



PEOPLE SCOPE

Management Consultancy  
Management Development  
Training • Coaching

# Must-do Tips No 82 - Why The Price Is Right (And Sometimes Wrong)

Harder times have delivered tougher and wider-ranging pricing choices for many parts of the professional services sector - but how well are they coping?

Cost pressure from clients to move away from the 'open cheque' of hourly charging means that fixed, capped, contingent and other pricing 'novelties' are testing the ability of some professionals to estimate jobs more accurately. Day-to-day practice can struggle to keep up with this more stringent reality. To help avoid the gruesome penalties that getting it wrong often entails (write-offs, low/no profitability, client dissatisfaction), this month we select three of the most popular estimating 'wrongs' that can easily be righted.

## Tip 1 – assumptive peril

This is a short "Sliding Doors" story about the cost of making assumptions (remember the movie in which Gwyneth Paltrow gets to follow two very different life paths - one successful, the other miserable - as the result of a single, critical event). A client says "I need **service x**" from one of her advising firms. The relevant partner has no specific experience of providing x but has delivered **service y** before - which sounds nearly the same as x. It's at this point that the critical event occurs.

In the first version of our reality, the keen partner dashes straight from the meeting to compile an estimate based upon **service y** which the client accepts....and the partner loses his shirt on the firm's most unprofitable deal that year. Why?

Because unlike our partner in the second version of this reality, he didn't take the time to explore with the client the full specification of **service x** - clarifying and ironing out all the ambiguities and nuances of her request - **before** calculating and submitting his price options, based upon this little bit of extra effort. This resulted in a different (and much more accurate) estimate that the client still accepted...and the firm profited rather than suffered.

## Tip 2 - (don't) worry...it's in my head!

This is basic but it happens in busy practice areas. A partner goes to great effort to calculate a price or different price options for the client...and then finds herself in all sorts of trouble when something goes wrong, there's a deviation from normal practice, or the client just queries the bill. Why?

Because in the rush, nothing has been written down! It doesn't matter if you have quoted for the same sort of job a thousand times. Capture and record it systematically, always - if you want to save time, money, and angst later.

## Tip 3 - do more than grin and bear

We've overrun on a fixed fee deal, despite having estimated carefully. What next? Most of the time, I guess we just accept it (perhaps with a bit of "woe is me!"), or indulge in a good moan about the client. Sadly, this achieves very little. What does improve things is **talking to the client** because:

1. They will want to know (clients usually want to work with profitable firms).
2. You can have a sensible discussion about higher fees for next time (or explore inefficiencies on their side, if they were part of the problem).
3. You will get better at estimating.

For fuller information on us, what we do, and who we work with, go to our website at [www.peoplescope.com](http://www.peoplescope.com).

To further inspire, we have a suite of over 20 workshops on **Client Relationship Management, Business Development** and **Leadership & Management**. To find out more, just go to <http://www.peoplescope.com/training-programme.php>.

And to access for free, we have a wide selection of previous issues of Must-do Tips offering practical, real world advice at <http://www.peoplescope.com/must-do-tips.php>, plus in-depth articles on the key commercial issues for professional firms at <http://www.peoplescope.com/articles.php>.

Finally, if you do NOT wish to receive "Must-Do Tips", [unsubscribe]click here to unsubscribe[/unsubscribe]. Or press 'Reply' and type 'Unsubscribe': we will do exactly that.

Best regards.

JAMES NEWBERRY

People Scope, 6 River Court, Chartham, Canterbury CT4 7JN, United Kingdom. Telephone: 01227 730411.

This message contains information that may be privileged and confidential and is the property of People Scope. It is intended only for the person to whom it is addressed. If you are not that person, you are not authorised to read, print, retain, copy, disseminate, distribute, or use this message or any part thereof. If you receive this message in error, please notify the sender immediately and delete all copies of this message. Our computers are virus-protected on a regular and ongoing basis. We hope that you don't catch anything from us, but we can't accept any legal responsibility if you do.

Copyright People Scope 2011