

Interview your client and propose a value-based price

# TABLE OF CONTENTS

- Interview your client and propose a value based price . . . . . 3**
  - Why Value Based Pricing? . . . . . 3**
  - Wait – but how do I know what the value will be to the client? . . . . . 5**
  - Exploring A Value Based Price . . . . . 6**
  - Wait – Do You Ask Prospects All Of These Questions, Kai? . . . . . 13**
  - Dealing With Push Back . . . . . 18**
  - Closing Thoughts: Writing a Value Based Proposal . . . . . 19**

# Interview your client and propose a value based price

---

When you're starting to explore value based pricing, one struggle is getting the client to talk to you about their business: What are their goals and challenges? How do they want to grow? How can you support that growth?

When you're first exploring value based pricing, it's easy for you to get push back from a client: "I don't want to tell you about my business, I just want a quote. Why can't you give me that?"

I've been through all that. Over the last year I've migrated my **consulting business** from hourly work to a productized consulting and value based pricing model. Today, we're going to learn the *why* behind exploring value based pricing options with your client, the *how* of positioning yourself as a trusted advisor to their business, and the *what* of specific questions to ask.

## Why Value Based Pricing?

Value Based Pricing helps you sit on the same side of the table as the client, focusing on the *value* that the project can deliver, rather than worrying about

the cost of your time. My colleague [Jonathan Stark](#) has a fabulous insight into how to think about this

- **Value** — For any project, the value is the benefit that the client receives from the project. This could be quantifiable value (*more sales, more visitors, more revenue*) or qualitative value (*better image, prestige, less worry*).
- **Price** — The price for the project is whatever you're charging for the project.
- **Cost** — The cost for the project is how much it costs you to complete the project.

For any project, the difference between “Value” and “Price” is the profit to the client. By investing \$5,000 in your services (*the price*) they gained \$10,000 in value (*the value*). The client profited by \$5,000, giving them a 100% Return on Investment.

Likewise, for you as a consultant, your profit is the difference between ‘Price’ and ‘Cost’. If you're charging \$5,000 for a project and it costs you \$1,500 to fulfill the project, your profit is \$3,500, giving you a 233% Return on Investment.

**The key thing to keep in mind? Value > Price > Cost.**

As long as the value you're delivering to the client exceeds the price of the project and as long as the price you're charging for the project exceeds your cost, you're winning.

## Wait — but how do I know what the value will be to the client?

That's the fun part about Value Based Pricing — understanding your client's business.

At a high level, we want to think *beyond* a strict 'Return on Investment'. There's many *non-financial* reasons that a client may want to work with you, all of which play into the value they're receiving from this project.

At the core of value based pricing, you're having a conversation with the client to answer three key questions:

- **Why me?** Can any consultant do this, or do I have special attributes?
- **Why now?** Is the timing particularly urgent or sensitive?
- **Why is this being handled in this manner?** Is there some aspect that's key at this moment?

These questions assess your *personal* value to the project. Are you a domain expert that understands the project in a deeply intimate fashion? Were you referred to the client by a trusted advisor? Did they wake up one morning and shout out “*Get me Kai Davis!*”

By asking your client these questions, you begin to understand your *personal* contribution to the project.

- What makes you unique? What makes you different? Why you instead of another consultant?
- Why now? Why not 6-months ago? Why not 6-months from now?

- Why *this way*? Why work with a consultant? Why not hire an employee — or have someone internal handle the project?

More so than starting by asking your client about the specific quantifiable numbers that can make up part of a value based proposal, you want to start by asking your prospect about *why they're pursuing this project, in this fashion, with you in mind*.

Their answers here will give you insight into the unique value that *you and you alone* can contribute to the project. And that, at the heart of it, is the keystone to proposing a value based price: **identifying the value that you can contribute to the project that no one else can.**

## Exploring A Value Based Price

One level deeper, we want to understand the client's business in order to propose a value based price. They might have sought us out because we're the best in our industry — but if their business objectives, measures of success, and their specific understanding of the *qualitative* value of the project don't match up with what we're able to provide, we'd be doing the client a disservice by presenting a proposal.

