


June 2020

WHITE PAPER



WHY YOU'RE FAILING TO GET REPEAT BUSINESS

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Why You're Failing to Get Repeat Business

Opening Salvo:

Consulting, it's the next big business opportunity frontier. From 2011 to present the consulting industry grew by 4-5% YOY¹ on the coattails of increasing supply and demand. More people than ever on record have transitioned out of traditional career roles in the last 15 years to chase the 'gig economy' (increasing supply) while companies themselves have developed a steady dependency (increasing demand) on using external support to ensure their operations run effectively and efficiently. While this sounds encouraging, an unexpected outcome of this growth has left many customers with buyers remorse. As more people enter the consulting game the varying levels of experience, service, costs and related outcomes has left customers in a predicament. With a multitude of options now available to companies looking for help one of the biggest challenges afflicting buyers is how they will find the right support while ensuring the money they're paying for it results in a positive outcome.

Framework:

Consulting has been around for centuries. Henry Ford, the USA automotive tycoon, used consultants prior to the 20th century to help build out his automotive empire ultimately creating what we know today as the Ford Motor Company. Consultants like Oliver E. Barthel² are credited as key contributors to Fords success by developing combustible engines for commercial use which could be scaled for production. Needless to say consultants like Barthel and their associated contributions are immeasurable to the success of their industries.

As with all things, time has a habit of bringing about change. The consulting industry is no different. One considerable difference today versus even 10 years ago is many people who are in the practice of consulting are doing so as a means to uphold a particular lifestyle. This is relatively new to the consulting game as its initial pioneers worked around the clock perfecting their art, driven by a passion to create, help and succeed on their own accord. Today thousands of people go into consulting for the work flexibility, not necessarily because they have a unique talent to offer. With these changes along came a fractured approach to the consulting business. The way one goes about their work (the process, focus, communication and execution) is often not the same as the next individual, even those who are in the same line of work. As a result, I've witnessed palpable discord between consultants and their customers as an increased sensitivity between service (value and experience) and cost (time and monetary investment) unfolds.

The age old discussion of value versus price isn't new, what is new is the approach many consultants take today to justify their pricing and how they deliver their service without correlating their price to the actual value garnered by the client from the experience. I've witnessed, more times than I can count, consultants indicate their pricing model is based off of what is required to keep their current lifestyle in good measure. When pricing is done without consideration of value, we may be able to gain some work in the interim, however we run the risk of leaving behind us a wake of clients who feel like they've been overcharged and perhaps under delivered. This is our consulting dilemma.



Understanding the Consulting Dilemma

The consulting dilemma revolves around the pricing of services which we'll call 'indifference pricing'. This refers to a situation when a person prices their services without considering the value the end user (the client company most often) gains as a result of the interaction. The indifference pricing model suggests an approach where pricing is based off personal needs and desires and not the value associated with the work being performed and its inherent problem solved.

Customers also have a sliding scale of value-based expectations whereas the more expensive the cost is the higher their expectations will be of that experience, work performance and outcome. Consultants who utilize indifference pricing as their modus operandi fail to realize their pricing is based off personal needs rather than an ability to solve a problem and execute a project in alignment with the customers needs and expectations.

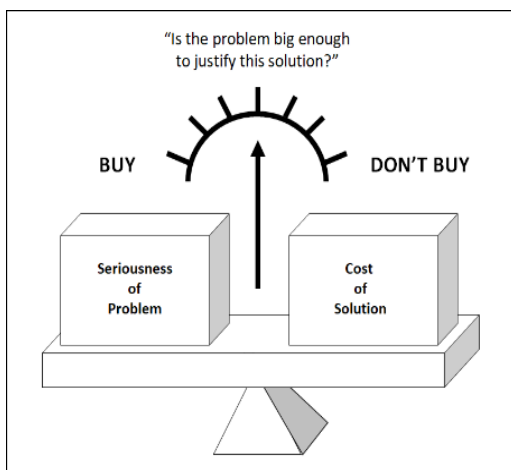


Fig. 1 – The Value Equation⁴

Figure 1 from 'Spin Selling' by Neil Rackham³ shows the direct relationship between a problem solved and the cost associated with that solution. When we put ourselves in the shoes of the buyer we understand that value is based on a consultants ability to solve a problem and do so effectively. Yet the problem itself is what often times sets the expectations for the relationship to follow.

When a consultant charges a high price for their service, the value they provide needs to be directly proportionate to that price. Should a consultant fail to meet that value (perceived or actual), either because of their own shortcomings on the work they performed or because the client's expectations weren't met, it leaves the client with a feeling of buyers' remorse. This articulates the reason pricing should be established based on the level of the problem being solved and the expertise required to accomplish it. The higher the cost the higher the expectations are of the buyer.

Consultants can falter even further should they misinterpret a customers needs and expectations therefore leaving the customer feeling like they were charged for something that either wasn't solved or wasn't a good experience along the way. This further showcases the reality of a clients' sliding scale of expectations based on what they're being charged.

Indifference Pricing Example:

A medical device company needs to perform an ISO-13485 pre-audit on their quality management system to ensure their compliance with the standard. Consultant A quotes the project at \$150/ hr. They have 30 years of experience in industry and are a certified auditor. Consultant B quotes the project at



\$100/ hr, while having 20 years of experience in industry and an audit certification.

