pay far less attention to price.
64. If You Are Active Globally, Consider Both Differential Rates for Overseas Work and Being Paid in Local Currency If That Helps.
65. Never Allow Local Taxes to Be Deducted from Your Fees.
66. Accept Wire Transfers from Clients.
67. Use Multiple Invoicing If a Client's Level of Authority Is Surpassed by Your Proposal.
68. Keep Boilerplate Out of Your Proposals.
69. Never Allow Accounts Payable to Do Anything but Send You the Check.
70. Look in the mirror and say, "The fee is \$176,000."

- We control much more of the profit dynamic than we think we do, but the way we educate the buyer, insist on our rights, and have the confidence to forge our own policies will determine how successful we are at protecting our bottom line.
- Remember that you are providing value, not "taking business." Your contribution to that value justifies an equitable payment to you. There is a name for this: it's called "capitalism."
- Whether or not you believe you are worth the fee, you're right.
- If you can't find several ways to increase profits from these seventy suggestions for raising fees, you aren't really interested. If you haven't highlighted and noted at least a few of the options, you may just be reading and not learning—which is never enough.

Chapter 8: How to Prevent and Rebut Fee Objections

- We, as consultants, know what our prospects' objections are going to be. There is no excuse not to be prepared for them.
- There are four fundamental resistance points: no need, no trust, no urgency, no money. You must address the correct one. Seldom do all four come into play, and lack of trust is usually the fundamental problem. Lack of money is usually a red herring.

Resistance Point 1: I Don't Trust You

- Perhaps the most common and most fundamentally understandable resistance is that the buyer has no reason to trust the consultant.
- Not only is the creation of a name, brand, and reputation a quick route to establishing trust with any potential buyer, but it also considerably shortcuts the process of negotiating the various "filters" between consultant and potential buyer.

- It is mandatory for a consultant to establish a trusting relationship with the economic buyer. That will never occur if you choose to work through middlemen.

Resistance Point 2: I Don't Need You

- This obstacle means that the prospect may very well trust you and even like you, but there doesn't appear to the buyer to be any need.
- It's not the buyer's job to tell you about "needs." In well-run organizations, there may well be no pressing issues. It's the consultant's job to demonstrate need in improving the client's condition through new and better performance.
- Listen carefully and ask precise, prompting questions to discover need, to suggest need, and to create need.
- There is always a need that can be created, even if there is nothing obvious to be fixed.

Resistance Point 3: I Don't Feel Any Urgency

- If a client doesn't feel a sense of urgency, then enhancing trust levels or heightening need isn't the logical response.
- "Not the right time" is a specious argument because there is always time to devote to business matters—the issue is where it is invested. Time is never a resource issue; it is always a priority issue.

Resistance Point 4: I Don't Have the Money to Pay You

- This is the most commonly cited rejection by consultants, and it's mistakenly assumed as the primary objection of most buyers. It is not.
- Most resistance is not about money; it's about trust, need, and if there is trust, perceived need, and sufficient urgency, money can almost always be found.
- Most consulting budgets must therefore be created, meaning that the money originates in other areas. It is appropriated from other budgets and other sources.
- The consultant can help the client find the funds. If a prospect admits to a need, trusts you as a professional and competent resource, and believes the time is right to act, the money will be found.
- Objection is a sign of interest and provides a springboard for you to catapult into an investigation of the prospect's reasoning. Treat objections as opportunities, not threats.
- Here's an ironclad rule: if you're in a discussion about fees and not value, you've lost control of the discussion.
- The rebuttal to this immediate focus on fees is not to do it. You must create clear results so that ROI is readily apparent, not ambiguous results where only fees are readily apparent.
- Under no circumstances should you agree to discuss fees before all the following steps have been completed:
 - You have met the economic buyer.
 - A trusting relationship has been formed.
 - The four generic resistance factors have been overcome.
 - Agreement has been reached on objectives, measures, and value.
 - Agreement has been reached to entertain a written proposal with a "choice of yeses."
- *Weiss' fourth theorem of fee dynamics*: the earlier a fee is quoted, the lower the ultimate fee will be; the later a set of fees is quoted, the higher they will be. *Corollary*: when a set of fees is quoted at the ideal moment in the sales process, the buyer will tend to migrate up the set to higher fees in return for perceived higher value.