## Understanding Business Objectives

First, you want to understand the *business objectives* behind the project. Sure, the client might want a new website, a logo, or brand, but, well, *why do they want that?*

As a consultant, your first step here is to understand the business objectives behind the project. What do they want to accomplish? What would the difference be if the project were successful? Why handle the project in this way?

Here are the questions that I ask my prospects as I'm qualifying them to work with me — and building towards a value based proposal.

- What would you like to accomplish?
- Ideally, how would conditions improve as a result of this project?
- What would be the difference in the organization if you were successful?
- If you had to set priorities now, what three things must be accomplished?
- What precise aspects are most troubling to you?
- What is the profitability improvement expected?

With these questions, we're starting to explore the *why* behind their decision.

**What would you like to accomplish?** — Imagine this: a client has shown up on our (*metaphorical*) door-step and asked us to build them a website and how much it will cost. Our first step is to understand *what the client is looking to accomplish*.

When they show up, they're saying "I need a website!" (*e.g., "What they'd like to accomplish"*). But, well, *why* do they think they need a website?

By taking your clients on a journey through these questions, you start to learn more about the specifics of their organization.

**Ideally, how would conditions improve as a result of this project?** — If they had a new website, how would their conditions improve? What would they be able to achieve? Well, let's say that launching a new website will allow them to increase their sales.

Okay, if they were able to increase their sales, what would they be able to achieve?  
(“We’d be able to hire three new employees and expand!”)

**“What would be the difference in the organization if you were successful?”** — The *goal* of the project might not just be “We need a new website.” The goal — and, well, the *value* of the project — comes from the difference that the organization will experience as a result of this project.

**“If you had to set priorities now, what three things must be accomplished?”** gives you insight into what, specifically, they need assistance with. Do they need help with Launching A New Website or do they need help deciding on a platform? The UI/UX? Or something else?

**“What precise aspects are most troubling to you?”** helps you understand why they’re seeking out you and your expertise – and not handling the project in-house. Maybe they don’t have the technical knowledge necessary. Or perhaps they don’t have the time or resources. Whatever the answer, that contributes to the value that you’re able to provide to the client.

**“What is the profitability improvement expected?”** starts to get us at the *financial* value of the change. Maybe the client runs an eCommerce website and is looking to see their conversion rate increase from 1% to 2%. Or perhaps they have an overall goal of growing their revenue by 25% this year. By understanding the profitability improvement the client is aiming for, you’re able to best judge how you can help their business grow — and begin to understand the *value* of the project to their business.

## Understanding Measures of Success

Once you understand the business objectives behind the project, you want to understand how the client will measure the success of the project.

Here are the questions that I ask my prospects as I'm qualifying them to work with me — and trying to understand how they'd measure the success of working together:

- How will you know when these objectives have been accomplished?
- Who will be accountable for determining progress, and how will this person be held accountable?
- What constitutes acceptable improvement? Ideal improvement?
- Let's say this project is a huge home run. What would that look like?

With these questions, we're attempting to measure and understand how *the client* will know if the project is a success. It's one thing for you to 'ship' a website, but if the client's needs are actually deeper — 'increasing revenue' or 'updating their image to reflect the company of *today*' — the measures of success can differ *dramatically* from your early assumptions.

Once you understand the business objectives behind the project, you want to understand how the client will measure the success of the project.

And in what should be shocking to absolutely no-one, the closer you are in alignment with the client's measures of success, the more apparent value you

have to their firm, and the easier it will be for them to *justify* you value you present in your proposal.

