Communicate Your Value As A Consultant

Idea In Short

As a consultant, to win repeat business from your clients and increase your billings, you should focus on providing value. The more value you deliver, the often your clients will engage you and the more can you charge. Likewise, the work that you and your firm provide likely creates millions in value for your clients. But, how much of that value do you actually capture?

As consultants, we often tend to under-price our work to win new engagements and in so doing, leave money on the table. Often times, we grossly under-estimate or under-communicate the client value we deliver. We engage in cost discussions about our billable hours and hourly rates with our prospects and clients. We intensely defend our fees based on our costs, rather than outcomes and client value delivered.

Inventory of a consulting firm

Many product firms have warehouses that are stocked with products that they use to fill customer orders. But, the warehouse of a consulting firm is stocked with knowledge and intellectual capital. On a broader note, this also applies to most professional services firms (e.g. legal, tax, real estate, etc.). In general, consultants are in the business of creating and selling knowledge and insights. Because ideas and knowledge are scalable to the limits of human creativity, there's an almost inexhaustible supply of intellectual property. However, creativity is scare across industries and clients are on the look out for novel ideas! In short, consultants should change the way they communicate their value. Likewise consulting firms should start selling units of value delivered. The current practice of calculating the consultants' utilization i.e. number of billable hours against the hourly rates does not include the client value delivered. More billable hours or hourly rates do not imply client outcomes or customer satisfaction. In the long term, this business model won't scale and clients won't be happy!

Socio-psychological constructs

According to the legendary economist Adam Smith, no one ever buys a product or service, but rather the outcome that product or service delivers. The contemporary behavioral economist Dan Ariely quotes an example. Consider the utility we derive from a locksmith when we find ourselves locked out of our house. As with most behavioral economics problems, if the average hourly rate for locksmiths is $ 100, would you:

1. Pay $ 100 to a talented locksmith who gains access to your home in two minutes?
2. Pay $ 200 to a less talented locksmith who worked 2 hours to produce the same result?

In the first case, the total price you pay is $ 100 for an hour of the locksmith's work. In the second case, you pay $ 200 for 2 hours of the less talented locksmith's work. As this example demonstrates, we are not purchasing the locksmith's time, but rather the access to the comfort of our home. Similarly, focus on the client outcomes you deliver to highlight your value as a consultant. To be billable and able to charge more, you should clearly demonstrate greater client value.

It's all about the client

To demonstrate and communicate your value, you should be customer obsessed. Amazon's success can be attributed to a number of factors. However, Jeff Bezos gives the top spot to Customer Obsession. In fact, Amazon's mission is to be the Earth's most customer-centric company. So much to Customer Obsession that this ranks 1st in Amazon's Leadership Principles. As a consultant, you can start your customer obsession by following these techniques: https://www.youtube.com/watch?v=aQzuUW3MTio&ucbcb=1

Start listening

To successfully communicate your value, you'll need to discover your client's biggest challenges and the results they desire by engaging you and your consulting firm.

Ask the right questions

Questions are consultants' art of information discovery. To learn exactly what your client

cares the most about, you should probe and ask as many questions as you can to discover the business impact caused by the problem they are experiencing. You will receive valuable information that helps you better deliver results and communicate your value. Use these guiding questions to steer your client conversations:

- What are your key challenges?
- How long have you been dealing with these challenges?
- What are the key outcomes you expect to achieve?
- What areas of your business do you want to improve?
- Why have you decided to tackle these challenges now?
- How will solving this challenge help you achieve stronger business growth?
- What are the key obstacles that hold you back from achieving your objectives?
- What is the value of this project to your business?

Highlight the cost of status quo

When communicating your value, highlight their cost of status quo. After all, doing nothing about their challenges is also an acceptable strategic option. Assume that your client wants to grow their market share, attract more clients and increase their revenues. If they are currently making $ 200, 000 a month in revenues and want to increase that to $ 500, 000 a month, they are losing the difference ($ 300, 000) with each passing month they don't take action. Engaging you will not only help them make more money, but also gain additional benefits and insights to grow their market share, for example.