- Some clients are hard to read. Others are deliberately deceptive. When you're the least bit uncertain, find out what the budget is.
- After conceptual agreement is reached but before the proposal is even created, ask the buyer a variation of the following question: "You've been very kind, and I'm in a position to offer a proposal with some investment options for you. Since there are options for achieving these goals, is there a budget amount you'd like me to stay within?"
- Note that any discussion of budget at this point is always based on the investment, since the objectives and their values are already established. This is far superior to discussing fees at the outset, when they are simply isolated costs.
- Offer discounts when you find that the project calls for phases to encourage the client to use help through all of the phases. A phase is a timed step or sequence, each succeeding one dependent on the successful completion of the prior one.
- Offer the client the rebate of a percentage of the phase 1 fee if you're hired for phase 2, and so on down the line.
- Don't give rebates unless phases are in the best interests of the project and the client. When they are, offer the potential rebate in the proposal itself so that it's committed to writing in the same document that the client is accepting as the basis for phase 1 work.
- There are times when the client will balk at a fee.
- Find comparisons that will embarrass the buyer into giving up his or her resistance. E.g. Ask what the board of directors' reaction would be if the board considered the cost of the current problems versus unwillingness to make this investment to solve them.
- Most embarrassing comparisons will hold true from organization to organization, so the preparation of a few beauts will serve you reliably over the course of time.
- In your preliminary discussions leading up to conceptual agreement, make some gentle inquiries into the costs the prospective client is incurring in some of these areas. Listen for voluntary disclosures. Weiss is forever pointing to the copy machine "culprit" sitting in a corner as an example of the client's being willing to spend more money on equipment maintenance than on human development.
- The embarrassing comparison will take care of most of the flimsy and capricious objections to fees. Sometimes you just have to pack a strong metaphorical weapon.
- Educate your buyer immediately and repeatedly that what's gone before is history and what goes on around you is irrelevant.
- Ignore the competition and the competition's poor strategy. Now is the time to be your own person. The only person deciding what your profit level is should be you. It's a mistake to allow the buyer to do that, and it's insane to allow the competition to influence it in any way at all. So stop doing that.
- Remember that most of the fee-setting dynamic is actually under our control and influence, and you should guard against sacrificing this strength.
- The best way to support high fees is first to believe in the value you're providing and then to convince the buyer of it.

- There is no such animal as a “new” objection. We’ve heard them all before, every one. If the prospect has successfully rebutted your position, the buyer is simply better prepared than you are, and you haven’t established a “good deal.”

Chapter 9: Setting Fees for Nonconsulting Opportunities

- You believe that consulting is simply an input to a much greater end—our lives, loved ones, and legacy—then why not explore the myriad opportunities that a successful consulting practice can generate? Remember, wealth is about discretionary time. Money is important because it is the prime determinant of discretionary time.

Keynote Speaking: Don’t Charge For Your Spoken Words

- No one is worth very much for an hour of his or her time. As in consulting, it’s the value that you provide during that one hour that supports your speaking fee.
- The typical highly regarded non-celebrity keynote speaker is paid between \$7,500 and \$15,000 at this writing.
- Keynotes, are the least labor-intensive and command the highest fees, but longer training sessions are also viable options for any consultant.
- In terms of your fees, there are three main considerations:
 - *Factor 1: Establish Your Value*
 - Your speaking approach must accentuate the client’s future. The more of your past that is relevant, unique, interesting, and attractive, the more you can potentially contribute to the client’s future. The intervention—the speech—is merely the transfer point.
 - Be crystal clear on the value you provide in your speeches. Educate the prospect.
 - The best “motivational speakers” provide pragmatic techniques for people to apply in order to improve their lives and their jobs. The worst provide empty aphorisms and “affirmations,” which evanesce in the cold light of day.
 - A perfectly fine speech can be crafted based on your consulting experiences, challenges, and results.
 - *Factor 2: Develop Options*
 - The “choice of yeses” extends to professional speaking. For example, turn virtually any keynote speech into a solid five-figure assignment by providing options to the buyer. The options allow you to build on your innate strength.
 - *Factor 3: Use Speakers’ Bureaus Only on Your Terms*
 - Bureaus are brokers between the client and the talent (you) for which they expect 25 percent of the deal.