Let's talk through each of these questions one by one:

**“How will you know when these objectives have been accomplished?”** — This question literally gives you the baseline for understanding how the client will know their business objectives (*explored in the previous set of questions*) have been accomplished. In our example of the website, the objectives *\_might\_* just be larger than ‘launch a website’ and likewise, the measures of success may be along the lines of ‘We see an increase in visitors’ or ‘We rank higher in Google for our keywords’.

**“Who will be accountable for determining progress, and how will this person be held accountable?”** — While this question is similar to identifying the primary decision maker (or ‘economic buyer’) for the project, what it really gets at is helping you better understand who ‘owns’ the success of the project and how that ownership affects what they value.

**“What constitutes acceptable improvement? Ideal improvement?”** — There’s a range of improvement acceptable for any project. Acceptable improvement, to one client, may be ‘launching a website that reflects our modern image’ while ideal improvement may be ‘we start to receive sales inquiries through our website’. Knowing what constitutes acceptable and ideal improvement lets you better understand the value that you’ll be contributing to the project.

**“Let’s say this project is a huge home run. What would that look like?”** — I love this question because it lets me know, in the client’s own words, what a great result of the project may look like. And often the result could be *non-quantitative!* I have a colleague who, when he asked a prospect this question, was told that a

home run would be 'enough additional revenue to pay for a berth for my boat at the yacht club'. With that information in mind, my colleague was able to anchor the value he was able to deliver to that quantitative goal, framing the return (and value) from their work together as the price for a 3-year membership at the yacht club and the price he was charging as a fraction of that value.

### **Establishing Quantitative\*\* and \*\*\*\*Qualitative\*\*\*\* Value\*\***

There is more than one type of value. *Quantitative* value is, well, numeric: Sales, Return on Investment, Leads, Revenue, etc. *Qualitative* value is a bit more... squishy. Your image, your brand, the length and number of vacations you can take in a year are all some examples of qualitative value.

When you're focused on value based pricing and a value based proposal, part of your job is to understand both the quantitative and qualitative aspects of what the client wants to achieve. These are a handful of questions that I use to understand that aspect of value:

- What if you did nothing? What would be the impact?
- What if this project failed?
- What does this project mean to you personally?
- How will this project affect performance?
- How will this project affect image/reputation?

With these questions, we're trying to understand what the world would be like if the project *didn't* happen. We're asking the client to walk us through the scenarios where the project didn't start or failed to understand what the alternative is to working together.

Likewise, by asking what the project means to them and how the project will affect performance, image, and reputation, you understand more of the *qualitative* value behind the project.

Maybe the client is coming to you for a logo that, for whatever reason, will create no financial upside to the company.

*However*, to the client, the logo represent a huge change in the image and perception of their company and the *value* of the updated logo is *immense*. Maybe it's non-quantifiable, but by understanding the weight that the client places on that logo, you're better able to produce a value based proposal, instead of an hourly price quote.

Let's talk through each of these questions one by one:

**“What if you did nothing? What would be the impact?”** — This question allows you to see inside of the *mirrorworld* of the clients mind. What do they fear will happen if they did nothing? Would the company collapse? Could they lose their job? Would sales decline? Would their bonus be at risk? Knowing what the prospect fears — and presenting your work as the *reverse* of those fears — will better allow you to understand the value inherent to the project — and your unique contribution to that value.

**“What if this project failed?”** — Likewise, this helps the client paint a picture for you of what is at risk if the project fails. Will they lose their job? Could the company go bankrupt? Would it be a normal day? By understanding how the world will be impacted if the project fails, you'll be able to better understand the value you bring to the client.

**“What does this project mean to you personally?”** — Is this a pet or personal project? Is the project owner heavily invested in the success of the project? Does

the project represent a bold, new direction for the company? The answer to this question contributes to your understand of the total value of the project, both quantitatively (“*If we 2x sales, I get a boat!*”) and qualitatively (“*If we launch this website, I’ll feel like a leader within the company*”)

**“How will this project affect performance?”** — Does this project improve processes? Does it make it easier for people to do their jobs? Are there time savings involved?

