Category

Commercial Excellence

Pricing for Services, Contracts & Retainers Playbook

Pricing services around the value delivered, not just the hours it took to deliver them

- Practitioner
- Intermediate
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- Administrator
- 01 January 2020
- 3 minute(s)

Overview

A framework for pricing services, contracts, and retainers — moving beyond time-and-materials or cost-plus pricing toward value-based and outcome-oriented pricing models where appropriate, capturing genuine value delivered rather than defaulting to input-based pricing that caps revenue at cost recovery plus margin.

Why would a services business move away from time-and-materials

pricing, which feels straightforward and defensible? Time-and-materials pricing caps revenue potential at cost recovery plus a margin, missing genuine value capture when the service delivers outsized client value relative to hours invested — value-based pricing can capture more of this genuine value, though it requires more sophisticated value articulation and client trust.

What's a realistic first step toward value-based services pricing

for a business currently using time-and-materials? Piloting value-based or outcome-oriented pricing for a specific engagement type where value is clearly measurable and the client relationship supports this pricing conversation, rather than attempting a comprehensive pricing model change across all services simultaneously.

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margin, missing genuine value capture when the service delivers\noutsized client value relative to hours invested — value-based pricing\ncan capture more of this genuine value, though it requires more\nsophisticated value articulation and client trust." } }, { "@type": "Question", "name": "What's a realistic first step toward value-based services pricing", "acceptedAnswer": { "@type": "Answer", "text": "for a business currently using time-and-materials?\nPiloting value-based or outcome-oriented pricing for a specific\nengagement type where value is clearly measurable and the client\nrelationship supports this pricing conversation, rather than attempting\na comprehensive pricing model change across all services simultaneously." } }] }

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