Think & speak value

Once you understand the true client value you deliver, make sure that your pricing strategy is in-line with client expectations. If your consulting services will save your client $ 100, 000, then you will have a hard time selling your engagement for $ 200, 000. On the other hand, if your services result an additional $ 300, 000 in revenues for your client each month, then charging $ 300, 000 is right on the money.

Understand how your clients consume information

The better you can understand how your clients consume information, the more effective will your efforts to communicate your value will be. Some clients may value individual meetings and presentations. Others may respond better to information presented on a

business website or a live demo. There are several channels through which your clients consume information. So, get a good grasp of your clients' preferred information channels to position your messaging.

Present options

A good strategy to increase your value is to package your services and provide options for your clients to choose from. By providing options, you are indirectly getting feedback on topics that are valuable to your clients. Failing to provide options will vastly limit their ability to articulate what's important to them and also negotiate scope. Choice Architects suggest providing two or three options (Decoy Effect) and guiding the client to make the right choice.

Option 1

This is their lowest price option. It includes the minimum service offering that your client needs to reach a successful outcome. It offers value for the investment. This option provides an entry point for clients to work with you. It's for clients with limited resources or don't fully trust their relationship with you. It allows them to see what it's like to work with you. Often, they go on to engage you more down the road. Typically, 15% of buyers will go with this option.

Option 2

This option includes the services from Option 1 and additional services that provide even more value to your client. For example, assume that you're offering a Change Management program in Option 1. In Option 2, you might additionally include a Change Management workshop for senior executives. The key is to offer so much additional value that a client evaluating Option 1 is pulled to Option 2. This option will be the most popular. Most clients don't want to be seen as choosing the least expensive option. They want value, but they can't justify going with the most expensive option. This lands them right in the middle. You'll find that roughly 70-80% of clients will choose Option 2 as a result.

Option 3

This is the option with the greatest value and highest price point. This option includes everything from Option 2 and additional services that will help the client solve the challenge

in the shortest amount of time. For example, you might want to include additional value-added services, such as training the Department Heads on change management, monitoring the change initiatives and providing coaching for three months in this option.

> If Option 1 is priced at $ 100, 000, Option 2 may be $150, 000 and Option 3 would be offered at $300, 000.

You'll observe that this option entails a significant jump in price. The reason for this comes down to how clients make decisions and the percentage of clients that will choose each option. This option isn't for everyone, but only for those clients that want the best and are aggressively seeking results. They don't see the price as a cost, but rather as an investment. And they are willing to pay for it. These clients typically represent 5% of the total. When you offer only one option to your client, you're basically saying take it or leave it. By providing options, you will significantly increase the their chances of saying Yes to one of your proposals. When your client is confident that every dollar they invest with you will return a greater value than that dollar, any hesitation to engage you will fade away. No longer is the conversation centered around costs, but rather, it becomes, which option would deliver the most value for you? That's a simple yet powerful difference.

Communicate ROI

An extremely effective way to communicate value to your clients is to demonstrate that your service will produce a significant return on investment for them. When your client is confident that every penny they invest with you will return a greater value than that their investment, any hesitation to engage you will fade away. Similar to asking the right questions, positioning Return on Investment [ROI] starts by asking strategic questions. The answers to these questions allow you to articulate your value in a way that provides your clients a positive ROI, while simultaneously maximizing your billings. A few results-focused questions you'll need to ask your clients are:

- How does a positive ROI look like for you?
- What are your anticipated revenues, cost savings or profits for the next 3 - 5 years?
- How will these outcomes impact your company's cash flows?
- What the success of this project means to your key stakeholder personally and to his / her career?

- How will this project benefit your customers / vendors / provide you a competitive advantage?
- What will happen if you decide to do nothing (status quo)?

