CHAPTER 1

The Concept of Fees

Will People Actually Give Me Their Money for My Advice?

A fee is remuneration provided in return for perceived value received. I'm now tempted to write, "End of Chapter One."

The concept of providing a fee for services rendered is a very old one that probably began in earnest with the end of subsistence farming. Once people had the knowledge and the primitive technology to grow more food than they could personally consume, they created the first medium for a fee: surplus goods of perceived value (food, of course, being of immense value to people who are hungry). The farmer could now acquire goods and services that could not be produced personally due to lack of time, lack of knowledge, and lack of tools.

Consequently, a class of people arose who could not or chose not to farm but could earn their food by providing such goods and services. Some people provided things directly relevant to farming: tools, seeds, animals. But others provided for more personal needs: furniture, clothing, medicines. Still others, however, provided for the more conceptual needs: education, amusement, art.

It was only a matter of time before consultants were offering advice in return for food. You don't believe me? Every early potentate and satrap had court advisers, ranging from astrologers to fortune-tellers, from high priests to military experts. Some day archaeologists will unearth the pyramid that housed the thousands of consultants who guided that entire construction project. Their fees just might have been immortality.

My point is that people have been receiving fees in return for advice in one way, shape, or form for millennia, so we shouldn't be tentative or hesitant about the process here in the twenty-first century.

THE ETHICAL NATURE OF CAPITALISM

We live in a capitalistic society. It is apparently a creaky system that happens to work far better than others, since in our lifetimes we've seen it grow to be the dominant economic configuration in the world. The exchange of goods and services for some form of remuneration, with a minimum of government interference or arbitrary regulation, is the system within which we live.[1]

Capitalism is based on a highly ethical set of premises: You agree to deliver a product or service of an agreed-on quality at a certain time and in a certain condition; in return, I agree to provide certain remuneration in a specified amount on a particular date. That sounds simple, but it's actually the basis for all of our transactions involving the exchange of value for compensation.

Russia has failed at capitalism not because of an underlying or lingering communist belief system and not because of a lack of resources (it has oil and natural gas wealth, which could finally enable it to dictate terms to

---

[1]Of course, capitalism is far better for generating wealth than for distributing wealth, which is why communism, socialism, and other mechanisms of state control have been popular (or at least tolerated) at various times. But they wind up creating an even worse class system, a fact to which any communist state, from the old Soviet Union to the lingering Cuba, can attest.

western Europe) or an unwilling populace. It has failed because the ethical basis required for the system to work is not firmly in place. There is still too much of an attitude of "Can I get away with this?" and "How can I take advantage of the other party?" We can also see this situationally in some professions, in certain industries, and in some organizations.

> Fees are actually dependent on only two things: is there perceived value for the services provided that justifies the fee, and do both parties possess the intent of acting ethically?

For a consultant, the questions are about value, not fees. Fees are dependent on value provided in the perception of the buyer and on the intent of the buyer and the consultant to do the right thing—to act ethically. The consultant, who provides what is often nothing more than advice—whispers in the buyer's ear—must be diligent to ensure that the buyer perceives the value of the advice and will act properly upon receiving it (pay the bill, preferably promptly).

The mistakes consultants make about fees at the conceptual, strategic, and 50,000-foot level are these:

- Failing to understand that perceived value is the basis of the fee and consequently attempting to manage (lower) the fee rather than manage (raise) the value.
- Failing to translate the importance of their advice into long-term gains for the client in the client's perception and therefore believing that they must base their value on deliverables, time, and materials, which are actually low-value commodities.
- Failing to create a relationship with a legitimate, economic buyer,[2] meaning that the client may not do the right thing ethically (delay payment, argue about your value, arbitrarily change objectives).

---

[2]See my *Million-Dollar Consulting, Getting Started in Consulting,* and *The Ultimate Consultant* for more discussion of identifying and reaching economic buyers.

- Failing to have the courage and belief system that support the high value delivered to the client, thereby reducing fees to a level commensurate with the consultant's own low self-esteem. That's right, consultants, not clients, are the main cause of low consulting fees.
- Failing to listen to modern consulting business advice and immersing themselves amid the old guard, who foolishly believe that you take your annual income need, divide it by hours available, and thereby establish an hourly fee. Even the atavistic legal profession, which recently introduced $1,000-per-hour fees, seems to recognize that this is a good tactic to drive clients to a project-billing system.
- Failing to "push back" at the client and explain that it doesn't matter that every prior consultant charged by the hour (or day or parsec), but that value-based fees are more ethical and productive for the client.

