Information Technology Professionals: How to Charge Higher Fees

By Andrew Neitlich

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I feel sorry for IT professionals who compete on price. I hope you are not one of them, because this is what you will face:

− A reputation as a cut−rate consultant or, if you own a firm, a reputation as a "body shop." Clients assume they get what they pay for, and will therefore assume that you must not be very good.

− Projects that are of marginal importance to your clients. If they were important, they would pay more for the right consulting professional.

− Clients that care about price, and not relationships. Every time I have cut my fees for a new client, I have regretted it. Clients that focus on price end up being more demanding, less grateful, and much less loyal than clients that understand the value of the services I offer.

− Difficulty attracting enough clients to generate the revenue you want to make. Attracting a few clients at higher fees saves you time and hassle compared to chasing many price−sensitive clients at lower fees.

− Employees (if you have or want any) that are dissatisfied and look for opportunities at firms where clients value the quality of their work.
The psychology of pricing consulting services is not so different from the psychology of pricing Vodka: The higher the price, the better quality people think they are getting. In the case of consulting services, the price−quality relationship is often true.

Here is a strategy to raise your fees while attracting better clients:

1. Become the authority in your target market in order to establish your credibility and value. Do this through a variety of strategies:

− Develop valuable educational and informational messages that help your prospects associate you with solutions.

− Compile a mailing list of prospects in your target market, and follow up in ways that are valuable and important to them.

− Be visible to your target market through a variety of media: speaking, articles, audio CD's, videos, fact kits, your web site, etc.

− Collect and post testimonials, case studies, and articles about you and collect references.

2. Talk less about what you do and what you know, and more about the specific business and personal results you get for your clients. How much money or time do you save them? How much do you increase profit? How do you help improve quality, reduce employee turnover, and provide peace of mind? Where have you done this before? The more results you can show, the more you can demonstrate that your high fees are still very inexpensive compared to what their problem is costing. You should still provide excellent information about your service offerings, but focus first on solving your prospect's pressing problems.

3. Demonstrate that you have a consistent, proprietary, unique approach to get results, and that this approach goes far beyond what the competition does. Describe your methodology. Tell them about the services you offer that competitors do not.

4. Explain why your experience and qualifications set you above others. Talk about your education, years in the field, certifications, and past clients and employers.

5. Let them know that you do not accept all assignments or clients, only those that fit your specific target market and capabilities. Let prospects know that you choose a relatively small, select roster of clients. That way, you are accessible to them, and can provide services that your busier competitors cannot. Promise them (and mean it) that you will return phone calls and emails instantly. Give examples of assignments you have turned down.

6. Be willing to say "no." If an engagement appears to be outside your capabilities, a high risk, with a client that will not want a long−term relationship, or that is undesirable to you, say no. Even if you need the revenue, it is better to spend your time establishing trust and credibility with a more desirable set of prospects.

7. Stop selling and hawking your services. Instead, become skilled at educating prospects and letting them make the decision to hire you on their own. If you use salesmanship, you will put prospects on the defensive and they will be more likely to negotiate price with you.

8. Prepare a set of responses to objections about your fees. These include:

− You get what you pay for, or less. For instance, inexperienced professionals looking to get a foot in the door often charge low fees. So do consultants who don't have many clients and need the work; they don't have many clients for a reason. Why would a consultant with true expertise and credentials charge fees that low?

− Tell stories about clients who have hired low−priced consultants, and ended up paying much more in the long run to correct their mistakes. If you can, talk about clients that called you in to fix this sort of situation after hiring another consultant first.

− Talk about the rules of "scope." Scope include cost, time, and quality. If a consultant is reducing cost, something else in the scope has to go, too.

− Remind them that, with your limited roster of clients, you can be much more accessible than consultants who need to fill their pipeline with many lower−paying clients.

− Remind the client about the stakes involved in his or her project, and what it might cost if it goes awry.

− Show that you are completely committed to the prospect's personal success and satisfaction.

− Offer other terms besides price: payment terms, additional services, a guarantee, reduced scope, or free support or training.

− If the client promises future work in exchange for low fees up front, explain that you appreciate the offer, but have been burned by this approach before and promised not to accept it again. Agree only if the client agrees to a contract for that work up front.

− Be willing to turn down assignments in which the prospect will not budge on fees, or in which you see little chance of forming a profitable long−term relationship with the prospect.

Charging higher fees, and attracting better clients, is all about trust and credibility. As your trust and credibility rises, so will your fees and the quality of your clients.

Andrew Neitlich is the Senior Editor of The IT Accelerator, the newsletter that helps information technology professionals and consultants to attract more clients and projects. Subscribe at www.itprosuccess.com.

Convenience Can Be Costly

By James H. Dimmitt

You've just opened your credit card bill and attached to your statement you find a "convenience check" included. It may already be filled out with a dollar amount such as $300, $500, or even $1,000. Your mind fills with ideas of what you could buy with this "instant" money. A new summer wardrobe, a nice dinner and tickets to a concert, a weekend getaway.

But before you go off on a shopping spree, you should be aware that your "convenience check" is nothing more than a cash advance on your credit card. Cash advances on credit cards carry many extra fees, often overlooked or misunderstood by consumers.

Here's a quick look at the types of fees most card issuers charge for a cash advance:

1) Upfront fee of 2−4% of the amount advanced. On a $1,000 cash advance your fee will range from $20−$40 in addition to the interest charges.

2) Higher interest rate than on purchases. Many credit card companies charge 18% or more on cash advances. In addition, most companies apply only a small percentage of your monthly minimum payment toward the cash advance.

Some require that you pay down the balance on your purchases first before applying payments to the higher−interest advance. In other words, you'll be paying fees and interest on your cash advance for a long time, especially if you only pay the minimum payment.

3) Cash advances normally carry no grace period. This means interest charges accrue as soon as you withdraw money or cash the convenience check.

By law your credit card company must disclose any fees associated with a cash advance. The easiest way to find out what fees are charged is to carefully read your credit card statement or to call your credit issuer's toll−free customer service number and ask questions.

Credit card companies charge these fees for two main reasons. One, to cover the costs to process this transaction which are often higher than a regular credit card purchase. And secondly because of the percentage of defaults among credit advance users. These costs are then passed along to you the consumer in the fees and interest rates associated with a cash advance.

The next time you are tempted to cash that convenience check or withdraw money from an ATM using your credit card, be sure you understand the fees and long term effects of using a credit card cash advance.

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James is editor of "To Your Credit" a FREE weekly newsletter for consumers. You can subscribe at

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