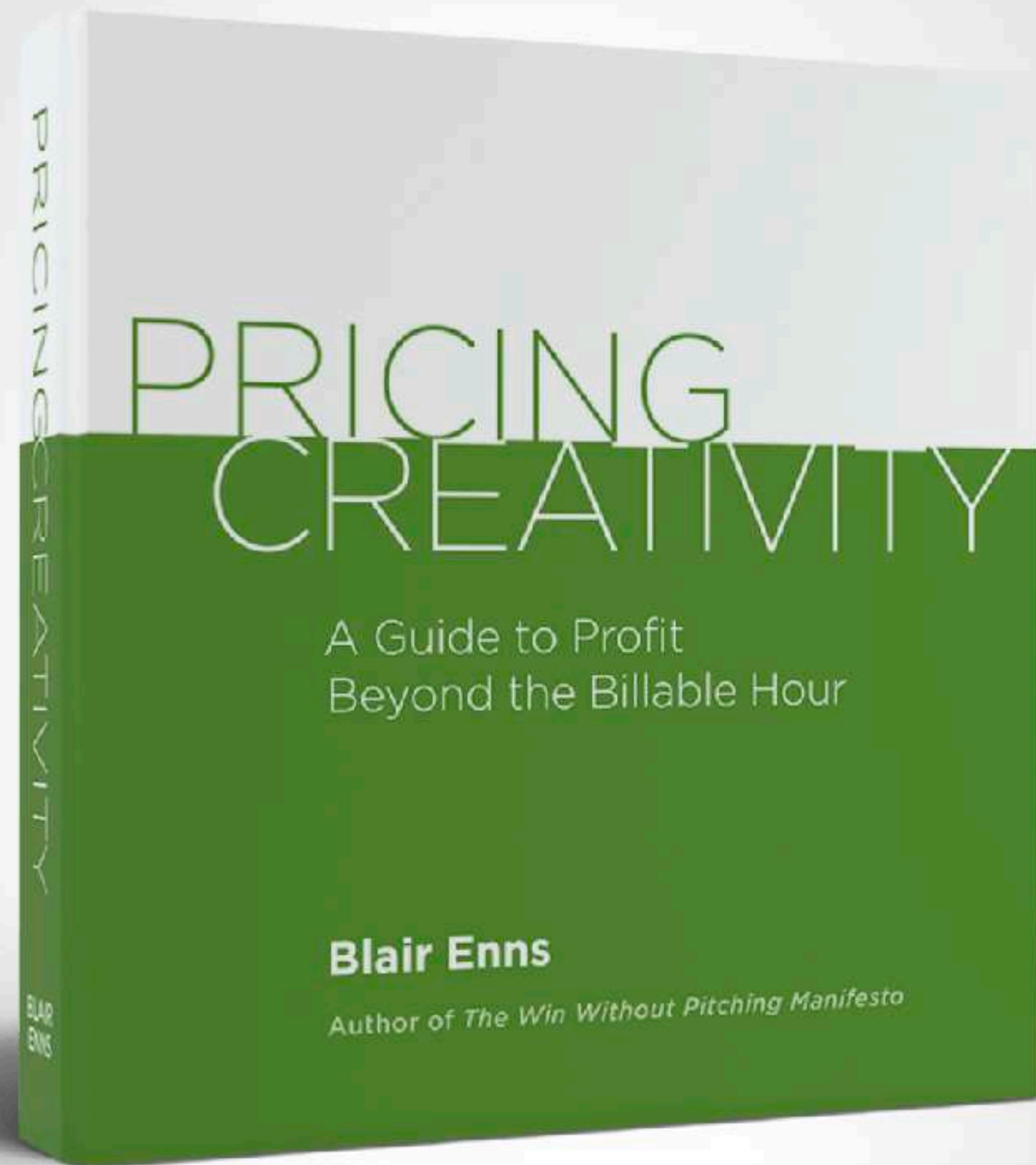# 5 LEVELS OF PRICING SUCCESS

The Five Levels of Pricing Success

BY: BLAIR ENNS · MAY 25, 2021

In this post I lay out the five levels of pricing success and ask you to do an assessment of where you are now. Then I identify the best resources to help you move up from your current level.

Where Are You Now?

The five levels are described below. Find your level.

PRICING:

IT'S A JOURNEY

THE 5 LEVELS

5. Performance Pay

4. Value-Based Pricing

3. Progressive Pricing

2. Maximum Efficiency

1. Labour Arbitrage

LABOUR ARBITRAGE

LABOUR ARBITRAGE

- In the beginning… you sell time for money

- Add leverage: buy in bulk

- E.g. € 90k salary = € 50/hr cost = € 150/hr price (3x) @ 65% = € 200k revenue

- @ 20% net margin = € 40k EBITDA

- x25 = € 1m; x250 = € 10m

LEVEL 2

MAXIMUM EFFICIENCY

MAXIMUM EFFICIENCY

- A happy place. At first.

- In trying to grow your margins you just grow the size

- Stuck in a utilization band

- Systems, software & managers produce a few more €'s

- Your body of work tends to the commoditized

- Your culture tends toward efficiencies

THE INNOFICIENCY PRINCIPLE

Innovation and efficiency are opposable objectives. You cannot increase one without decreasing the other.