Include the "Soft Factors"

Your questioning could also revolve around the intangibles / soft-factors that can't be quantified, but nevertheless don't diminish their importance. Additional questions, such as:

- **Safety:** How will this project deliver more safety to your customers?
- **Comfort:** How much more comfortable will the client be after engaging you than they currently are?
- **Urgency:** How can you help the client meet critical deadlines (e.g. imposed by external bodies, such as regulatory agencies)?
- **Peace of Mind:** How will your services give the client assurance and peace of mind?

Asking such questions will provide you with insight into the real value your clients will receive from engaging your services. Failure to ask these questions means you're missing opportunities to demonstrate your value and you're leaving money on the table during each engagement.

Formulate your value

As mentioned before, what your clients buy from you is not your efforts, but outcomes [results]. When framing your value, you should re-formulate your value from cost-base to value-base. Don't rely on your client — especially if it involves a professional buyer like the procurement department — to make these arguments on your behalf. Professional buyers will continue to focus on costs; that's their job. As a consultant, it's your job to direct their focus on the value you deliver. In addition to the tangible value you create for your clients, there is always an accompanying amount of intangible value. When you help solve an important business problem, you're also helping your client enhance their growth prospects, protect their reputation, reduce their stress, and secure their future. These are not inconsequential benefits.

Perfect your message

When describing what your firm does, the language and context are immensely important. Hermann Simon tells the story of two young immigrant masons in California who were able to provide more perceived value to homeowners by describing themselves not as masons but as

> European bricklayers; experts in marble and stone.

One of these youthful immigrants was an Austrian named Arnold Schwarzenegger. Author and consultant Alan Weiss offers this perceptive pronouncement about framing value:

> 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."

He goes on to observe that any professional service (consulting included) that is not directly tied to a desired outcome is simply an input that can be judged as a commodity against someone else's similar input. However, when you change the focus to the client's outcome, the commodity mentality disappears. Effectively communicating value is especially important in a service business. As Harry Beckwith observes in Selling the Invisible, when buying a tangible product like a new car:

> You can hear the steady ramble of the engine, the faint hum of the electric windows, and that special thud of the car door.

But you can't intuit the value of a service in the same way.

> You cannot hear the hum of a tax return being prepared or smell a good divorce attorney.

Service businesses, such as consulting, have a special responsibility to help prospective buyers envision and understand the value they will receive.

Be sincere

It is incredibly important to note that no amount of marketing or customer communications can truly hide the fact that a business or organization is not truly committed to customer value. If you or your firm is not fully committed to maximizing the value of your services, your clients will leave and not return. This will ultimately lead to your losing your credibility and in the long run, the failure of your firm. It is also important to note that the best marketing efforts in the world won't cover up an avalanche of negative customer reviews or poor word-of-mouth among your clients. If you or your firm is struggling with these issues, take steps to address them before launching a new marketing campaign.

Keep innovating

By using a value-based approach, consultants can focus on the value and return on investment they provide to their clients rather than the work they do for their clients. Keep asking yourself what value-adding services you could offer that would provide your clients with the highest level of value and the greatest return on investment. This may take the form of additional consulting, coaching, training, speaking, workshops, or done-for-you services. As you put these strategies into action, you'll be able to communicate your value more effectively, increase your billings and enjoy follow on engagements. The sooner you switch to a value-based model, the faster you'll increase your revenue and profitability. The biggest mistake consultants make is charging by the hour. Hourly rates aren't based on value, and they severely limit your ability to communicate your value. When you charge by the hour, your interests and those of your clients are not aligned.

Summary

Value is a judgment, not a calculation. Value is not just a single element [price]. It encompasses a range of attributes of your services for which customers are willing to pay. In consulting and professional services, you will never capture your share of the value you create by simply adding up and charging for your costs. You may also have clients who don't believe in the value you deliver and they may share their opinions. In this case, it is worthwhile to have a conversation with them and gain additional feedback. Such feedback will help you improve your service portfolio and overall business strategy. Communicating and establishing your value takes time and research, so it's extremely important to understand as early as possible what value means to each of your clients and how your

services is part of their solution.