One of the main causes for failing to create a perception of value is that the consultant doesn't appreciate that value. Since there are no "consulting schools" (with the immodest exception of my own Million Dollar Consulting® Colleges and Graduate Schools) and not even an objective certification or licensing process for consultants, there is also no canon of consulting performance or behavior. Over 80 percent of the consultants I've met[3] fail to obtain a statement of value from the buyer relative to the success of the project. In other words, consultants are focused on the input side of the equation, trying to determine numbers of billable hours and just what that hourly rate can be, rather than focused on the output side: What will the project accomplish in terms of business goals? What is my contribution to that lasting benefit? and What is the proper fee to be paid in exchange for that large contribution, which the buyer has already stipulated?

The absence of conceptual agreement with an economic buyer on the value of the project to the organization is the primary cause of an inability to calculate return on investment (ROI), thereby forcing the buyer to look at cost and not results.

---

[3]I've conducted a formal mentoring program for consultants around the world for more than a dozen years, so my experience base here is rather comprehensive. I've also consulted with some of the largest consulting firms in the world and scores of boutique firms, especially in Europe.

I suspect that in the old days, the farmer would say to the teacher, "If you tutor my children once a week, I'll give you a chicken and a bag of grain." Even today, the government says to the teacher, "Teach the community's children, and here's what we'll pay you" (not really much more than a chicken and a bag of grain, taking into account inflation over several thousand years). But a consultant—the ultimate business teacher—should be saying to the client, "Here's the value we will create together, and here's your share, and here's my share." The problem is that too many consultants are still working for chicken feed.

> Establishing value with the client is key. If the focus is on fees and not on value, the client has taken control of the discussion, and the client's focus will never be on maximizing your fees.

Ethically, the transaction should be based on fair remuneration for fair value delivered. That early teacher wasn't providing a morning a week of teaching but rather the opportunity for the farmer's children to escape the daylong drudgery of farming and the limited life it afforded (especially after technology made the need for children on the farm less vital and transient workers provided extra labor in exchange for food). What is the value of one's children escaping their parents' lowly lot, avoiding an impoverished life, and building a better future (and perhaps taking care of their parents with their future fortunes)? It's got to be worth at least two chickens and maybe a pig.

THE MERCEDES-BENZ SYNDROME

People believe they get what they pay for. Moreover, emotion makes them act, while logic only makes them think. Put those two immutable theorems together, and you have what I've termed the Mercedes-Benz syndrome (MBS).

When people enter an auto showroom today, no matter at what economic stratum, the salespeople don't launch into intricate pitches about the electronic fuel injection or the wonders of rack-and-pinion steering. They encourage the potential buyer to sit in the car and then mention, with a straight face, "You really look cool in that car!" Yes, and the more expensive the model, the cooler we tend to look.

No one needs a Mercedes-Benz for transportation. Not at that price level, they don't. But a car purchase is, after all, a lifestyle statement, and a Mercedes can begin to look quite reasonable in that light. When women try on a new frock, the sales help always say, "That was made for you; it brings out your eyes!" Despite the fact that I've never understood why a woman wants her eyes brought out, this ploy is always effective, even though it's repeated 26,000 times every day in the same department. When a man orders wine at dinner, the captain always says in response, "Excellent choice!" as the guy preens in that complimentary glow. (Never mind that he ordered Wild Coyote Road Kill or that May wasn't such a good month.)

Fees are based on perceived value. That perceived value is in the eyes and the cerebellum of the buyer. Consequently, the buyer's perception of value is the first point of attack for a consultant who wishes to maximize income.

> Psychologically, people believe they get what they pay for. Consequently, there is tremendous power in helping the buyer stipulate his or her perceived value from the project and then working to maximize that perception.

Consultants are almost always remiss when it comes to obtaining some agreement from the buyer on the value of the results of the project. Sometimes the consultant is too anxious to attempt to close the sale; sometimes the relationship isn't yet strong enough to do it; many times the consultant feels inferior and not enough of a peer to suggest it; sometimes the skills are missing; and often it's plain sloth.