INNOVATION ———————————▲———————————I EFFICIENCY
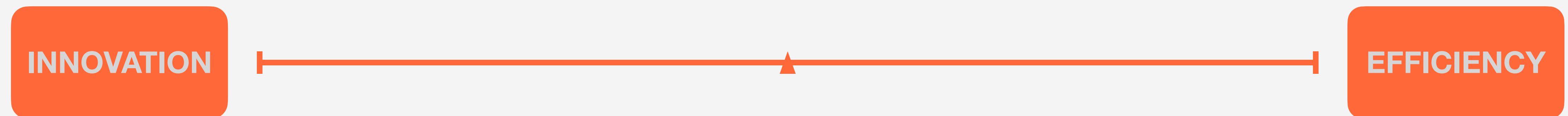
The Complex Battle for Margin

BY: BLAIR ENNS   📅 NOVEMBER 18, 2020

The battle to increase gross profit margin isn't that complicated. By simply charging more you generate a higher top line with no change to delivery costs, thus increasing the bottom line. Battle won, right?
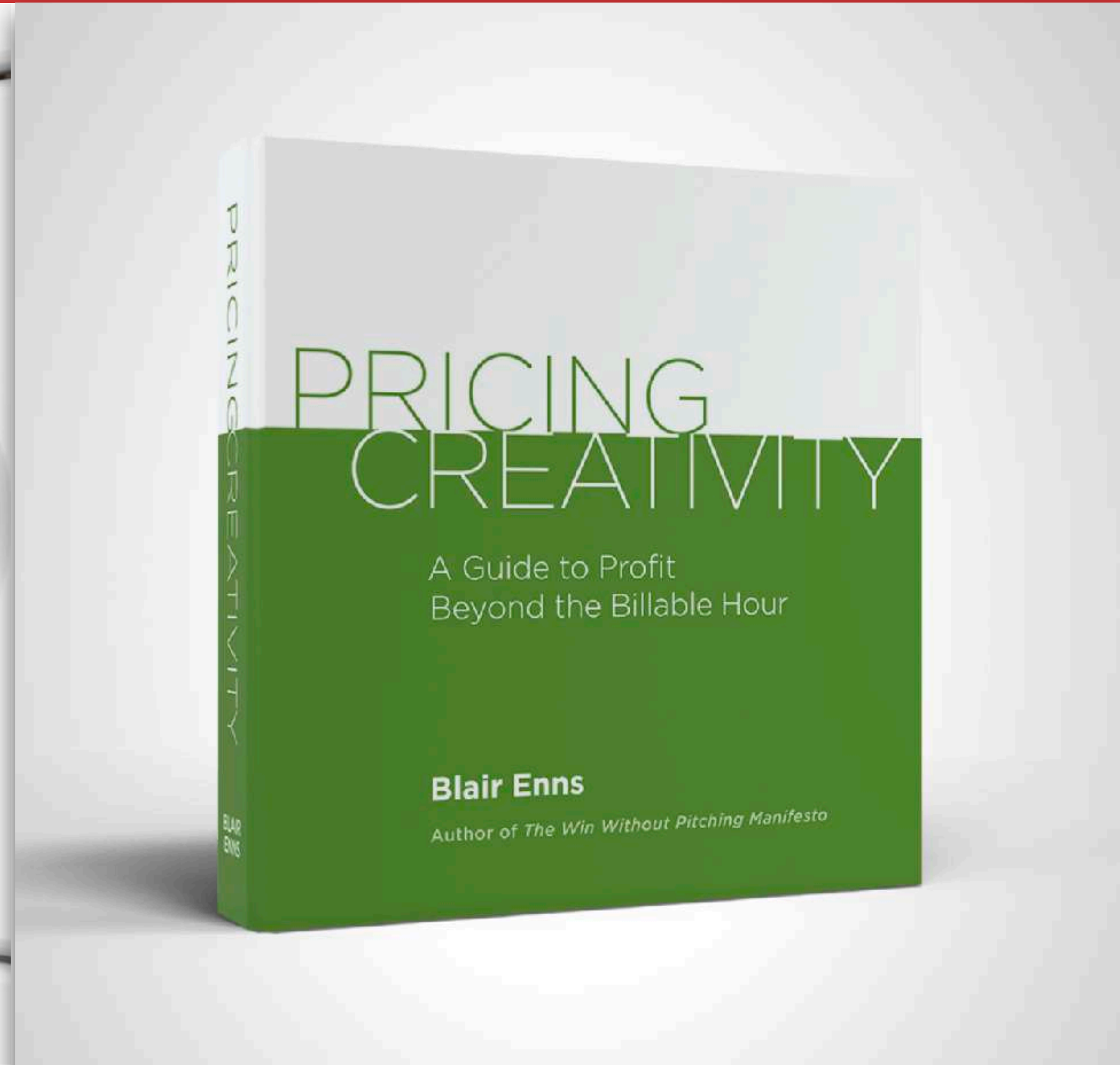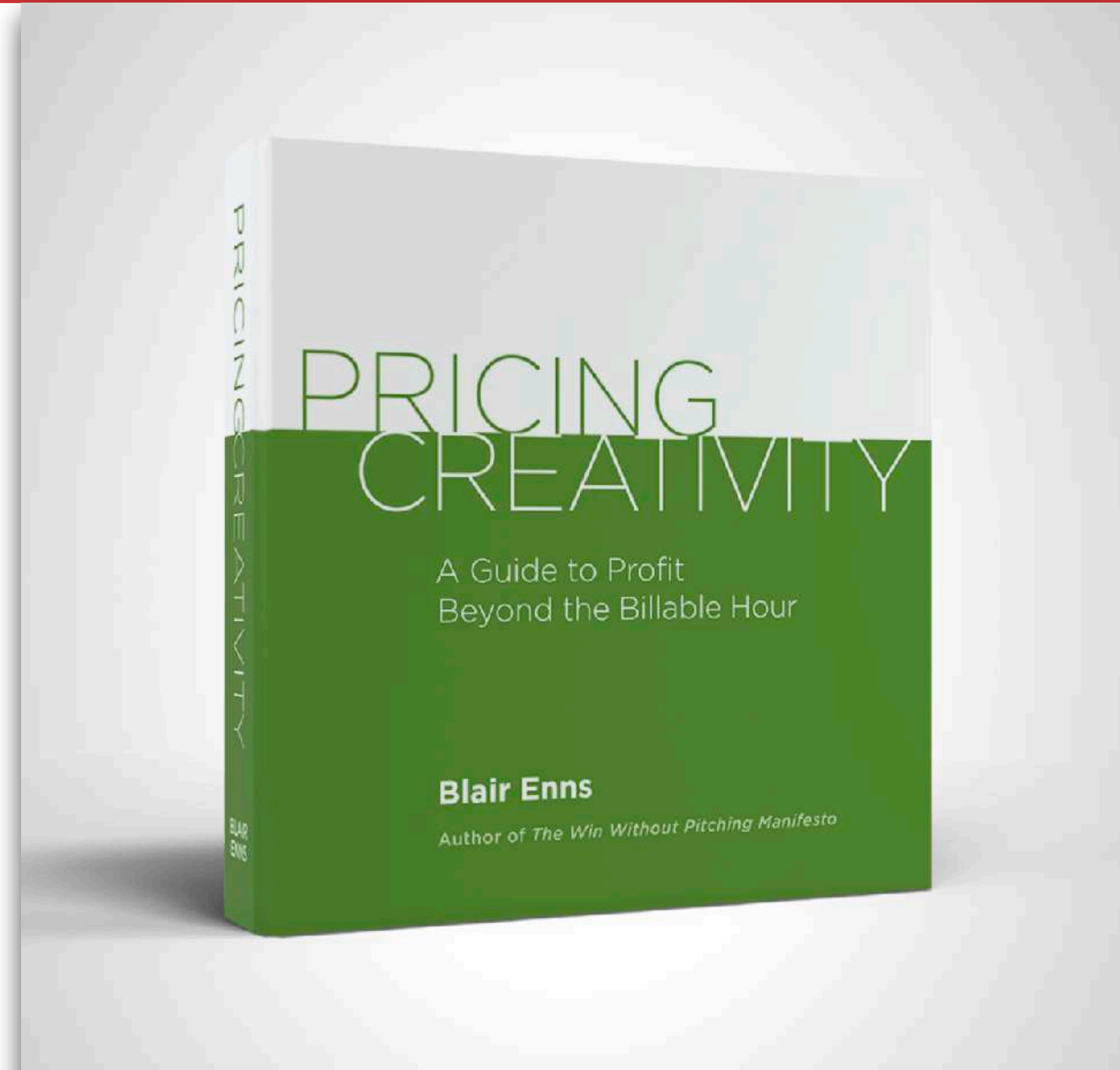
LEVEL 3

