

BEST OF: PRICING PROFESSIONAL SERVICES

*10 of the best emails from my daily mailing list
on the topic of pricing professional services*

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EMAIL 1

Value Pricing Simplified

Conceptually, value pricing is dead simple:

Set your price for X based on what it's worth to the client, instead of what it costs you to produce.

That's it. That's the core concept.

It's not rocket science.

How do you figure out what X is worth to your client?

Simple!

Have [The Why Conversation](#) with them.

Yours,
—J

EMAIL 2

The Double Whammy of Hourly Billing

When was the last time you invested in something that helped you do your client work faster?

If you bill by the hour, your answer should be:

"Never!"

Why would you?

Here's the thing...

With hourly billing, there is no financial incentive for you to do your job faster.

You'd be spending money *to make less money*.

It's a lose-lose proposition.

Yours,

—J

EMAIL 3

Stop Billing, Start Pricing

One of my lifetime Ditcherville members and I were chatting about the old "knowing where to tap it" story.

I pointed out that the real problem with the situation was not the price, but that the price was presented AFTER the buying decision was made, instead of BEFORE.

This prompted him to share the following:

I agree... that would be frustrating haha

We are building a house right now and have a similar relationship with our architect.

We love their work and the value they bring... but we don't find out the price until after they do the work.

They give us an "estimate" but don't tell us when we are approaching the bounds of the estimate.

It has made working with them such a challenge, and I would not recommend them to friends because of this.

It has just shown me how I do not want to operate my business.

Imagine if your clients "loved your work and the value you bring" but "would not recommend you to friends" because you wouldn't give them a price upfront.

When you go to buy something, you want to know the price *before* you decide, right?

Your clients are no different.

Yours,

—J

EMAIL 4

The Third Rail of Value Pricing

People often ask me if there's anything that you *can't* value price.

In theory, the answer is no, but in practice, there are plenty of situations where value pricing isn't worth the trouble.

That said, value pricing does have a "third rail".

Namely:

When a buyer is in an urgent life-or-death situation, value pricing is tantamount to extortion.

What do I mean by that?

Let's start with a definition of extortion:

"Extortion—the practice of obtaining something, especially money, through force or threats."

It's not hard to imagine this definition being extended to include:

"...or by withholding lifesaving assistance."

For example...

<joe_pesce_accent>

"It'd be a shame if you didn't give me all your money to perform life-saving surgery on this kiddy yours here."

</joe_pesce_accent>

Value pricing in such situations would be bad for the same reasons that extortion is illegal.

So yeah...

There are some things you can't value price.

Yours,

—J

EMAIL 5

Does Value Pricing Work for Coaches?

It may seem like the value of coaching is just too hard to translate into dollars.

But it's really not.

All you need is a client who has a clear definition of their desired outcome.

For example...

If you were a golf coach, you could ask a client, "What handicap do you want to get down to?"

If they replied, "Anything in the single digits would be life-changing!"

Then you could ask, "If I could wave a magic wand and make you that good, how much would you gladly pay right now?"

They'll be able to answer a question like this easily.

This will give you the value.

(NOTE: This is not the PRICE. It's the VALUE on which you could base one or more prices.)

And like all value-priced services, the number will be different for every individual.

The more desire and money they have, the more they will volunteer to pay.

Yours,

—J

EMAIL 6

Can a Coach Use Value Pricing?

Fellow list member [Henriette](#) wrote in to ask if a coach can use value pricing, considering that the results are so dependent on the coachee doing a lot of work.

Here's our thread:

(shared with permission, edited slightly for clarity)

Henriette:

Hi Jonathan,

I have a question; would you advise value pricing for a service based business or would that need some tweaking? I am a coach but I don't see how I could put the risk on myself, while results are very much dependent on the clients doing the practices and the inner work.

Jonathan:

The concept of pricing based on the value of the outcome to the buyer certainly can work for service-based businesses like coaching.