Here are some basic questions to use to help the buyer arrive at some measure of value for any given project. You don't need to ask these interrogation-style, but it is a good idea to have them written somewhere and work them conversationally into the discussion until you're comfortable that you've obtained a clear expression of value.

***Thirteen Questions for Establishing Value with the Buyer*[4]**

1. What will be the difference in your organization at the conclusion of this project?
2. What if you did nothing?
3. What if this project failed (or have these attempts failed in the past)?
4. What will you be able to do that you can't do now?
5. What will be the effect on revenues (sales, profits, market share, and so on)?
6. What will be the difference for your reputation (image, standing, stature, and so on)?
7. What are the three greatest impacts of the result of this project's success? (People love to think in threes.)
8. What will your boss's reaction be to this success? (Even economic buyers have a boss; sometimes it's the board.)
9. What will this mean to you personally?
10. What peripheral and secondary value do you see accruing to this project?
11. What will you be proudest of at the conclusion of the project?
12. What will be the legacy of this project?
13. What will it mean to be on the leading edge, the thought leader in the field?

You can create another bunch of questions if you like. My point is that you have to be prepared to discuss value with the buyer very early, prior to discussing methodology, options, timing, or, heaven forfend, fees.

Another fascinating aspect of MBS is that buyers have egos, which can greatly affect the buying process if you allow them to (and you want to allow them to, believe me). No buyer in my experience has ever said, "OK, we've managed to secure the cheapest consultant we can find for our sales development. He was sitting at home with nothing to do, waiting to go to his

---

[4]I'm tired of "top ten" lists, so here's an extra 33 percent of value from me to you. Also note that these questions are useless unless applied with the economic buyer—the person capable of writing the check.

normal day job, but I've persuaded him to work with us for $250 a day. We can afford that much, so let's use him as best we can."

Buyers are much more apt to say this to the troops: "Listen up. I've hired the finest consultant in the country on sales development. She graciously agreed to postpone a vacation to be with us. She's very expensive but worth every cent if we use her right. Now pay close attention, and plan to work with her closely."

When a CEO is in trouble, that person will call either someone who has clearly helped in the past or, if no one comes to mind, a "name" or a "brand" such as McKinsey or Andersen. No CEO wants to appear before the board and introduce a consulting firm without a track record or without a recognizable name. The executive ego will not permit it ("This person is taking advice from someone I've never heard of?"). The same holds true for every buyer. People believe they get what they pay for—and with their careers and businesses, they want the best.

Consequently, does your image fit the MBS? Do your materials bespeak a successful consultant? Are you proud of your Web site? Is your appearance professional and that of a peer to the buyer's? Intellectually, are you able to interact and even "push back" to demonstrate value in the earliest meetings? Are you building a brand and cementing your position as an expert? You can't start this too early, and you can never stop doing it.

> Value is often a function of *not* agreeing, *not* being supportive, and *not* being a "yes person." How willing are you to disagree, question basic premises, and refuse impossible expectations?

Finally, the MBS creates rising expectations, which means that the buyer is prone to improve his or her condition through perceived high-value assistance. Why purchase a less expensive model when the (perceived) better one is only a few hundred dollars more per month on the lease payment? Why take a basic consulting approach when a more sophisticated one is available?

That presupposes that a more sophisticated one is available, meaning that higher fees will always depend on the buyer's seeing a set of options.

The ultimate consultant always provides options for the client's review so that the buyer can determine just how much value is available in terms of differing investments.

Offering options—a choices of yeses—moves the buyer psychologically from "Should I do this?" to "*How* should I do this?" You've just increased your odds of a high-fee sale by at least 50 percent.

A consultant once asked me, "Aren't we ethically compelled to provide every possible assistance to meet the client's objectives?" Unequivocally no. We must meet the client's objectives. But if the client's objective is, say, "increasing sales closing rates," then conducting industrywide benchmarking studies or longitudinal analyses for two years or 360-degree feedback on four levels of management represents value above and beyond merely meeting the objective of "increasing sales closing rates," for example.

Offer a client various "value packages" that help the buyer ascend the MBS ladder. Over the course of my career, buyers have chosen my least expensive option less than 10 percent of the time and my most expensive option over 35 percent of the time.

How much money are you leaving on the table? If it's $50,000 a year, in ten years that's *half a million dollars that can never be recovered.* If it's $100,000 annually, just $10,000 on ten projects a year, you are going to lose millions.