**“How will this project affect image/reputation?”** — Will completing this project help improve the company’s brand? Your personal brand? The reputation of the company? I once worked with a successful startup who had *the worst* results for “{Company Name} Reviews” in Google that you could imagine. While not representing a quantitative / financial return on investment, the success of the project would have had a positive impact on the company’s image and reputation, representing a high qualitative value for the project.

## **Wait — Do You Ask Prospects All Of These Questions, Kai?**

No. No, I don’t.

I keep a small swipe file of questions on hand, have a few standard questions (*included below*) that I ask each prospect who contacts or emails me, and then have a separate series of questions that I ask every prospect who I qualify for a phone call.

## When A Prospect Contacts Me

When a prospect first gets in touch with me, my goal is to better understand their business. What's their unique story? How are they different from their competitors? What motivates them as a company.

Thanks to the advice and insight of one of my colleagues, [Jonathan Stark](#), I put together a short list of questions that I email to every prospect that reaches out to me. For your benefit, I'm happy to share those questions and that email with you.

Now, while I normally shy away from sharing email templates, I believe there's value in sharing *this* template with you, because it will help you see how I start off a conversation with these questions and focus the *early* conversation not on value based pricing questions or my qualifications, but on better understanding the story behind the prospects business — plus, this gives a prospect a chance to tell me about their business and everyone likes to talk about themselves.

*Hi {First Name},*

*Nice to meet you!*

*I took a quick look at your website — I like it. It's a lot to take in, but it looks very impressive. I'd love to learn more.*

*To get started, I have a few questions for you, if you have time, to help me better understand your business:*

- *What's the origin story behind the company?*
- *Who are your top 3-5 competitors?*
- *How are you different from your competitors?*

- *Do you have a unique perspective on your industry? If so, what is it?*
- *What characteristics would your ideal customers possess?*
- *What have you tried so far, marketing-wise?*
- *How would you measure the success of a project if we work together (i.e., what would a homerun look like)?*

*Once I hear back from you, if it sounds like we're a match, the next step would be for us to schedule a time for a short call so I can learn more about your business and your goals and answer any questions that you have for me.*

*Looking forward to hearing more!*

*Thanks,*

*Kai*

What am I doing here?

- I'm hinting that I'm qualifying *them* to work with *me*.
- I'm asking open-ended questions about their business.
- I'm focusing the conversation on them and their business.
- I'm trying to learn more about what makes them unique and what they contribute to their industry.
- I'm setting a clear order of events: First, you answer these questions. Then, we schedule a call to talk.

Typically, when I get a response back from a good prospect, they've sent back ~1 paragraph in response to each question. A bad prospect will respond back with a one sentence — or less. Trust me, the quality of their response is an early qualifying signal.

## When I'm On the Phone With A Prospect

Once I qualify a prospect, I move forward and have a phone/Skype call with them. Over the course of the call, I'm focused on asking them a selection of the Value Based Pricing questions (that I shared above) to further guarantee that they're a good match for my business.

- Tell me about your business
- How has your business performed over the last 12-months?
- What's the goal of this project?
- Why start now vs six months from now or six months ago?
- Why choose me for your project?
- What's your [key metric] right now? (“We'll know this project is successful if we increase X by 20%”)
- Let's say I approve you as a client today. Can you walk me through the process of you deciding to work with me?

First, I have the prospect describe their business for me.

Then, I'm asking them to tell me about how the business has been performing: has growth been great and they're looking to improve? Has revenue been declining and they're looking for a fix?

Next, I ask them three questions to get to the heart of the business objectives of the project, understand why they want to start *now*, and dive into why they want to work with me instead of some other consultant or handle the project internally.

After that, I ask them about a key, relevant metric for their business. For one of my businesses — [business coaching for freelancers](#) — I'm curious about

what their monthly recurring revenue is and how deep their pipeline of leads, prospects, clients, and work is. How they answer this question helps me determine how I can best add value to their business.