PROGRESSIVE PRICING

PROGRESSIVE PRICING

Rule #1: Price the Client

PROGRESSIVE PRICING

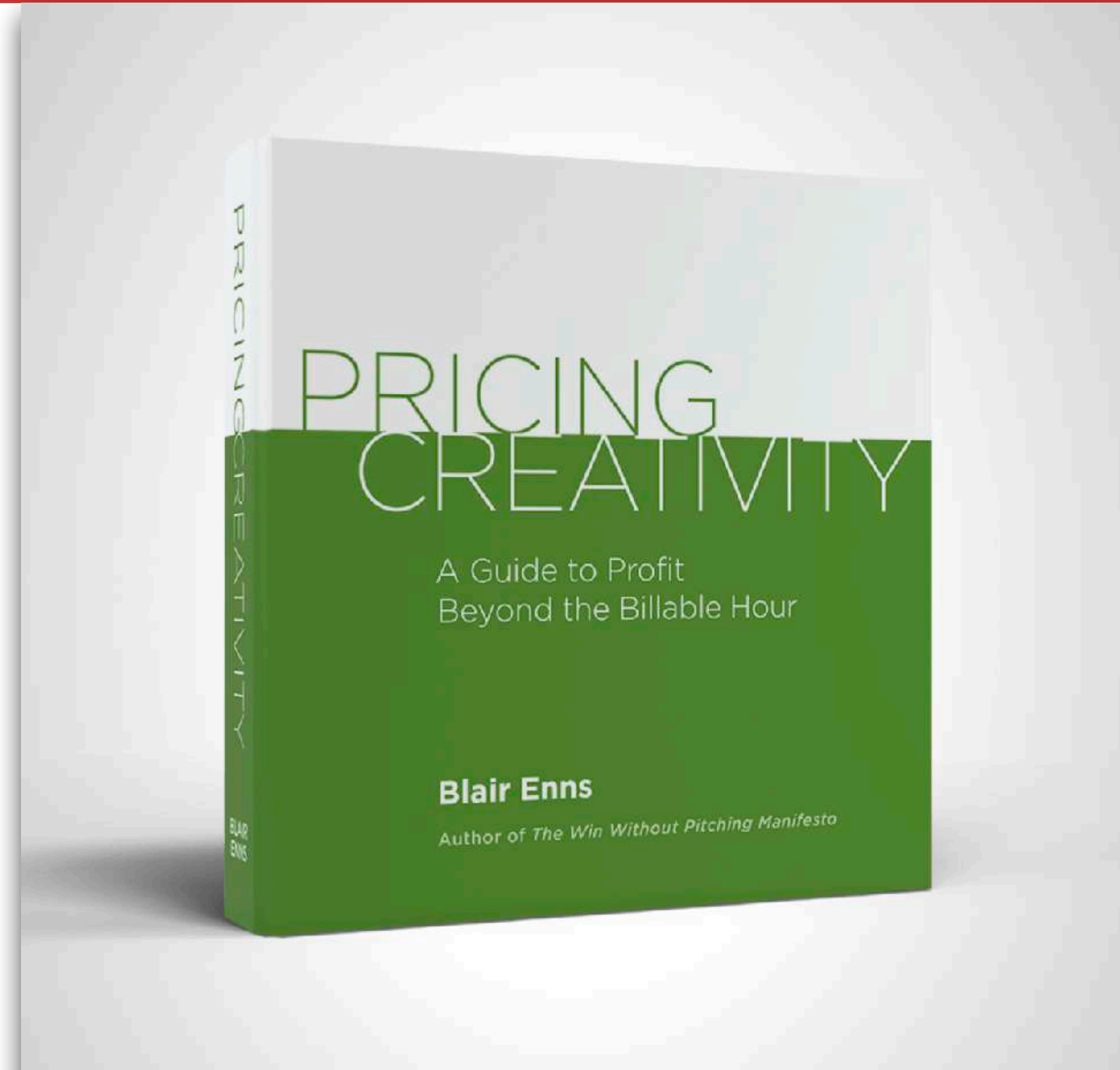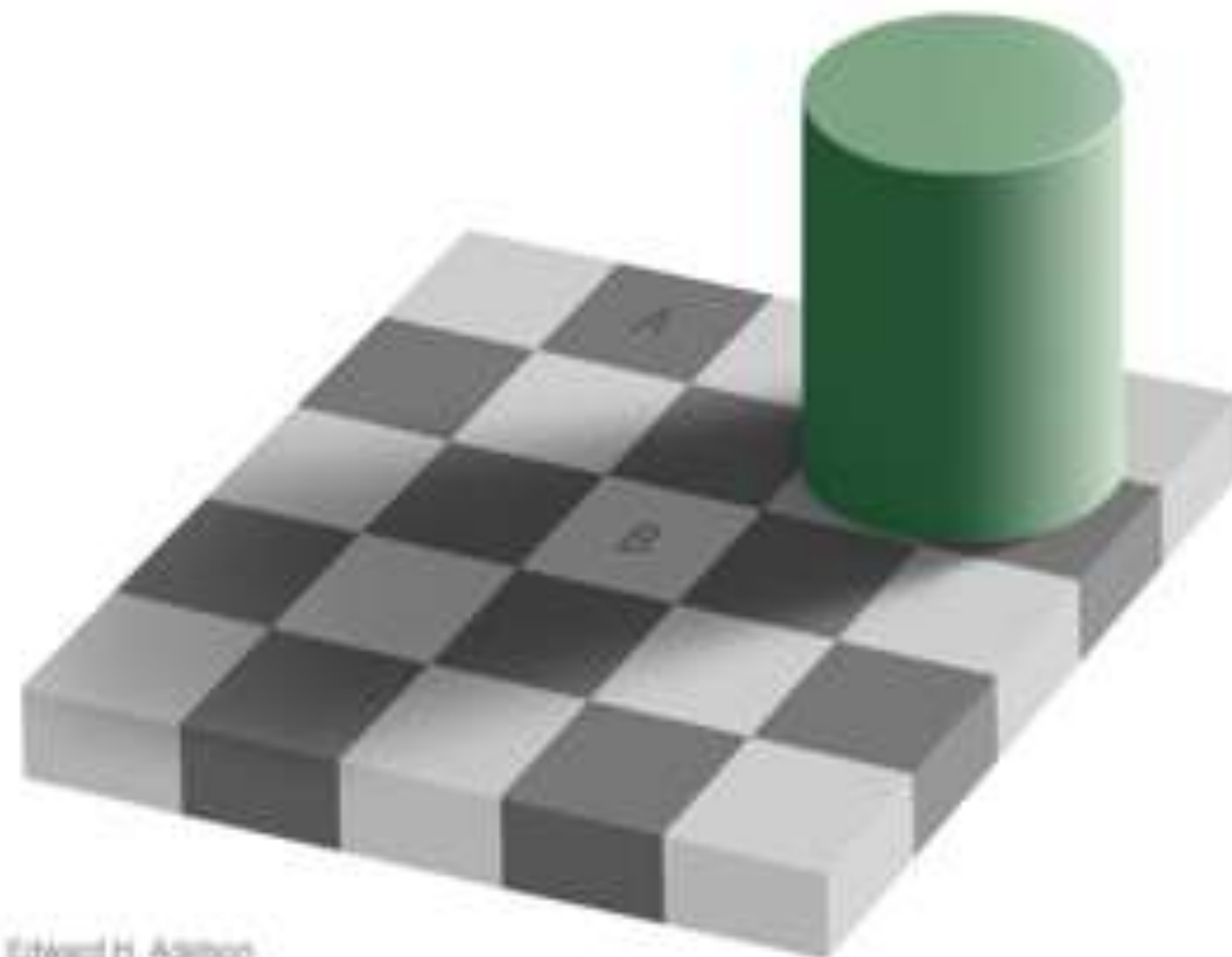Rule #1: Price the Client