- A bureau relationship should be like a client relationship: mutually trusting, mutually beneficial, and mutually supportive. If it's not, walk away. You don't need bureaus; they need you.
- Highly Leveraged Practices for Working With Bureaus:
 - Don't pay more than a 25 percent commission. Never pay that amount for spin-off consulting business. For this, pay a maximum of 10 percent.
 - Demand to speak to the buyer and negotiate the actual fee yourself.
 - Develop a relationship with the bureau principal.
 - Be clear that subsequent consulting work that might arise out of your speaking is not subject to the bureau's speaking commission.
 - Do not invest in bureau promotional initiatives.
 - Do not allow any money to be held in escrow.
- The most desirable professional speaking will come directly to you via your normal "marketing gravity." That requires that you educate prospects about your availability as a speaker in your promotional materials, web site, articles, networking, and so on. You will always be more valuable as a consultant who speaks than as speaker who consults. Keep your fees high.
- Products can help branding and the creation of reputation. Products are an important part of the repertoire in any case. And they possess the wonderful attribute of providing income while also promoting your consulting.
- Here is a brief description of some of the product options available to successful, innovative, and aggressive consultants.
 - *Commercially Published Books* -You can buy your books at a discount from one of the book wholesalers, Self-Published Books You're better off with low volume and a high margin than with high volume and a low margin, since you're not in the book fulfillment business.
 - *CDs and Albums* -Plan some of your speeches with the intent that they will be recorded for a possible product offering. Record the audience reaction as well through careful microphone placement. Talks taped live are more fun, more energetic, and forgiving of errors because they are live.
 - *DVDs* - Video is less desired than audio, which is less desired than print.
 - *Other stuff* - Focus on high-margin, relevant materials. There are at several questions regarding potential products for sale that should always be answered in the affirmative before you proceed:
 - Is there sufficient margin per sale?
 - Can I sell this product to both existing clients and non-clients?
 - Will this product reinforce my marketing plan?
 - Can I create this product cost-effectively and kill it cost-effectively if proves to sell poorly?
 - Can I fulfill orders expeditiously and efficiently?

- Will this product remain relevant and timely for at least a few years.
- These elements best apply to mature, successful consultants whose name, brand, stature, and positioning have created a powerful attraction.
- If you are providing any kind of service, help, or advice on a continuing or even periodic gratis basis, ask yourself, “Why am not charging for this?”
- Charging for your value, no matter how brief in duration or confined the issue, not only serves to gain pure profit but also drives away the parasites. Such cleansing is important in nature.
- Nonconsulting services and remote consulting provide as much or as little opportunity as you care to pursue. Their great power is in generating income during “down time” without travel, wear, and tear. The probability is that you’re already doing a great deal of this for free, which is fine if it’s a conscious choice but deadly if it’s a “necessary evil.”
- Diversifying your income also provides flexibility to weather economic ups and downs, client defections, and your own wish to decrease labor intensity.
- The bottom line: even a modest amount of nonconsulting income can take a tremendous impact on your life goals.
- Most people who seek and accept free advice seldom put a premium on it and rarely fully implement it. They know that if they screw up or need further help, there’s always more to be had at the original price.
- You’re helping people more when you require that they invest—no matter how modestly—in their own success and take some accountability for implementing your help. There’s nothing like paying money to force someone to analyze the return on that investment!
- There are a lot of ways to make money. You may not choose to make money doing all of them, but you owe it to yourself to at least examine them in terms of your overall life goals and business objectives. You could probably, right now, be making another \$100,000 to \$500,000 on your bottom line if you intelligently engaged in nonconsulting activities and remote consulting.
- At least once a year, examine your business and your talents for the potential of additional nonconsulting and remote consulting income. If you don’t do that, no one else will do it for you. Yet it is a huge area for lifestyle Improvement.
- The trajectory of your career, you should be implementing passive income opportunities now.

Chapter 10: Fee Progression Strategies

- It’s critical for the successful consultant to view fees as part of a process that continues throughout one’s career.
- Successful consultants embrace and apply pervasive strategies, not short-sighted tactics.