**Finally, I ask them to walk me through the process they'd have to go through if I decide that we can work together.**

This way, I force them to confront and voice any potential barriers or roadblocks to us working together — or realize that nothing is stopping us from moving forward and starting the project, pending acceptance of the proposal. Sometimes this question leads to them saying “Oh, we’ll need to get the CEO’s approval,” which lets me know *my* next step is to have a conversation with the CEO.

**Note well:** With this question I’m framing the decision of if we work together as being in *my* hands. Not their hands. I’m unwilling to work with a client that I do not feel is a good fit for me, my business, my services, or my goals.

Now, depending on how they respond to these questions, there are a few ways that we can move forward:

- **They’re not a good fit:** If I feel, after our email and phone conversation that they aren’t a good fit, then I’ll inform them that I don’t feel that my agency is capable of helping them achieve their objectives.
- **They’re a good fit... for a productized service:** If, after talking with them, I determine they’re a good fit for an off-the-shelf **productized service** that I offer, I’ll position that as the next best step to working together.
- **They’re a good fit... for a proposal:** If it feels like they’re a good fit for a custom proposal, I’ll move them forward towards a **roadmapping workshop**, a flat-rate, standardized engagement where I interview the

key decision makers and economic buyer for the project about the project to better understand the value present.

I'm *against* spending hours and hours of my unpaid time interviewing the client and writing a proposal. Thus, I present the best next step as a roadmapping workshop where I interview them and use that information to write a proposal. If a prospect doesn't see the value in investing in a roadmapping workshop, they aren't a match for working with me.

Often, when you start asking your client or prospect deeper questions about their business, you'll get push back.

## Dealing With Push Back

Often, when you start asking your client or prospect deeper questions about their business, you'll get push back.

Sometimes, this pushback can easily be overcome with a few clarifying statements. Othertimes, this is an indicator that this isn't a client that you want to work with — they see you as a pair of hands, not a trusted advisor — and you should politely decline to work together.

When I'm working with a client to understand the value in their business and experience an objection — “Why are you asking these questions?” or “I'm just curious if you can help me build a website, you don't need to think about my business” — I draw on these statement to help *educate* the client about the value behind the questions I'm asking:

- “If I can ask you a few questions, I can put together a proposal to show you the ROI if we worked together.”
- “What I do isn’t as important as what we’ll create together.”

**“If I can ask you a few questions, I can put together a proposal to show you the ROI if we worked together.”** — With this statement, you’re helping clarify the value of your questions – understanding the return on investment they can experience from working with you – and position that you won’t be able to put together a proposal until *after* you understand if you’ll be able to deliver an ROI for their business.

**“What I do isn’t as important as what we’ll create together.”** — If the client sees you as a pair of hands (someone to build a website and then be done-with) this clarifying statement helps educate the client on the *value* of working with you. What you do (build a website, design a logo) isn’t as important as what you’ll create together for their business in terms of quantitative and qualitative value.

## **Closing Thoughts: Writing a Value Based Proposal**

The only way to understand enough about a client’s business to write a value based proposal is by first ensuring that the client trusts you enough to share details of their business — their hopes, their dreams, their fears — with you, so that you can understand the value that you can bring to the engagement.

After you gain an understanding of the inner-workings of your prospects business, you’re able to understand where the value is present in their business and prepare a valued based proposal for them.

**The key thing to keep in mind? Value > Price > Cost.**

The value you're presenting as the outcome for the client should exceed the price you're charging for your service. Likewise, the price you're charging should exceed your cost for performing the service.

Now, there's a lot that goes into actually *writing* a value based proposal, once you've gained a deep enough understanding of the prospect's business to identify a value based fee. However, I hope that this analysis of how to acquire value based information from the client about their business will help you have a better understanding of implementing value based pricing.