

OkDork by
NOAH KAGAN

Pricing Strategies for Consultants



Beginner: Hourly rate

The most common pricing strategy for freelancers and consultants is an hourly rate. It's a great way to start your freelancing or consulting career.

The most common pricing strategy for freelancers and consultants is an hourly rate.

One way of determining your hourly rate is to reverse engineer your last salary.

For example, let's say you made \$70,000 last year. There are roughly 2,080 working hours per year, which means your hourly rate is about \$33.

Sounds easy, right?

Not so fast. There are a couple things to keep in mind...

First, many first-time consultants and freelancers forget their rate assumes a 40-hour workweek. What if you can't find enough clients to fill up all 40 hours? What if you get sick? Or what if you just want to work less?

Second, many people don't consider total comp and benefits (like health insurance) in their pricing. You're going to pay for those on your own, amigo. No company to help you out now.

This doesn't mean you shouldn't use the hourly strategy. It just means you should be careful.

A good rule of thumb: If I don't expect to work the full 40 hours, and I have to pay my own benefits, I take my hourly salary rate and double it. In the example above, an \$33 hourly rate would turn into about \$65 per hour.

If you're just starting out, an hourly rate is an easy and effective pricing strategy. And remember: It's often better to take the easy route and just get started. Refine later.

Intermediate: Project-Based Fees (Make More Money in Less Time)

When you productize your services, you start to free yourself from the shackles of time. Here's how you can move up the value chain.

Instead of being locked into an hourly rate, you charge based on the value or results you create. Typically, you charge project-based fees as you become more familiar with the results you give your clients.

If you're a web designer who knows your web redesigns get a 10% revenue lift for your clients on average, and this usually equals about \$30,000 more revenue for your client, you can price accordingly.

When consulting, I like to deliver 10x what I charge — so \$30,000 average increase in revenue for a client would mean I charge about \$3,000.

Free yourself from the shackles of time. Charge your clients for projects, not hours. ([Tweet this](#))

To start billing project-based fees, ask yourself: What value do you give?

Remember, it doesn't always have to be pure bottom-line revenue. If you help your client save 10 hours per week, it could be worth tens of thousands of dollars to them in saved time.

But before you dive into project-based pricing, be careful setting your price based on the time you think you're going spend.

It's easy to set your price too low and work 2-3x more hours than you priced. This is why I recommend you start with hourly until you're more familiar with your industry and client project requests.

Advanced: Tier Pricing Tips to Maximize Revenue Growth

Tier pricing is a great way to increase your revenue and grow. This is how many six-figure consultants I know work. Here's how you can get started with tiered pricing.

Before getting into how you can develop pricing tiers for your business, let me run you through why you should test pricing tiers as you grow your freelancing or consulting:

Tiers pricing helps you make more money. There's a famous pricing example from The Economist where multiple tiers helped "anchor" people into paying more. In your own business or consultancy, try testing 3-5 different tiers

Expand your reach to a wider audience. Different price points help you to reach prospects with various needs and budgets

Drive more qualified leads. Lower priced tiers can help you get one foot in the door. It acts as a gateway for your customers to test out your product or services before moving gradually to higher tier packages

With so much opportunity, how to do tier pricing RIGHT? No sweat, I've got you covered. #fistpound

Step 1: Create base features you want to include for every tier

The first step is to start organizing the base scope of benefits you want to provide to every customer.

At my 8-figure company Sumo (here's what I learned while growing the company), all customers get access to apps, A/B testing, and all design templates What are your "base" features?

Maybe it's...

2 hr email response time to any client requests

Free website audit (worth \$300)

Basic SEO report for the client's website

If you're not sure which base features to use yet, that's OK. As you become more familiar with client needs, you'll be able to fill in the gaps.

Step 2: Develop a buyer persona for each tier

Tier pricing widens your audience by helping you target different groups of people with different needs.

An individual who just needs you to write an email funnel vs. a client who wants you on a monthly marketing retainer to help them send emails and optimize their opt-in forms every week have different needs.

Step 3: Include additional features and benefits

The final step is to add unique features and benefits to each tier. Here are three questions you can ask yourself to develop higher tier products:

What does your "high end" client need help with?

What about your middle-level client?

What's the most basic service you've offered in the past a client has been happy with?

At Sumo, we learned our biggest clients have a lot of different tools they use for their businesses.

With our "established" business owners this means supporting email providers like Mailchimp, Aweber, and Zapier.

And for our massive enterprise customers, this mean supporting enterprise products (like Infusionsoft and HubSpot).

And if you need more advice on how to price, here's a recent podcast on building a six-figure business and pricing your services accordingly.

More business advice to make you

Get exclusive, behind-the-scenes tips from six figure consultants, multimillion dollar business owners, and more. Check out my podcast below, which has hundreds of five-star reviews on iTunes.

GIVE ME THE TIPS!