- Ironically, but completely understandably, the tendency to set low fees to attract business actually reduces business and establishes a horrible precedent that is difficult to overcome.
- **Entry-level phase** -Early fees are not a function of one's experience (or lack of it) or limited perspective. They are a function solely of how the consultant educates the client and whether or not the consultant believes that his or her contribution is worth the fee being charged for it.
- Is extremely hard to convince a client, no matter how pleased, that your fees should be raised if the client doesn't perceive any increase in commensurate value.
- Once the practice is established and the bills are being paid, there is a new phase—and new strategy—to consider. These are the hallmarks of the **going concern phase**:
 - Referral business has begun and is not unusual.
 - About 70 percent or so of all business is repeat business.
 - There is still a tendency to reduce fees if competition is perceived or if any degree of buyer resistance is encountered.
 - Fees are about 50 to 65 percent of where they could be and are not methodically examined.
 - Some business is turned away, but not much.
 - The business is still far too labor-intensive, and margins are relatively low.
- This is often the phase in which consultants don't want to "rock the boat." The going concern should be a transient phase, not a permanent home.
- In this phase, the consultant should begin to formulate the basics of a fee philosophy.
- It's always safe to be aggressive with fees, because we almost always underestimate our value and are competing with larger firms that must charge high amounts simply to cover their overhead. High fees can, when necessary, always be lowered (by reducing value). By contrast, low fees can seldom be raised, no matter how much value we can demonstrate.
- A rough rule of thumb is that in the going-concern phase, an aggressive consultant should be at least at the average fee levels being paid in the profession.
- The **word-of-mouth phase** occurs when people begin speaking of you of their own volition.
- Word of mouth means that people cite you and recommend you without any direct impetus from you at that moment. The beauty of word of mouth is that it is exponential in growth. You should therefore assign fees that meet the expectations of people referred to you.
- In this phase, consultants begin to apply stronger qualification criteria to potential business. Value-based fees are the norm for consulting work, and there is a conscious drive to create high-margin business rather than more business. The fee levels therefore tend to be above average for the services provided, and the quotations are

firm. The consultant in the word-of-mouth phase would rather walk away from business than accept poor-margin business.

- At this stage of one's career, there is probably the first real opportunity to establish major retirement and investment plans, pay off long-term indebtedness, and take spontaneous vacations or make significant impulse purchases.
- The word-of-mouth phase is where many consultants plateau. These plateaus can occur at the word-of-mouth or brand phase but most often occur at the former, when consultants are beginning to enjoy the "good life" and assume that this is as good as it gets.
- At the word-of-mouth phase of success, the consultant should actively seek to improve and in a number of ways:
 - By creating brands around intellectual property, approaches, products. And ultimately the consultant's name
 - By refining the criteria for accepting new business
 - By attempting to maximize margins at every opportunity and walking away from business that does not present a "good deal" under more and more favorable terms
 - By creating reliable sources of nonconsulting and remote consulting income, which themselves are near the top of the fee structure for their categories
 - By examining failed attempts to attract more lucrative business and higher fees or losing out to very large concerns and learning how to build on your own unique value propositions
 - By viewing wealth and balance as critical factors in your life and seeking to reduce your labor intensity across the board
- This phase in the progression may therefore be the most crucial.
- Transition to the **Brand Phase** - In this phase, the consultant has achieved successful branding. There are actually two types of branding: (1) branding of approaches, products, methodologies, and other "tools of the trade" and (2) branding of one's own name.
- At this stage, the consultant can be highly selective because a great many potential projects and references are in the pipeline, many originating from the consultant's marketing gravity and branding but many more resulting from the brand names themselves. This puts fees far above average in the profession, with the buyer expecting as much.
- Nonconsulting fees can be escalated quite aggressively, since products can proliferate under an umbrella brand and others will seek the consultant out to increase product offerings. Speaking fees, for example, can readily go to the low five figures.
- Branding should be done with a strategy toward involving one's name as the ultimate brand. Since this cannot be duplicated by anyone else, no fee comparison is possible.