PROGRESSIVE PRICING

Rule #2: Offer Options

PROGRESSIVE PRICING

Rule #2: Offer Options
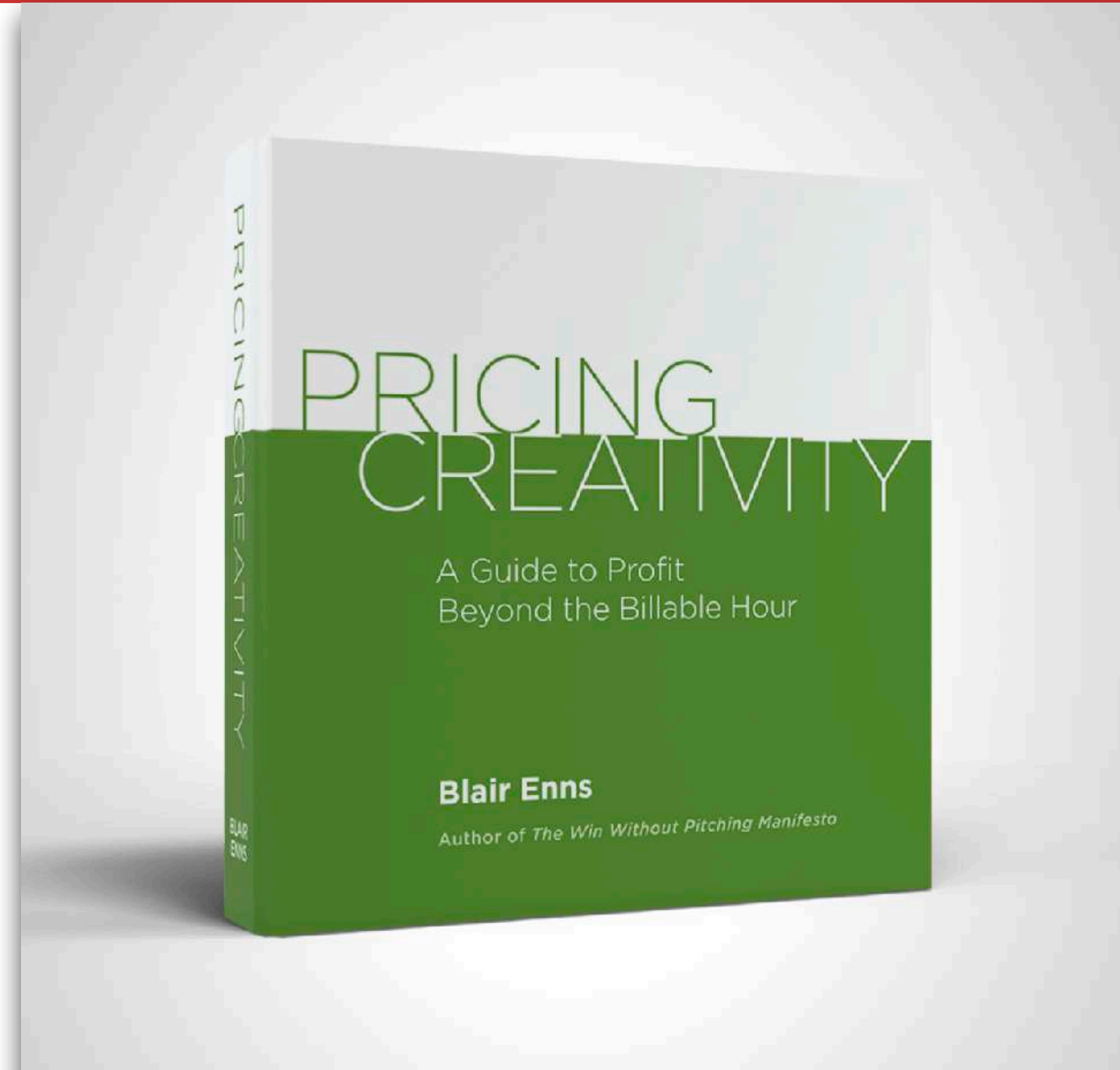

Edward H. Adelson

PROGRESSIVE PRICING

Rule #3: Anchor High

PROGRESSIVE PRICING

Rule #3: Anchor High

Question

"What's your estimate of the average blended hourly rate?"

