A Simple Value Pricing Formula

Idea In Short

Shifting from hourly billing to value-based pricing sounds appealing in theory but often stalls in practice, because most professionals lack a concrete method for turning a client's outcome into an actual number. A straightforward formula solves that problem: quantify the tangible value created, extend it across a reasonable time horizon and add the harder-to-measure but still meaningful intangible benefits. The result is a defensible fee range anchored to the client's business impact rather than to hours worked.

Where good intentions stall

Shifting from hourly billing toward value-based pricing sounds appealing in theory, yet many professionals stall the moment they try to put a specific number on the page. Without a concrete method for translating outcomes into fees, the temptation to fall back on familiar hourly math is strong, even after recognizing intellectually that time-based pricing undersells real impact.

Starting with quantifiable impact

The first building block of a workable formula is the quantifiable financial value created by the work: additional revenue generated, costs avoided or reduced, efficiency gains translated into dollar terms. This figure should be conservative and defensible, something a client's own finance team could reasonably validate rather than a number that depends on optimistic assumptions.1

Extending the value across time

Many outcomes continue paying off well beyond the first year, which makes a single-year figure an incomplete picture of total value. Applying a conservative multiplier, typically two to three years of continued impact, produces a more accurate total value figure without requiring unrealistic assumptions about how long a benefit will last.

Adding in what resists easy measurement

Intangible benefits deserve a real place in the calculation even though they resist being reduced to a single tidy number. Reduced risk, greater confidence in a decision and the peace of mind that comes from resolving a persistent, nagging problem often weigh on a client's decision at least as heavily as the quantifiable figures.2

Turning the total into a fee range

Once a total value figure is established, combining the quantifiable and intangible components, a fee is typically set as some meaningful fraction of that total value rather than as a fixed percentage. A fee representing roughly a tenth to a third of the total value created gives a client a clear, favorable return while still reflecting the genuine magnitude of the outcome delivered.

Why offering choices helps rather than hurts

Presenting a single price forces a binary decision: take it or leave it. Presenting a small set of structured options, a foundational offering, a fuller offering and a premium offering, reframes the decision entirely, shifting the client's question from whether to engage at all toward which level of engagement fits their situation best.3

Why the middle option tends to win

Research on choice architecture consistently shows that when people are presented with three structured options, a meaningful majority gravitate toward the middle one, since the lowest option can feel like settling and the highest option can feel unnecessary. Structuring options with this pattern in mind, rather than offering just one price, tends to raise the average value of engagements without requiring any single client to pay more than they find reasonable.

A method, not a shortcut

None of this formula replaces genuine judgment about a client's specific situation. It provides a repeatable structure for turning a vague sense of value into an actual number worth proposing, which is often the missing piece between recognizing that value-based pricing makes sense and actually putting it into practice with confidence.

- 1Return on investment
- 2Decision-making
- 3Behavioral economics

Summary

A workable value-pricing formula does not need to be complicated to be useful. Quantifying the tangible impact of a piece of work, extending it across a realistic time horizon and layering in intangible benefits like reduced risk or improved confidence produces a defensible fee range grounded in the client's actual business impact. Presenting that range as a small set of structured options, rather than a single take-it-or-leave-it number, tends to increase both the average project value and the client's confidence in the decision.