- When a buyer asks for you by name, the buyer is saying that the work is yours if you deign to accept it. This dynamic maximizes your margin in every case. You are very near the acme of the profession, and your margins should be near the top.
- There are two considerations in terms of fees that should be kept in mind. First, there are, comparatively, many consultants at the product and approach branding phases and few at the personal name branding phase. Weiss believes that consultants who have branded their methodology and approaches tend to get stuck in that position and don't make the transition to personal name branding. Weiss doesn't believe you can progress to ultimate consulting unless your name becomes a brand.
- He doesn't think enough consultants seek to stretch what brands they do develop to encompass an ever-wider range of offerings. Singular brands and limited breadth tend to confine the consultant to a niche where learning, growth, and improved fees are not naturally forthcoming.
- Consequently, it's important to continue to progress beyond the branding phase, no matter how lucrative and rewarding it may seem at the time.
- Transition to the ***Ultimate Consultant***. This entire series is based on achieving and reveling in a stature of the profession that Weiss has called the "ultimate consultant." He has assigned that status as the highest level of his progression, even though one continues to grow, experiment, and benefit in this phase.
- The ultimate consultant is sought out directly by buyers. There are no "middlemen" or feasibility buyers. The consultants select the projects that are of most interest and greatest mutual benefit. Fees are not discussed and may take the form of long-term retainers, deferred compensation, and other devices. The fees and margins are among the very highest in the field. Nonconsulting and remote consulting fees can be whatever the consultant decides to make them.
- Relatively few practitioners may reach ultimate consulting, but that doesn't mean we shouldn't be prepared for it. The ultimate consultant:
 - Does not discuss fees
 - Dresses and acts as a peer of high-level buyers
 - Is never "hired" but agrees to collaborate with the buyer
 - Is known by name
 - Fosters products and approaches that build on name recognition
 - Seeks high margins, not high volume
 - Creates an aura of "Do you think we can get him?"
 - Decides, along with the buyer, whether the project is a good fit and hence worth accepting
 - Does not negotiate or build relationships with low-level people or HR
- Your value is increasing with your age, experience, and longevity in the business. Your fees should be increasing commensurately.

THE BOOK'S ROI: ALAN'S AXIOMS FOR THE "GOOD DEAL"

1. *You Are Entitled to Be Compensated for Your Value*
 - We live in a capitalist system, which works better than all others. People believe in such a system that they get what they pay for. However, the first sale is to yourself. You must believe that you are entitled to fair remuneration. And you must appreciate your own value.
 - The "good deal" occurs when the client believes you've been a bargain in terms of the results you've helped produce, and you believe you've been paid very well.
2. *Basing Fees on Time or Materials and Not on Value Is Simply Crazy*
 - There is no law of supply and demand in the consulting profession. Good times and bad times economically don't matter, nor does the number of competitors, nor does your own available time. What matters is the results you generate.
 - The essential need in breaking away from time-based fees is to understand that your value is never a matter of your "showing up." Nor do you have to justify yourself by being in the buyer's presence. In fact, there are ethical conflicts basing your payment on the number of times you're physically present.
 - It's up to us to educate the buyer correctly about value and fees based on that value from the initial meeting.
3. *Buyer Self-Interest Is Based on Results.*
 - People change their behavior based on self-interest. Self-interest is most affected by results, not task, by output, not input. That's why "deliverables" are only a commodity that will be comparison-shopped by most buyers.
 - A report, a training session, or a coaching regimen are simply tasks performed. But improved morale, faster customer responsiveness, and more effective leadership are highly valuable organizational outputs. E.g. they're not that interested in a better interviewing procedure, but they're mesmerized by saving \$300,000 a year in lower new-hire turnover.
 - The consultant brings his or her past experiences, through an intervention, to dramatically affect the client's future. It's that final part that merits high fees: the future. The consultant's past is only an input, and the intervention is merely a device. Fees should be based on future improvement, not on past technique.
4. *Conceptual Agreement Is the Linchpin*
 - The ability to reach agreement with an economic buyer on objectives to be met, metrics to assess progress, and value to the client is the centerpiece of fee strategy. This creates a return-on-investment mentality instead of a cost mentality.
 - It's critical to establish clear outcomes at a fixed investment and not to surrender to vague outcomes at clear costs.