For sake of this example both consultants have roughly the same industry experience, same product background, same company background, etc. Both are certified auditors. So why is Consultant A's price 50% higher than Consultant B's? When the client asked Consultant A why they priced the project they way they did the response was "it's the rate I charge to do this work".

This example articulates the point of indifference pricing. In our example the only conclusive reason Consultant A's price is higher than B's is because they have a lifestyle which requires them to charge \$150/hr. That or an inflated ego. They are not coming to the table with anything more than Consultant B, just a higher price tag. As for who will do a better job that's for another conversation, yet in this situation a QMS pre-audit is a rather straightforward affair most of the time so paying more for a service that is common practice isn't necessarily a smart business decision. Most buyers would candidly agree.

It's important to recognize that not all work is the same, some projects are more demanding than others. When consultants price projects using a one size fits all pricing model, or utilize indifference pricing, they're simultaneously missing the bigger picture – opportunities for future business. When we use emotion or our personal situation to price our service we inadvertently set ourselves up for eventual disappointment down the way and or unhappy customers.

Fixing the Indifference Pricing Approach

One of the biggest challenges all consultants face is where their next meal will come from. When consultants are on project they're simultaneously looking for the next project to ensure they're flush with work consistently. It's a hectic rollercoaster for anyone, especially consultants who aren't used to the highs and lows of the business. Pricing appropriately helps with consistency with opportunities.

It's for this reason we must reconsider using indifference pricing models and begin using pricing models which focus on the value being delivered and the problems being solved. It's no longer considered valuable to execute a job to completion, nor is it valuable to just provide a good customer experience. In order to be considered 'in good standing' with a client and get repeat business consultants must focus on three key areas within their service:

1. Providing a good customer experience (similar to a physician who provides good bedside manner)
2. Successful execution of the project
3. At a cost which is in alignment with the problem being solved

Successful consultants know and understand the importance of leaving customers feeling good about their decision to hire them for work. In fact, Salesforce, one of the largest sales CRM software companies in the world did a study with their clients where they discovered 67% of their customers said "their expectations for good experiences [with sales people] are higher than ever". This same report revealed 76% of customers report it's easier than ever to take their business elsewhere.⁴ This means it's no longer about having a great tool or the best consultant



qualifications, you have to provide a good experience, complete the work successfully while ensuring the price paid is in alignment with the work performed.

Companies Are Missing the Mark on Experience

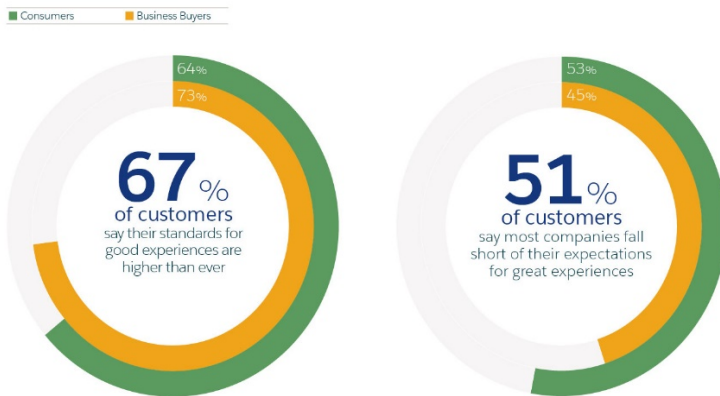


Fig. 2 – Salesforce Customer Experience⁴

If you're a consultant at present and you're using a poor pricing model consider trying one of these options on for size.

- Outcome based pricing – where a flat fee is charged for a project with a bonus in the end based on a set of above and beyond deliverables agreed upfront by consultant and client. It's a great way to ensure the client goes home happy feeling great about the project while the consultant gets some additional funds in the end for a job well done.

- Alan Weiss' 'value-based fees'⁵ approach - pricing is based on the toughness of the work to be performed. Easy projects receive a lower rate while more difficult assignments receive a higher rate. One can also consider raising prices for other factors such as tight deliverable timeframes, significant travel and management requirements to appropriately justify a price increase for projects which hold such requirements.

A Key Consideration

It is indeed important to give your customers a good experience while facilitating their work, it's just as important to price work appropriately. This is sound business advice for any professional, regardless of industry or role. A key consideration beyond experience and price, empirically important to a consultants' success is the ability to successfully execute their work. At the end of the day if a consultant can't successfully execute a project it doesn't matter how great their customer service was or how affordable the price because the problem which brought the consultant to the table wasn't solved in the first place. This is even more exacerbated in situations when a consultant charges a client using the indifference pricing model and yet still fails to successfully complete the project.

When prices are high, so too are the expectations and there is often little wiggle room or understanding for anything which falls short of successful execution.

When in doubt, close the project out – successfully!



Conclusion

Davy Greenburg, a content and branding marketing consultant in Los Angeles became famous overnight in 2018 for his comment, “If I do a job in 30 minutes it’s because I spent 10 years learning how to do that in 30 minutes. You owe me for the years, not the minutes.”⁶ When we price ourselves and the services rendered based on our ability to do such work in correlation to the problem being solved we’re much more likely to get repeat customers down the road. Lifestyle requirements and emotional decision making have no place in the process to develop your price. Rather, when contemplating your consulting price take into consideration the following equation: Price in alignment with problem solved + good customer experience + successful execution = repeat business

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