If you don't mind answering a couple of questions, I can probably give you some ideas specific to your business...

1. What kind of coaching do you do?
2. Who is your *ideal* client?
3. What *transformation* does your ideal client hope to achieve?

Henriette:

My answers:

1/ Emotion coaching: I teach people how to use their emotions as an inner guidance system, so life gets congruent to their inner world.

2/ Seekers, the ones that won't settle for less than finding their inner peace and purpose. Most of my clients are female, 40 plus, middle to higher class.

3/ My clients know how to use their inner guidance system to get a grip on themselves and their life... which makes them feel happy and at peace.

How could I sell guaranteed outcomes while results are very much dependent on the client doing the practices and the inner work?

Jonathan:

If the client has to do the practice and inner work, you could make a promise like:

"If you give me [time commitment] and [caveat], I guarantee that in [timeframe] you will be [transformation]"

So for you, that might look something like:

"If you give me an hour a week and keep up with your homework, I guarantee that in 2 months you will feel more peaceful and have an increased zest for life."

Henriette:

Brilliant! Would have taken me 5 years ;-)

Thanks to Henriette for permitting me to share this with you!

Yours,

—J

EMAIL 7

Value Pricing vs Gut Instinct

Is it possible to set a value price on a project for a client who doesn't measure anything specific, but instead makes decisions based solely on gut instinct?

Yep.

Your prospect's "gut instinct" is almost certainly based on some sensory input - i.e., they saw, heard, read, watched, or otherwise observed SOMETHING that caused "their gut" to tell them "things are not okay".

In a case like this, your job in the sales interview is to uncover some change that you can help deliver that would make the client's gut tell them "things are good now".

This probably sounds tricky - and sometimes it is - but it could be as simple as asking:

"What would have to happen to make you feel like the problem has been solved?"

Or:

"How would you know that you wasted your money hiring me?"

Or:

"How will you know if/when I hit a home run for you?"

Or:

"What would cause you to request a refund from me?"

Pursue this line of questioning long enough and eventually you'll get a sense of what the engagement is worth to them.

Yours,
—J

EMAIL 8

Does Value Pricing Work for B2C?

Fellow list member John O wrote in to ask if value pricing and The Why Conversation work in "squishy" B2C scenarios that don't correlate directly to financial gain:

Value pricing makes perfect sense when you can reasonably estimate the value of a service to a company that stands to gain a financial ROI.

What happens when a service stands to solve a problem that cannot be directly correlated to an amount of money? For example, you solve a legal problem such as helping a client get custody of their kid back.

The "why conversation" is great for B2B, but what do you do for someone who can't draw a nexus to a monetary value?

Good question! Thanks to John for sending it in.

The Why Conversation is not as common in B2C situations as it is in B2B, but it can work just fine there, too.

Using the child custody example:

- **Why this?**—Why hire a lawyer to help you with this? Have you considered alternatives like arbitration, counseling, etc?

- **Why now?**—Does this need to happen right away? How urgent is this situation?
- **Why me?**—I'm very expensive. Why would you hire me instead of a much cheaper lawyer?

Important note: Consider that the potential client might not be an average income person. If it's Brad Pitt and Angelina Jolie fighting over their kids... they'll probably have very specific answers to these questions.

Yours,
—J

EMAIL 9

Value Pricing vs Productized Services

A thread cropped up in [Ditcherville](#) where folks were wrestling with the distinctions between value pricing and productized services.

- Are the two compatible?
- Or are they mutually exclusive?

Several senior Ditchers jumped in to unpack these concepts, and did an excellent job of it.

At the end, I summarized the takeaways like so:

In my material, "value pricing" specifically means "setting a price based on the value of the desired outcome to a specific buyer".

While it is true that a productized service is bought (or not) based on the perceived value in the mind of the buyer, since the offering wasn't priced based on that value, I wouldn't say that it was value-priced.