- The buyer is so essential to forging trust and reaching conceptual agreement. Measures may be objective or subjective, quantitative or qualitative, so long as both consultant and buyer agree on their reasonability and desirability.
5. *Existing Clients Can Be Converted to Value-Based Fees*
- The key here is to create a strategy based on picking selected targets that represent strong potential. Don't attempt to convert everyone, and be prepared to abandon some business.
 - In converting clients, offer new value, find new buyers, and find new circumstances. Make sure that existing buyers see more value in converting the relationship and that new buyers are educated correctly from the outset
6. *Retainer Business Is Discrete and Sound Business*
- Retainers represent access to your "smarts." Be sure that the conditions are carefully spelled out and that you're not mixing project and retainer work together. Ensure that the buyer's expectations are the same as yours.
 - Choose intelligent time frames with favorable fees. Organize the scope and numbers of people who have access to you. Focus on the renewal aspects, making sure there is an "overlap" to create a smooth, ongoing retainer relationship, not a succession of stops and starts.
 - Coordinate project work and retainer work for the same client through separate proposals and payment schemes.
7. *There Are Scores of Ways to Raise Fees and Margins*
- Every day that you interact with prospects and clients, you are encountering dozens of ways to increase your fees and your bottom line. Learn all the techniques you can, and build them into your conversation and promotional materials.
 - If you were to apply just two techniques a month intended to raise your fees or margins, you would probably double your profits without growing your business over the next year. If you also developed more business, you would probably increase profits by a function of four or five times.
 - Every day you may be "leaving money on the table" by not focusing on your fee tactics.
8. *You've Heard All the Objections Already*
- You know what all the fee objections are because you've heard them all before. It's criminal and negligent not to be prepared for them, not merely with rebuttals but with effective counterarguments.
 - There's nothing wrong with asking about the buyer's budget—in fact, it can be a very effective tactic early in the discussion. Offering rebates will help you acquire successive phases of a multiphase project. Using comparisons to equipment, damaged goods, vending machines, and so on can embarrass the buyer into realizing that investments must be made in people.

- Ignore the competition. The client's self-interest will serve to overcome any objections. It's not about what the competition does; it's about what you do with the buyer.

9. *Nonconsulting Activities Are Lucrative*

- You can and should charge substantial fees for speaking, coaching, products, licensing and so on. Although you may choose to ignore peripheral areas and remain a "purist," there really is no need to be so narrow.
- It makes sense to try to reduce undesirable travel and to increase passive income so that your career trajectory is maximally beneficial to your chosen lifestyle. Products and other nonconsulting income streams make that possible.
- Consider the options open to you, and strive to create high-margin products and services that place the least demand on your personal time. The more successful you become as a consultant, the easier it is to market in these areas.

10. *Identify Where You Are in the Fee Progression Strategy*

- Consultants tend to move from an entry-level stage through other, more advanced stages if they manage their careers and their fee structures accordingly. This doesn't happen automatically.
- Unless you're growing and improving, you're losing ground. You can control your own growth and success if you create a strategy for doing so.

This book has been about achieving your life goals by helping clients achieve their business goals. It's as simple as that. It's time you began getting paid for it. 'That's the "good deal."

Chapter 11: Technology and Fees

- Over the course of Weiss' career, nothing has provided more support for increased and more diverse fees than emerging technologies. Nothing else comes close. Because factors such as globalization, remote work, and more varied offerings are all dependent on constantly improving technology.
- We have the opportunity today to provide brilliant, timely, and precise services for our clients because of improvements in communications. Here are some examples.

The Service Enhancement

- *Response Efficiencies:*
 - Return all calls within ninety minutes during Eastern Time Zone business hours. Buyers are highly impressed by rapid responses, assuming, correctly, that they will receive the same kind of service if you are hired. And you're able guarantee service during the consulting project that is of high value and justifies higher fees.
 - Similarly, e-mail provides a rapid response even when traveling, from laptop (preferred) or PDA (acceptable for urgency only). You can review documents and even submit proposals without the "tether."
- *Decreased Labor Intensity:*

- Your ability to use the Internet, e-mail, and phone (and its variations. Such as Skype) greatly enhance your potential to provide more with less.
- Most clients don't like wall-to-wall meetings and feel overwhelmed. If you suggest that you can reduce their labor (always position this in the buyer's self-interest), why should they object?
- In this technological age, there is no excuse for continuing to create labor intensive projects that require frequent trips and long visits. If you educate the buyer correctly, you will net a small fortune by reducing your physical workload, as well as dramatically improving the quality of your life.
- *Marketing Enhancement:*
 - Web sites are credibility statements. They are places buyers go after they have decided that we are potentially of value to them. Therefore, this is your repository of expertise. Using your Web site as a "passive" press kit and publicity site is highly effective.
 - Material, professionally created and aesthetically pleasing will provide a continual credibility site for those who may never have spoken with you but have heard of you through word of mouth. This creates strong "marketing gravity," which leads to faster business and higher fees because of the power of your brand and your expertise, there for all to see.