THE IMPORTANCE OF BUYER COMMITMENT, NOT COMPLIANCE

I can prove anything on a double-axis chart,[5] but the matrix in Figure 1.1. happens to hold true. As you can see in the figure, the ideal relationship occurs when buyer commitment to the project (and to you) is high and your fee is high. If buyer commitment is high and your fee is low, you are wasting an opportunity. If buyer commitment is low and your fee is low, you will, at best, create an indifferent sale. And when fees are high but commitment is low, you will be shown the door.

[5]In fact, my *Great Big Book of Process Visuals* bears the subtitle *Give Me a Double-Axis Chart and I Can Rule the World.*

Commitment \ Fee	Low	High
High	Wasted Opportunity	Reciprocal Value
Low	Apathy	No Sale

Figure 1.1 The Relationships Between Fees and Buyer Commitment.

My estimate is that most consultants' approaches (whether or not they actually get the business) are in the bottom left quadrant about 25 percent of the time, in the bottom right quadrant about 10 percent of the time, in the upper left quadrant about 60 percent of the time, and in the upper right quadrant only about 5 percent of the time!

That's right: most consultants, including most of you reading this, habitually undercharge for your services and deliver far more than you are receiving in remuneration, considering your contribution to success. You are undercharging and overdelivering, and lest you consider that an exalted position, consider trying to pay your mortgage or IRA contribution with that combination.

Most buyers *comply.* That is, they are willing to go along with the "expert," even if it's sometimes against their better judgment. Or they will delegate you to someone they believe has the technical ability to evaluate your proposition, typically in the human resource department, finance, or legal. (Put these together, and they are an anagram for "no business here.") Buyers who merely comply may be seen at first blush as easy to work with, but they are actually land mines waiting for some weight to trigger them. That's because they hold the consultant responsible for everything. They believe that you are doing something to them or for them or at them, but certainly not *with* them.

Compliance is dangerous because the buyer usually takes no inherent responsibility for the project but rather abdicates to the consultant. I've never found a project that a consultant can unilaterally implement successfully, since consultants have responsibility but no real authority. (When that dynamic is reversed, it's the sign of a very poor implementation scheme.)

Consulting projects should be true partnerships between the consultant and the economic buyer. This begins prior to the proposal's being signed and is an integral aspect of obtaining high fees. A merely compliant buyer will grudgingly or apathetically go along with the implementation but will do so at the lowest possible fee. The head is involved but not the gut (logic makes people think, but emotion makes them act). Large fees are dependent on emotional buy-in, and that must be achieved in the relationship aspect of the consulting sequence, well prior to the actual closing of business.

This is why patience in formulating the right relationship is more important than attempting to make a "fast sale." The former is a partnership where fees are academic; the latter is a unilateral benefit where fees are often the main point of contention.

> The buyer's commitment to outcomes and to his or her role in the partnership being formed to reach those outcomes is the key determinant of high fees. Buyers who are too willing to go along with your recommendations are as potentially fatal as those who dig in their heels after you've said hello.

CRITICAL STEPS FOR BUYER COMMITMENT

It's worth repeating here briefly the sequence of events in the consulting business acquisition process that engenders the highest-quality commitment, the first three shown in the graphic in Figure 1.2.

- *Shared Values:* Those common business beliefs that will allow you to work effectively with the prospect—for example, a mutual antipathy for downsizing or a common belief in the importance of ongoing employee feedback
- *Relationship:* That level of a trusting interaction in which you and the buyer are comfortable with each other, can be honest (even in disagreeing), and share insights and assistance with each other on a mutual basis