Productized Services are a way out of hourly billing, so in that regard, it has something in common with Value Pricing, but the two things are fundamentally different pricing approaches.

Defining unclear terms is super important, so we know we're on the same page in discussions with peers and with clients.

To help with that, I maintain a glossary of terms for new students.

If you haven't seen it yet, you might want to check it out.

[Peruse the glossary »](#)

Yours,
—J

EMAIL 10

Value Pricing Is Just One Way

Most of y'all here on the list know me as a value pricing advocate.

This makes perfect sense because:

- I talk about value pricing all the time
- I used value pricing to great effect in my consulting business

- Value pricing is a big part of the onboarding information that you probably saw when you joined my mailing list in the first place

But just for the record...

I don't see value pricing as the solution to all of your business problems.

Or even all of your pricing problems.

Value pricing is a powerful tool, but it's just a tool.

What I REALLY care about is that you *ditch hourly billing*.

That you *stop trading time for money*.

That you *escape from the hourly trap*.

Value pricing is one way to ditch hourly billing, *but it's just one way*.

There are many other ways, like:

- Productized services
- Advisory retainers
- Speaking engagements
- Live workshops
- Paid subscriptions
- Memberships programs
- Info products
- Sponsorships
- Paid placement
- Affiliate programs

These are all revenue-generating approaches that *don't involve trading time for money*.

You CAN ditch hourly billing without ever using value pricing.

Yours,

—J

★ **BONUS: HONORABLE MENTIONS** ★

BONUS 1

Productivity vs Hourly Billing

The central theme of my work is that you should stop trading time for money. By doing so, you will sidestep the many horrors of hourly billing.

Six related subject areas orbit around this central theme that I talk about all the time (and that all conveniently start with the letter P):

- Pricing
- Publishing
- Positioning
- Productizing
- Proposals
- Productivity

These six subject areas work together to allow independent professionals to race to the top instead of the bottom.

To set higher and more profitable fees while delivering better client outcomes.

To become the go-to person in their chosen space.

To escape the feast/famine roller coaster that is one of the defining characteristics of the hourly trap.

At the beginning of the year, I like to focus on the sixth one:

Productivity

And for me, increased productivity comes primarily from building systems.

As a service provider, your number one cost is your time. If you can get as much done in less time for the same money, you have increased your profitability.

This is true whether you're billing by the hour or not.

If you are still trading time for money, systematizing your non-billable administrative activities is like giving yourself an instant raise.

If you aren't trading time for money, you can systematize almost everything to some useful degree, including much of your client-facing work.

This is absolute rocket fuel for your profit margins.

Yours,

—J

BONUS 2

Value Pricing Non-Profits Is Good for Everyone

Long-time list member [Allen Shaw](#) replied to share his experience with value pricing and non-profits (*shared with permission*):

Wow, that's a really great point! Frankly I've never thought of it, in my 16 years of serving only non-profits -- but **it makes me all the more glad I've switched to value-based pricing.**

Reader Joe makes another great point about organizational size. Orgs with larger budgets seem to have a better understanding of the entire concept of value, whereas very small orgs tend to be obsessed only with cost.

When you're on a shoestring budget, barely able to keep afloat, it's very hard to think about any expenditure as an investment, so everything boils down to "how much will this cost," skipping almost completely the question of "what benefits will this get us?"

BTW, Jonathan, your three-option proposal template, **focusing on benefits rather than tasks and deliverables, is a real game-changer in that regard.** So is *The Why Conversation*. I can tell my potential clients -- who often are small non-profits -- that I don't want to waste their precious resources by starting work without knowing what they actually want to achieve.

It gets their attention, shows that I actually care, and helps them see the mission benefit of the proposed work. Totally different from paying some high-priced drone to push buttons by the hour!

Yep, [The Why Conversation](#) and a [three-option proposal](#) are fantastic tools for getting the client focused on *what they want to achieve* instead of what tasks they want you to do.

Thanks to Allen for sending this in!

Yours,
—J

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