Control Group Avg.

$171

Anchor Question

"Do you think the average blended hourly rate will be higher or lower than $500?"

Anchor Group Avg.

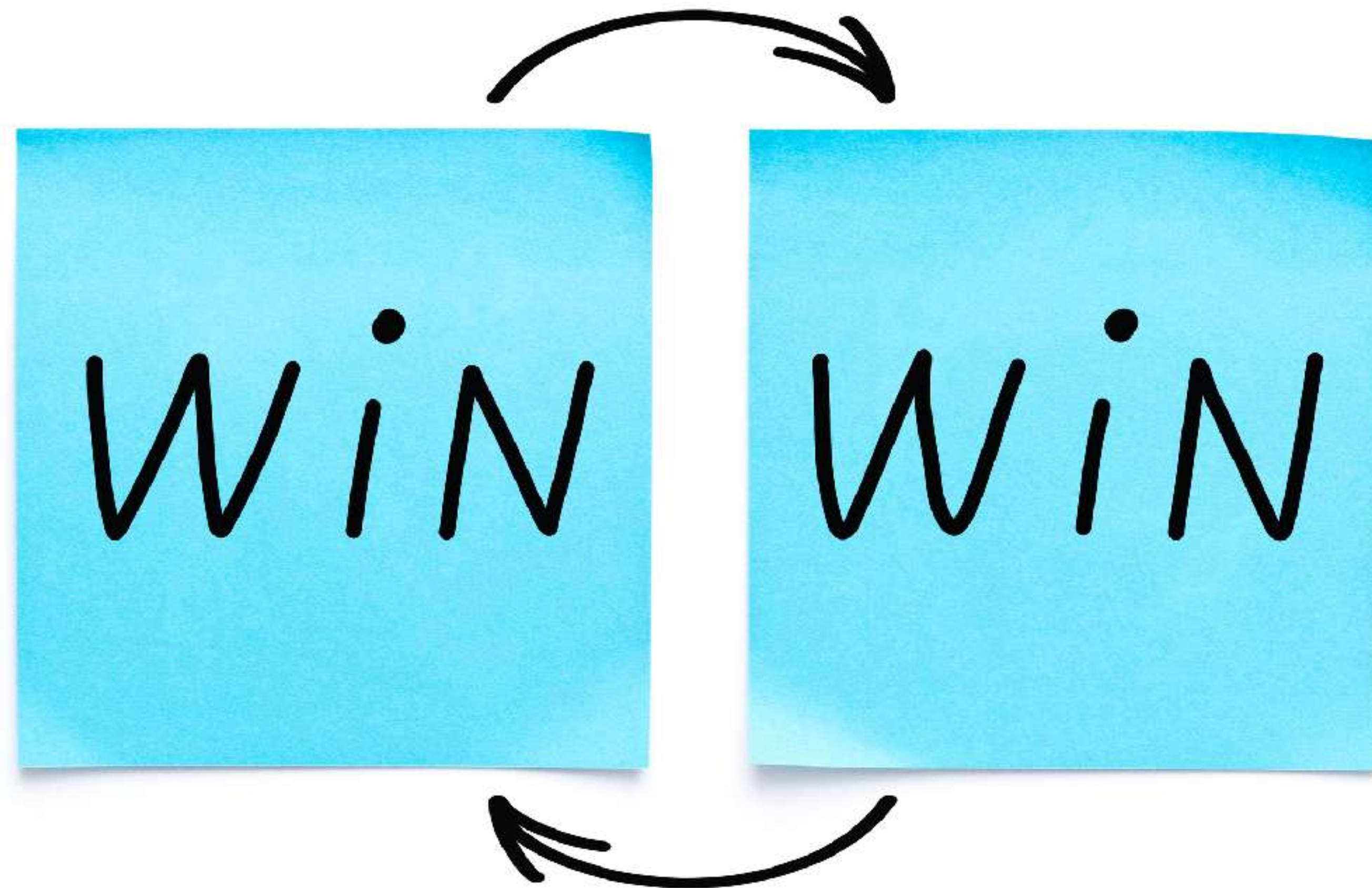$237 (+38%)