The Publishing Prerogative

- Fees flock to expertise. If you develop a powerful brand. At that point, people believe they get what they pay for. There is a rewarding ego payback for buying the best, which other people recognize.
- The Internet is the ultimate repository of specific content.
- Publishing on the Internet serves the following fee enhancing purposes:
 - You can rapidly gain credibility as an expert.
 - You can create and disseminate unique intellectual property.
 - You can obtain third-party endorsements for your expertise via columns (the publisher being the third party).
 - You can respond easily to reporters' queries and appear in major media.
 - You can send out press releases.
 - You can send out newsletters.
 - You can create blogs.
- Following are some examples that you can use tomorrow on the Web to enhance your fee strategies:
 - Reporters' Queries
 - Press Releases
 - Columns which are far better than random articles
 - Newsletters

- The key is to use the power of the Internet to increase your fees through higher profile, greater marketing gravity, and decreased labor intensity. If you are not exploiting the Internet for publishing purposes, it's the equivalent of choosing not to use a cell phone for communication outside the office.

The Remote Consultant

- International advantages are huge. You can often make one trip, meet everyone you need to meet, and then continue on a remote basis thereafter. Or you may avoid the in-person meeting altogether.
- The remote potential of technology is by no means limited to marketing but also includes delivery. The more we are willing to believe and apply this, the higher our fees, often from new sources, can be.
- There are two keys to effective remote consulting: marketing and delivery.
 - Marketing: Find Clients Who Already Use Remote Services
 - Delivery: Reorient Your Approach or Remote Effectiveness
- With every month that passes, new and more sophisticated technology makes it easier for you to market and deliver from the comfort of your home office. There is nothing immoral, illegal, or unethical about doing so.

Passive Income

- Technology allows for very diversified passive income. A strong array of products and services enhances your ability to build a brand.
- Additional passive income is earned when people and organizations purchase products and services that do not require active participation from you.
- Local passive income derives from activity that takes place in proximity to your office even though they demand your interaction, they are easy to do, inexpensive to carry out, and require relatively little work.
- As your career progresses, you should be in a position to draw people to you, and it's completely up to you whether you want to provide products, services, or interactive experiences (or a combination of these) so that they can benefit from your value in various contexts. It's almost silly not to do this, since \$50,000 a year in passive income is \$1 million over twenty years, assuming you never improve on it or raise fees!
- Separate your marketing goals from your passive income goals. Passive income derived through technology, which offers a low cost of acquisition, should be an area of aggressive fees.
- Passive income can represent the preponderance of your income if you embrace technology and use Weiss' somewhat wider definition of passive income. You should be planning to derive significant income from products, services, and sources that didn't exist five years earlier.

The Bottom Line

- There are several keys to utilizing technology—perhaps the most dramatic business change of our times thus far, at least in the industrialized nations—to maximize fees, enhance value-based premises for fees, and create long-term annuities for ourselves.
- It's really about the transfer of value.
- Success, not perfection, is the polestar. Focus on the technologies that most enhance your particular practice and client focus.
- Some activity must be personal to make technology effective. Technology requires very intimate and personal relationships to make it effective with clients.
- Technology has to fit you just as your wardrobe does.
- Diversity is vital. The more diverse your offerings of value are—consulting, coaching, speaking, writing, products, facilitation, teleconferences, and so forth—the more technology will enhance your efforts.
- Technology can be a catalytic tool or a slave driver. It's up to you whether you allow it to beat you into the ground or improve your wealth.
- Technology can kill you or make you a star. Use it wisely to both enhance the size of your fee and reduce your labor intensity, and you'll have found the royal road to great profit margins.

Recommendation: I can't help wondering how different my life and work would be if I had read this book 10 years ago when I transitioned from my life as a serial entrepreneur to that of a business advisor coach and mentor. The value of this book is priceless!

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About the reviewer: Frumi Rachel Barr, MBA, PhD

Many CEO's find themselves asking "What now?" to sensitive situations that only an experienced former CEO can understand. Frumi is brought in to solve problems and often remains to work with you, as your confidante and secret weapon. She has an uncanny knack of getting to the heart of your corporate climate and maximizing your team's performance, profitability and sustainability.

To schedule a free ***Break From the Pack to Success*** consultation email ceoconfidante@frumi.com or call 949-729-1577