Ralph Williams was a middle-aged father who lived in the suburbs. His neighborhood and home were very nice and he had a fenced-in backyard. Ralph really enjoyed doing yard work and maintaining the property. He liked the exercise he got from using a push lawn mower.

There was only one problem... there was a portion of Ralph’s back yard that resided beyond his fence (affectionately called “the outlands”). This didn’t present a problem except when it came time to mow the lawn.

The only way Ralph could get his lawn mower to the outlands was to drag it around the front of the house, cut through two neighbors’ yards and circle back behind his fence. Once he reached the outlands, it only took about 15 minutes to cut this portion of the lawn. However, getting the lawn mower there and back was a royal pain!

It required a lot of energy because the mower had to be pulled without the motor running (no self-propelling advantage) over hills and through bushes. Additionally, Ralph was slightly embarrassed cutting through his neighbors’ yards. The joy of yard work had become a chore that Ralph dreaded.

One day, Ralph had an ingenious idea. There was a teenage boy two doors down whose property actually backed up to the outlands. It would be easy for the teenager to take care of this – he had easy access to the outlands. And it would be a great relief for Ralph – he would actually enjoy yard work again.

So Ralph went over to his neighbor’s and saw the teenager outside. He said, “Tommy, how would you like to make some extra money?”

“Sure, that would be great!”

“Here’s what I need. I need you to mow the area of my lawn behind my fence once each week. I’ll pay you $5 each week. Sound good?”

Tommy thought about it and then said, “With all due respect, Mr. Williams, I can’t do it for $5, but I can do it for $15 a cut.”

Ralph was taken aback. “But, Tommy, this can’t take you more than 15 minutes. So I’m paying you $20/hour! Where else can you make $20/hour?”

Tommy paused thoughtfully and then asked the million dollar question: “Mr. Williams, what is it worth to you to have this problem taken care of each week?”

Tommy turned out to be a very savvy business man (putting aside any feelings you might have that he should have just helped his neighbor). He avoided the trap that most consultants and business owners fall into: under-pricing the value of their services.
If your potential clients are focused on your hourly fees, you’re in trouble. They are trying to evaluate whether it’s worth it to hire you based on what it will cost them without considering what they will get in return. So they don’t have a context for your fees.

As a result they may see a fee such as $500 / hour as expensive. Is it? The answer is: we don’t know.

First, how many hours will it take? The true cost is “hours times rate.” If my competitor has a rate of $250 per hour, but it takes them three times longer to achieve the result, the client will pay more using them.

More importantly, we need to help our clients see the value of what they’re getting so they can accurately determine if hiring us makes sense.

So back to the question, “Is $500/hour expensive?” Let’s say that this engagement will take 1,000 hours – so the client will pay $500,000. Sounds like a lot of money. And it is, if the client is only going to realize a small benefit.

What if, instead, the client realizes a $2 million increase to the bottom line each year as a result of your work? Sounds like a great deal to me. Context makes a big difference.

Tommy skillfully redirected Ralph’s focus away from “time and materials” and on to “the value of the result.” Tommy knew that taking care of the outlands was worth far more than $5 per cut to Ralph.

Your job as a consultant is to help your clients see the true value of your services. This is the way to get paid what you’re worth.

Make sure you aren’t under-pricing yourself, especially when you’re helping clients in their “outlands.”

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