PROGRESSIVE PRICING

Rule #1: Price the Client

Rule #2: Offer Options

Rule #3: Anchor High
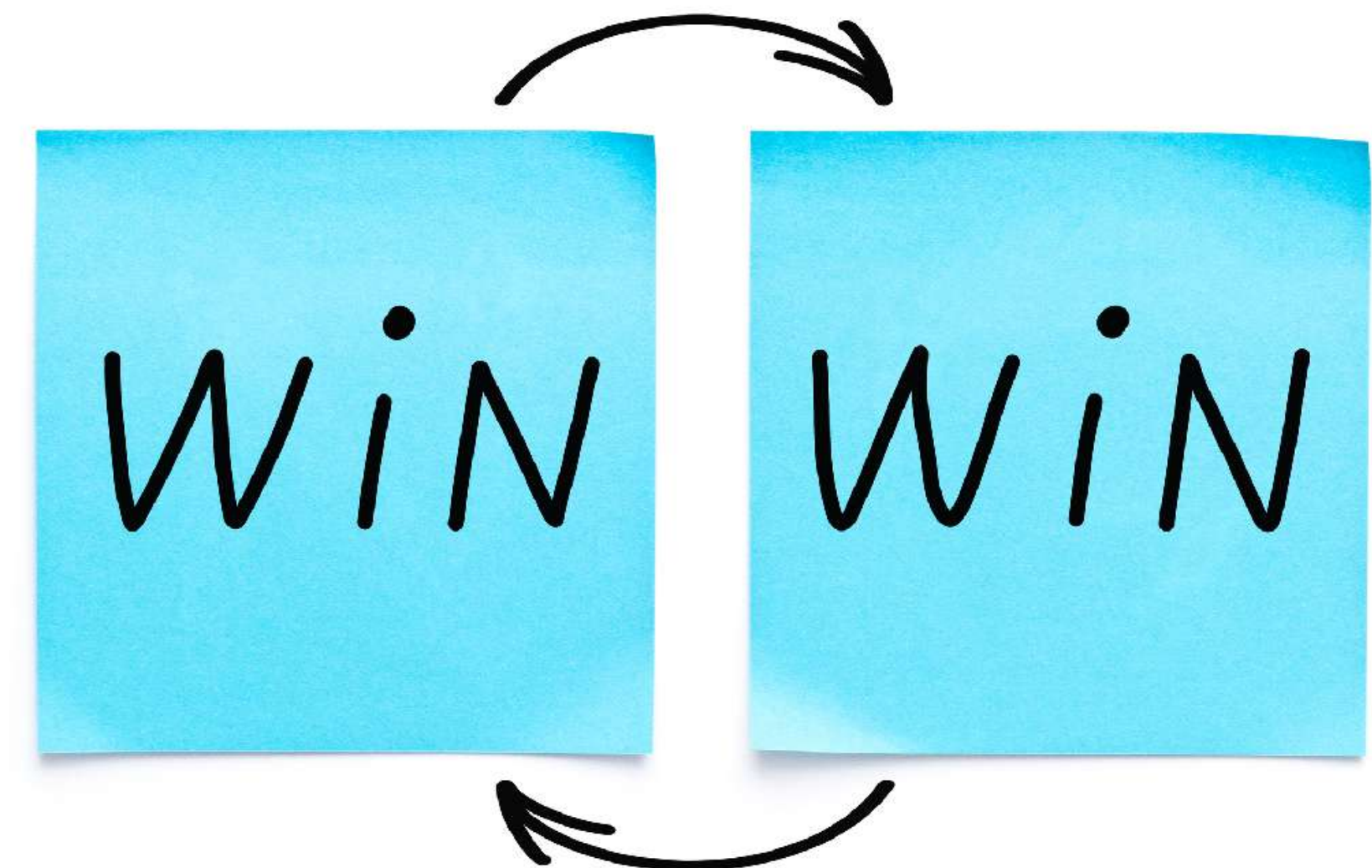
VALUE-BASED PRICING