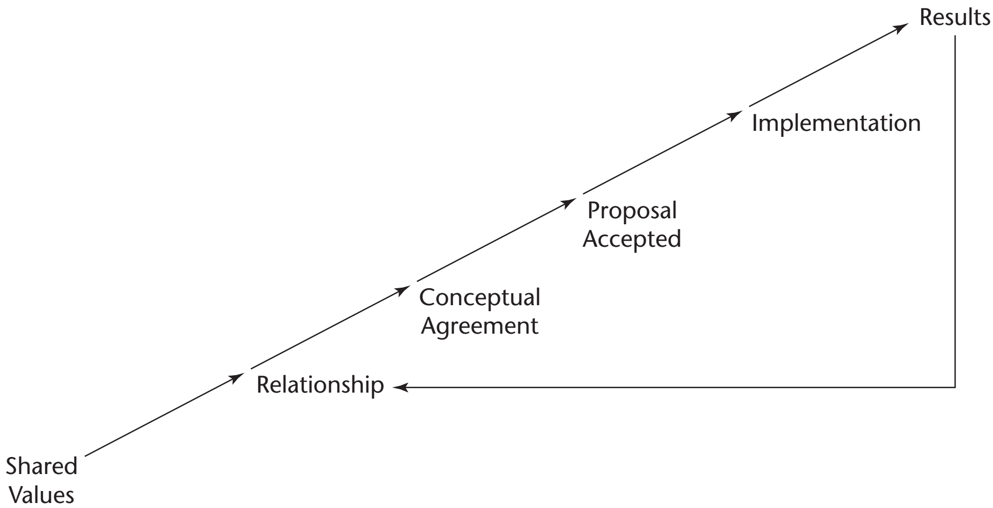

Figure 1.2 Consulting Business Acquisition Sequence.

- *Conceptual Agreement:* Agreement between you and the buyer on the *objectives for the project,* expressed as *business outcomes; metrics,* measures of progress toward those objectives; and *value,* the buyer's stipulation of how he or she and the organization will be better off as a result of those objectives being met

These three critical steps, each dependent on the prior step being successfully in place and addressed in detail in Chapters Three and Four, will garner buyer commitment. The absence of conceptual agreement will result in either a lost sale or a lousy sale (and the latter is often more damaging than the former).

Fees are dependent on buyer commitment well before a proposal is ever tendered. Note that fees are not even on my chart.

THE BUOYANCY OF BRANDS: HOW BRANDS HELP FEES

The second book in this series was dedicated to branding for consultants. One of the key reasons for effective branding is to enhance fees.

Fees are (or should be) based on value. That value is always in the eye of the beholder—in our case, the economic buyer. Hence the more value conveyed to that buyer by the most powerful means, the less downward pressure on fees. Effective branding actually creates a fee "buoyancy."

> There is actually one thing better than a buyer impressed by you and respecting you on sight, and that is the buyer impressed by you and respecting you before ever laying eyes on you.

No CEO ever said, "Get McKinsey in here," when strategy work was needed, then followed up by saying, "I think they're too expensive." As they say in the Ferrari showroom when someone asks about gas mileage or insurance costs, "If that's your concern, you really shouldn't be here."

Ferrari is a brand that evokes certain immediate understandings on the part of the potential individual buyer:

- High cost
- Top status
- High maintenance
- High insurance
- High repair costs
- Unique image
- Personal ego needs met

You know those things going in, and they are not points for discussion when dealing with a salesperson.

Similarly, McKinsey is a brand that evokes certain immediate understandings on the part of the potential corporate buyer:

- High cost (fees will not be negotiable)
- Top status (no one can say we're giving this short shrift)

- High maintenance (a lot of junior partners will appear)
- High insurance (the board can't complain about quality of the help)
- High repair costs (they will recommend tough interventions)
- Unique image (the cachet alone will raise expectations)
- Personal ego needs met (only the best for the best)

You get my point. The mere power of a brand is sufficient to overcome any resistance to fees and in fact often elevates fees merely by dint of association with such brand images as quality, reputation, client history, and media attention.

There is no brand as powerful as your name, although strong company brands can also serve quite well. When a potential client says, "Get me Jane Jones" or "Get me the Teambuilder," that client is articulating a clear imperative: don't go shopping, don't compare prices, and don't issue a request for proposals; just get me that person I've heard so much about. (That is *far* superior to the buyer saying, "Get me a great leadership consultant" and your name is one of several in the hat.)

As noted in our discussion of the Mercedes-Benz syndrome, brands create an upward expectation of both quality and commensurate fees. No one expects an outstanding person to come cheap. In the MBS, you usually have to convince the buyer of that quality through careful relationship building. But a strong brand shortcuts that process considerably. The relationship building still needs to be done (for reasons of commitment, as noted earlier), but the time required is significantly reduced. The buyer wants to be a partner, wants to follow your suggestions, and wants to participate *because your credibility has preceded you.*

> Brands are accelerators of credibility and therefore of relationships. They immediately justify higher fees in the mind of the buyer, and that is the only mind that counts on that matter. Brands are expressions of uniform quality. The ultimate brand for most solo consultants is their name, as in: "Get me Joan James."

