

Prof. Aoife O'Mahoney
THE CONSULTANT'S CONSULTANT



PRICING FOR GROWTH:
A GUIDE FOR CONSULTANCIES



PROF. JOE O'MAHONEY

Joe is a leading authority on the consulting industry and a consultant to the consulting industry. His research on the profession has won several prestigious awards and resulted in leadership of high-profile government-funded research. Joe's textbook on Management Consulting was the best-selling in Europe and his research has been published in the top international journals.

Joe also practices what he preaches: he has been a corporate consultant, an internal consultant and a solo consultant. He has spent fifteen years providing advisory services to consulting firms and, in 2007 sold his own company, StayMobile Technology Ltd. In addition to his private practice, he is the founder of Repair Café Wales CIC and Consulting Mastered Ltd.

Joe has taught and coached over 2,000 executives and MBA students about management consultancy and helped hundreds of students gain places at leading consulting firms. Joe's training has been recognised by an award from the British Academy of Management and several University prizes. Joe studied History at Oxford University and obtained his PhD and MSc at Warwick University. He lives with in Cardiff with his wife, Hannah, and two sons.

WHY YOU'VE (PROBABLY) GOT A PRICING PROBLEM

52% of consultancies use a time-based approach to pricing, typically charging by the day. Generally speaking, this does not maximise revenue opportunities because it rarely links to the *value* of what is delivered and takes little account of market or sector variations.

Worse, it doesn't incentivise you to become more efficient. In the long term, efficiency will allow you to reduce costs, improve client value, and become more competitive. If you are being incentivised to simply burn through hours, there is no reason for you to make improvements to the way you work which, in the long term, will leave you behind your competitors.

Even worse, clients dislike time-based approaches to pricing. They dislike the uncertainty and the potential of over-paying. There's even a psychological term for this – it's called the Taxi-Meter Effect – the sinking feeling when you're in the back of a cab stuck in traffic and can see the fare ticking ever-upwards.

This is not to say that it isn't important to know your actual time spent on projects. Understanding your overheads and costs will influence your prices and allow you to calculate the all important project-margin and your break-even point. But time-based pricing is rarely the best answer.

#1

PRICING IS NOT A 'TRICK' TO DO CLIENTS OUT OF MONEY. IT IS A METHOD TO INCENTIVISE BOTH CLIENTS AND CONSULTANTS TO DELIVER BETTER VALUE.

Your first focus should always be delivery great client service.

Whilst you must develop your own strategies to maximise profitability, your direction should be informed by conversations with your client about the best way to incentivise the best outcomes:

Does it suit them best to buy time, to have pricing certainty, to buy from a menu of deliverables, or to have a true business partner? What will best incentivise incredible work?



#2

DON'T COMPETE ON PRICE. IT RESULTS IN A VICIOUS CIRCLE WHERE LOW MARGINS LEAD TO LOW INVESTMENT, UNMOTIVATED CONSULTANTS AND UNHAPPY CLIENTS.

Don't compete on price unless your overheads are cheaper. Even when they are cheaper, we would still price high as it is an indicator of quality.

Generally speaking you should be pricing in the top 10% of your competitors.

Note that I've stressed **your** competition. Don't think that you compete with McKinsey & Co! When consultancies say they 'stole' work from McKinsey, they usually mean the client went for the cheaper option!



#3

ANY PRICING STRATEGY HAS A CEILING. INVESTING IN YOURSELF AND YOUR METHODS SO YOU DELIVER BETTER OUTCOMES IS THE ONLY LONG TERM ROUTE TO HIGH PRICING.

The only sustainable pricing strategy is based on continuously increasing the value of your work, and the client's perception of that.

A knowledge system which improves your firm's expertise, impact, and value, as well as a marketing strategy that is entirely focused on quality and value, will allow you to drive higher prices regardless of how they are calculated.

This will allow you to create higher margins, to hire and train better staff, to create a virtuous cycle of value. You want to be forever better, not forever cheaper.



#4

NOT ALL NICHE ARE EQUAL. DIFFERENT MARKETS, SERVICES, METHODS, BUYERS OR GEOGRAPHIES CAN DOUBLE YOUR PRICES.

A great pricing strategy cannot make up for a poorly selected niche. Your niche provides the ceiling on your fees.

A well-selected niche together with a powerful UVP and marketing message will do better for your profits than any pricing model.

To find a more profitable niche you must do your research! Can you sell the same services in more profitable markets? Can you sell more profitable services in your market? What aligned, upstream or downstream services might you offer? Can you supplement your work with passive-income services (e.g. online courses, apps, benchmarks, subscriptions or software?).



#5

PRICE IS NOT AS IMPORTANT TO YOUR BUYERS AS YOU THINK. CLIENTS GENERALLY BUY WHAT THEY SEE IS THE BEST AS LONG AS THE PRICE IS IN THE RIGHT 'BALL-PARK'

Generally, consultants overestimate the importance of cost to their buyers.

50% of consultants say price is among the key drivers in a buyer's decision, but only 28% of buyers rate price that highly.

In a survey of over 3,000 client executives, only 6% ranked price the most important factor when buying consulting services – on average, it was the 9th most important attribute.





#6

INFLUENCE THE CLIENT BEFORE THEY GET TO THE PRICING DECISION. YOUR THOUGHT LEADERSHIP AND NETWORKING SHOULD MAKE YOU THE NATURAL CHOICE.

Our research shows that most clients do not know all the services that their existing consultants offer. The attention of the buyer is a highly contested commodity and you should get in early to build relationships.

A client only has so much time to scan the market for solutions, and a strong consultancy will ensure that in their area of expertise clients should not need to do this.

