



## HOW MUCH ARE YOU WORTH: CONSULTING FEES

How much is your time and expertise worth? Its the age old challenge for consultants: how much do I bill my clients? Sadly, there is no set in stone answer, however, here are some tips that will help you establish your rates.

First, lets look at your client's needs. Why are they hiring an outside consultant, when they have employees? There are several reasons why your client is interested in hiring you as a consultant:

a) third party opinion - employees know where their bread is buttered, so they are less inclined to go against the current direction of the company. As an outsider, there is no concern with offering a different opinion. Your independent opinion can provide a much needed, focused perspective your client's company needs.

b) you are cheaper - this is what is normally the hardest for new consultants to understand. How can you command \$75/hr when your client has reps working for \$20/hr. It normally ends up with the consultant charging a lower rates. No more!

The employee:  
\$20.00 Hourly rate  
\$ 7.00 Fringe Benefits @ 35%  
\$10.00 Overhead rate at 50% (computers, office space etc)  
\$37.00 Total effective pay rate

Hours per year: 2080... Annual salary \$76960

The contractor:  
\$75.00 Hourly rate

Hours per year: 480 (12 weeks, 3 months worth of work).... Cost of completing the project: \$36000

Your client gets the project completed quicker, and you end up saving them over 50%.

c) expertise in a specific area - you clearly can bring something that no other person on their team can. That's why they called you. As the expert in your chosen field, you can meet your clients needs with quickness and efficiency.

d) motivated to get job done on time, and likely, on budget - your work becomes your reputation. If you take too long, or go over budget, you wont see any future business from your client. However, provide the customer with what they need, under promise and over deliver, and not only will you retain your client for future business, you will get referrals. That's motivation that no employee has.

Now that you know what is motivating your client, you have the groundwork to start to establish your rates. As show in the second reason for hiring a consultant, while your hourly rate may appear to be more than their employees, it actually works out to be less expensive. Any fears or unease that you have in commanding a hire rate than their employees should now be eased. However, how much more can you charge?

Who is your competition?

Establish what their rates are, and then confirm what can they offer. Can you honestly provide more services, better customer service and come under budget or on time? If your competitors can provide more than you, you'll find that you may only be able to compete with a lower rate. However, if you can offer more, and have the proven results to back up that claim, you can justify a higher rate.

One key factor to remember is that if you charge a lower rate than your customer, you open yourself up to clients who will demand more of your time (it doesn't cost them as much as your competition). This may lead to finishing projects past due and scheduling conflicts with other clients. So while you may be able to charge an extra \$40 per hour for example, you may end up losing clients, and worse, having client demands cut into your personal time.

If you bill a higher rate, you may surprisingly find that you get better clients, and more referrals. If you can justify a higher rate, your clients will be very specific with you in terms of what their needs are (saving you time). Clients who are willing to pay a higher rate, will referral other clients who are willing to pay a higher rate.

Your rate will impact the amount of business you receive. One term successful consultants learn very early is to understand the concept of value billing. Instead of billing by the hour (which many of your clients will be leery of), consider billing by the project.

By negotiating an amount the client will pay based on the project, you can establish milestones at which payments will be made, and provide added motivation to get the job done and the client signed off quicker. If the project is going to take you 10 hours, consider negotiating an amount for 1.5 to 2x your normal hourly rate. If you get the job done in 5 hours, you get paid the full amount, not for 5 hours. The client is happy because they know what the cost ceiling is, and most importantly, the project is delivered early.

Another benefit of value billing is that you can set up milestones whereby you can get paid. If you advise your client that the project will be completed in say, 6 weeks, and comprise of 3 phases, you can receive payment from them when each phase is complete. Finish early, you get paid early and your client is happy. Finish behind schedule and your client isnt paying for work that isn't complete yet.

This method helps to improve your cash flow. This is key for any self employed consultant.

So, how much are you worth now?