It's not the intent of this book to explore how to create a brand.[6] However, it is vital to understand brand importance in the fee-setting process. Like bank loans being hard to acquire when you need them and easy to obtain when you no longer need them, high fees are most difficult when no one has ever heard of you and you desperately need the income and easiest when you're well known and business is rolling in.

The crime here is that many successful consultants either don't bother to use their past success to create effective brands or have created brands that they don't properly leverage for higher fees. Tom Clancy has never written a book nearly as good as his original, *The Hunt for Red October,* but he's certainly been paid far more for every subsequent work than for that first effort. He has been a smart marketer and a hugely successful "brand" (to the extent that he hasn't even written some work but simply inserts "Tom Clancy" on the cover and it's sufficient, with due writing credit to another author).

Brands create higher fees. And higher fees enable you to solidify the credibility of your brand. That's a great cycle.

CREATING SHARED SUCCESS

Many consultants take the position (out of arrogance or ignorance) of "Let me show you how I'm going to improve things around here." The success is the consultant's, a sort of largesse provided for the lucky client. There is a certain power in being "the expert" without whom all goes to hell, but there is a huge risk, although not the one that might be apparent.

The apparent risk is that the client might not benefit as desired or, heaven forbid, might actually suffer a reversal of fortune. Remember the physician's sage credo, "First, do no harm." It's no accident that large consulting firms are being sued right and left in this litigious society. They have not "delivered" the desired results.

However, the greater risk is that even with demonstrable success, the buyer feels alienated, disenfranchised, and apart from it. The fee in this case,

---

[6]But do feel free to read the prior book in this series, *How to Establish a Unique Brand in the Consulting Profession.*

despite success, will be paid grudgingly. For one thing, the client is now fearful of long-term dependence and doesn't want to incur huge costs each time the consultant's "expertise" is required to solve another problem. For another, the buyer does not feel the intrinsic ownership and sense of well-being that would emotionally overwhelm any reservations about costs. Third, from an ego perspective, the buyer will feel the need to insert some leverage into the relationship to retain the perceived upper hand and emphasize that the consultant serves at the buyer's pleasure (especially if the results are so visible that others in the organization are talking about them).

> True partners never begrudge each other their proper due. In fact, there's an implicit trust that neither partner will take advantage of the other and that terms, conditions, and time frames are innately fair.

Fee pressure decreases with a sense of shared investment, shared accountabilities, and shared success. Figure 1.3 shows the difference between a focus on a buyer and seller (top) who are locked into a battle over costs with only vague benefits established and two partners (bottom) who have agreed on tangible results where the fee is simply an intelligent and economical investment.

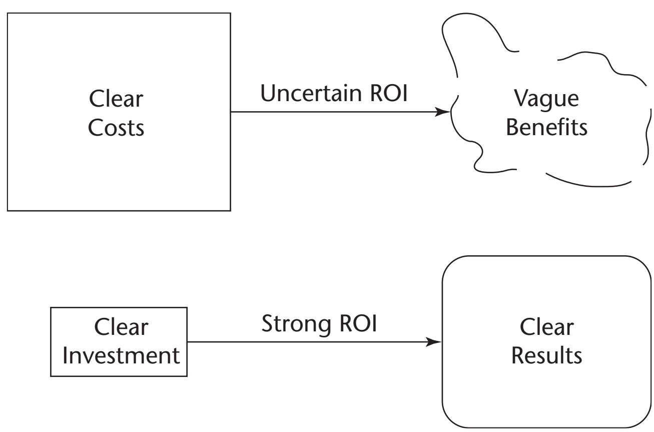

Figure 1.3 Costs from the Expert Versus Investment from the Partner.

When the buyer simply views the consultant as another vendor providing certain expertise, the cost of acquisition becomes the key focus, because this is a commodity purchase (Who can provide the cheapest computer monitors per our specifications?). However, when the buyer's self-image and role are as a partner in the consulting process, the decision becomes one of return on investment, and the clearer the outcomes (under the conceptual agreement discussed earlier) and the more dramatic, the higher the investment that is justified.