Three Things You Can Price & Sell

1. Inputs (time & materials)

2. Outputs (deliverables)

3. Outcomes (value)

VALUE-BASED PRICING

Rule #5: Master The Value Conversation

PRICING CREATIVITY

A Guide to Profit
Beyond the Billable Hour

Blair Enns

Author of *The Win Without Pitching Manifesto*
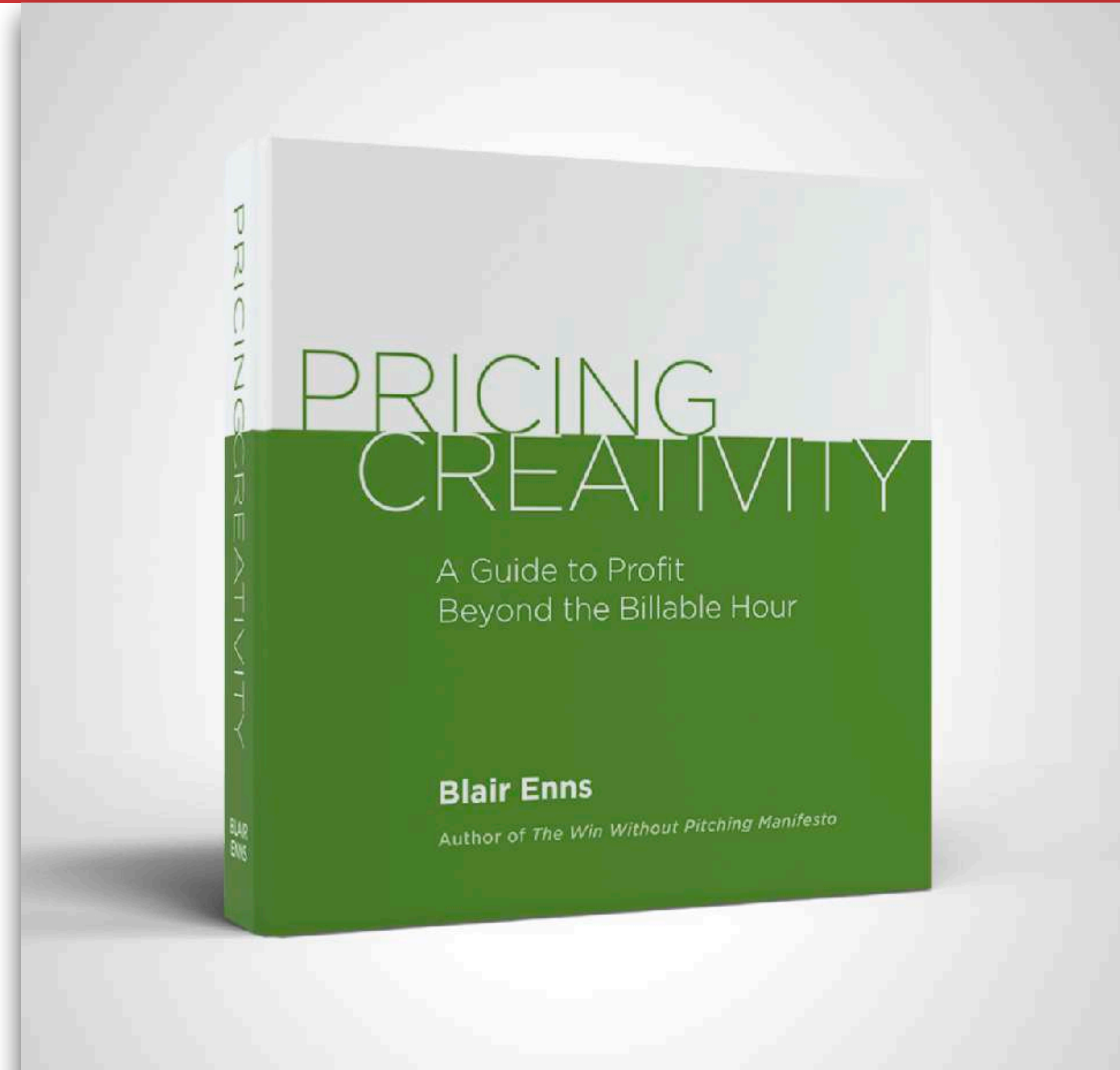
The
Probative
Conversation

The
Qualifying
Conversation

**The
Value
Conversation**

The
Closing
Conversation

Objective

To determine the value you might create and the share you might command, while maintaining the expert practitioner position

VALUE-BASED PRICING

Rule #5: Master The Value Conversation

The Framework

1. What do you want? (DFS)

2. What will we measure? (Metrics)

3. What is the value? (Value)

4. What would you pay? (Pricing Guidance)

VALUE-BASED PRICING

The Value Chain is Reversed

From:

Solution -> Cost -> Price -> Value

To:

Value -> Price -> Cost -> Solution

VALUE-BASED PRICING

Rule #6: Limit Proposals to One Page

Win Without Pitching proposal for Acme LLC

4 x 2-Week Sprints	Website	30k New MQLs
•Input	•Output	•An output that delivers:
•Input	•Output	•Outcome
•Input	•Input	•Outcome
	•Input	•Outcome
	•Output	
€	€€	€€€

VALUE-BASED PRICING

Question:
What is the goal of value-based pricing?

Answer:
To focus the firm on client value creation.

PERFORMANCE PAY

PERFORMANCE PAY

- No risk: time

- Low risk: deliverables

- Med risk: outcomes

- High risk: performance pay

- Max risk: contingency pay

PERFORMANCE PAY

- Add incentives to VBP options

- Make base price more affordable

- *Now you're partners*

Win Without Pitching proposal for Acme LLC

8 x 2-Week Sprints	Website	30k New MQLs
•Input	•Output	•An output that delivers:
•Input	•Output	•Outcome
•Input	•Input	•Outcome
	•Input	•Outcome
	•Output	•5 x €35k/mo.
		•€50k for each:
		•10k MQLs
		•20k MQLs
		•30k MQLs
€ 160k	€ 220k	€ 325k

THE 5 LEVELS

5. Performance Pay

4. Value-Based Pricing

3. Progressive Pricing

2. Maximum Efficiency

1. Labour Arbitrage

YOUR CLIENT INVESTMENT PORTFOLIO

"View your client portfolio like an investment portfolio, with a balance of high- and low-risk investments."

–Ronald J. Baker, author,
Implementing Value Pricing

Contact

- Social: @blairenns

- Podcast: 2Bobs.com

- Training: winwithoutpitching.com

- Book: pricingcreativity.com