If you have been doing your job in creating and distributing thought leadership, useful connections, research and general educational meetings, it is likely that you will be the first port of call for your client.

#7

VALUE-BASED PRICING IS USUALLY NOT THE ANSWER, DESPITE IT BEING THE FAVOURITE OF INTERNET 'GURUS'.

It is generally argued that value-based pricing is the ideal solution for the average consultancy or sole-trader.

However, what many self-styled 'experts' fail to note is that value-based pricing is not always suitable, either because it is too hard to measure, the preferences of the client are for something else, or because you simply can't generate the value that justifies this type of pricing.

The value conversation is definitely worth having because it emphasises that the client is getting a lot more than what they are paying for. However, this does not mean you should *price* on value, unless





#8

MASTERING PROJECT, OR FIXED, PRICING, IS USUALLY THE MOST EFFECTIVE PRICING APPROACH.

For most consultancies, mastering project based pricing will be superior to any other approach.

Clients like it because it gives them certainty and approvals become easier. This can provide you with competitive advantages in the proposal stage.

It allows you to charge upfront and should encourage you to deliver the same value for a lower delivery cost.

Effective fixed-price projects have a clear specification of the deliverables and an agreed change management process for any changes.

#9

STRONG PRICES ARE POINTLESS WITHOUT MANAGEMENT SKILLS TO ACHIEVE MARGINS FROM THEM.

FOUR THINGS ARE CRUCIAL.



01

Training in pricing and negotiation (too many partners discount excessively in order to win)



02

A detailed understanding of what the project costs the firm



03

Strong project management skills that ensure costs on the project are minimised.



04

Getting the project leverage ratio right: using senior people for senior work and juniors for junior work.

HOW PROF. JOE O'MAHONEY CAN HELP YOU GROW

Prof. Joe O'Mahoney
THE CONSULTANT'S CONSULTANT

WORKSHOPS/ MASTERCLASSES



Ranging from pure facilitation through to masterclasses. Topics include growth strategy, service development, marketing, sales, pricing, & thought leadership. I also draw on a powerful network of acclaimed international experts to help deep dive on or co-host some workshops.

NON-EXECUTIVE & FRACTIONAL ROLES



As a NED I am a 'critical friend' to the senior management team in their pursuit of growth and equity realisation. I challenge, support and mentor so that stretch targets are delivered.

As a fractional Chief Strategy Officer, I help accelerate your growth through dedicated delivery for your board.

MONTHLY COACHING & MENTORING



Ranging from pure facilitation through to masterclasses. Topics include growth strategy, service development, marketing, sales, pricing, & thought leadership. I also draw on a powerful network of acclaimed international experts to help deep dive on or co-host some workshops.

SALES ACCELERATOR



This is a sales and marketing sprint focused on establishing a digital media architecture (website, CRM, content, outreach) that will significantly improve your pipeline. We start with a review of your existing situation and improve from there.

[BOOK A CALL](#)

TESTIMONIALS



"Each time I've spoken to Joe, I've come away feeling inspired and full of energy to follow the reading, leads and ideas that have come out of our session. From our first discussion, I knew I'd found the right person! Joe's breadth of knowledge about what makes a successful consultancy is second to none. His direction has led us to a much bolder strategy than I would ever have envisaged. We have the confidence, through Joe's advice, to think bigger. The MESH management team loves working with Joe, and I'm sure yours will too."



FIONA BLADES

CEO & FOUNDER, MESH EXPERIENCE



"Joe's expert judgement and immense knowledge of the field helped us cut through some confusion and make some really helpful decisions and choices. Our business is really beginning to move up a level thanks to his help. We're looking forward to continuing to work with Joe as our business grows."



KATE HOOPER & DONALD MACLEAN

CO-FOUNDER OF STRATEGYSTORY



"We started thinking seriously about the evolution of our business and the value in it. We realised that we needed a pair of expert outside eyes. Joe gave us that but also brought invaluable expertise and knowledge about running consultancy businesses. He has been a key asset not just in developing a strategic plan but also in implementing it"



MARK CHATTAWAY

CEO & CO-OWNER, HYDERUS



"Joe is a knowledgeable, engaging and highly experienced individual. He possess invaluable experience from a variety of international engagements. His foresight and dynamic thinking have helped us achieve and expand our long term strategic goals. Above all, Joe's combination of commercial awareness and academia, makes him a powerful contributor to any organisation fortunate enough to work with him".



LAURENCE KIRK

VP, PRO UNLIMITED



TESTIMONIALS



"We are an ambitious consulting start-up, looking to grow quickly and steadily. Joe is a great advisor helping us to stay on track. He reminds us of the most important. He helps us to find new talent. And he is always a sounding board to our fast-changing priorities and new ideas. It is always good to talk with somebody external, especially such a kind advisor."



HALIL AKSU
CO-FOUNDER, DIGITOPA



"Being a Founder can be an isolating and daunting experience. In my 14th year of business I found myself with some unexpected challenges which needed some external support and Joe's valuable steer. His donated some of his energy when I was lacking some, he believed in me when I was lacking some self belief and I continue to seek his advice which is always straightforward, practical and tailored to my specific stage in my business development"



DEBORAH FLEMING
CEO, CHAMELEON CONSULTING



"Making the decision to contact Joe was without doubt, the most important decision we've made yet in our company's history. Joe's expertise and advice has provided incredible value to our business. Joe has identified revenue streams for us that we hadn't even considered, has provided critical advice on how to best grow our team and has introduced us to many key contacts in his network who we otherwise never would have met. I couldn't recommend Joe more highly to someone on their journey of starting up their own firm"



JACK CASEY
FOUNDER & CEO, IMPACT CONSULTING