This is particularly true when that investment includes the buyer and key organization people in the partnership. Some of the most successful consulting projects I've landed—and the ones most impervious to fee pressure—are those in which a "virtual consulting team" was formed comprising key client resources and myself. No educated buyer will want to underfund or hedge on that investment.

These are some of the key factors in shared success:

- A "we" mentality from the first contact with the prospect
- Literature, Web sites, and promotional materials that talk about partnering and shared responsibilities
- A formal description of "joint accountabilities" in the proposal itself[7]
- A strong focus on outcomes and business results, not on tasks or deliverables
- Ample opportunity for the buyer and other key people to take credit and to bask in the success
- Candor in tackling inevitable problems and setbacks
- The consultant's being seen as an object of interest and center of expertise in the field

> Err on the side of the client and buyer receiving more accolades for success than you. But also err on the side of higher fees and faster payment of those fees. That's the quid pro quo.

[7]See my *How to Write a Proposal That's Accepted Every Time.*

It really doesn't matter what the organization believes. What matters is what the current and future buyers believe. The danger of consultants trying to "do it alone" is that the client runs through this sequence:

1. Who's John Adams?
2. Get me that guy John Adams.
3. Get John Adams.
4. Get John Adams if you can.
5. Get someone close to John Adams.
6. Get me a young John Adams.
7. Who's John Adams?

In a true partnership that focuses on shared success, however, no buyer will try to eliminate one half of the successful combination.

CHAPTER ROI

- One has to develop a philosophy about fees. They are not a "necessary evil" or a "dirty part of the job" but rather a wonderful and appropriate exchange for the superb value you are delivering to the client. That exchange has a long tradition and represents the highest ethical canon of modern capitalism: agreed payment for agreed value.
- Buyers tend to believe that they get what they pay for, and higher fees actually convey higher quality for most buyers. Higher fees also guarantee a higher level of buyer commitment, and commitment, not compliance, is key to producing a return-on-investment mentality rather than a cost-reducing mentality.
- Brands tend to raise buyers' perception of quality still higher, which is why strategic marketing is an essential aspect of the consultant's repertoire.
- The consultant must anticipate and plan to overcome objections about how other, less enlightened consultants have charged, are charging, or will charge. That is, literally, neither here nor there.
- Leaving money on the table is the equivalent of burning money—you will never, ever recover it, and we are talking millions of dollars over one's career.

- Finally, shared success—understood from the outset and achieved at the conclusion—is vital to the belief in consultant worth as part of a partnership with the buyer.

The One Percent Solution®: Believe in your own value, and build your perceived value in demonstrable ways every day. That is the fuel for the acceleration of fees.[8]

[8]I've come up with what I call The 1% Solution®: improve by 1 percent a day, and in just seventy days, you're twice as good.

A Case of Bottom-Line Blindness

I was mentoring an individual, Roy, who was getting started in the consulting business as a second career. He was a quick learner and willing student.

He provided a proposal to a client, using my proposal templates and methods, with an option at $72,000 and another at $86,000. He offered a 10 percent discount for payment at acceptance for either option.

The client replied that he clearly needed the $86,000 option but had only $70,000 he could free up. Roy came to me proudly and said, "I'm sticking to my guns. It's the full amount or no deal. But I thought I should just test that with you." Mind you, this would be Roy's largest client do date, just nine months after launching his business.

"What if you asked for the full $70,000 up front?" I responded. "That sounds like a win-win to me."

"But that's giving him option two at option one fees," protested Roy.

Well, let's do the math. We would be offering a $16,000 discount on an $86,000 fee, which is 18.6 percent. "That's way too much," said Roy. "A 10 percent discount would come to $77,400."

"Right," I acknowledged, but you get seventy grand in hand, no expenses that aren't reimbursed by the client, and your biggest sale to date. You'll have a prestige client on your list, testimonials, referrals, and a chance to hone your consulting skills.

"Wow, I nearly blew this," said Roy.

Yes, he did. I advocate maximizing fees but not mercenary madness. I've always said that if you sell something for $100,000 but could have gladly done it for $85,000 or happily accepted $115,000, it doesn't matter. In my system, it's *all profit.* If a client makes a reasonable request and there's a quid pro quo (here, payment in advance), then don't stand rigidly by. Consider the gestalt of the sale and the margin.

Moral: It doesn't make sense to stick to your guns if they are too stuck to be used.