

## Setting Your Price

Here is a situation that you could potentially face later in your career. Let's assume that you decide to start a business as a marketing consultant. Complete the following activity to determine how much would you charge for your consulting services?

### **What to Charge for your Marketing Plan?**

A charity organization has approached you to write a marketing plan for them. From your previous market intelligence, you're aware that your competitors charge anywhere from \$10,000 to \$20,000 for a similar project (as the client's requirements are quite substantial). However, given the fact that the organization is a charity and that you are fairly new consultant, it probably wouldn't be ethical to charge 'top-dollar' for the marketing plan.

But how much should you charge? Therefore, you decide to work out a fair 'wage' and then add in your costs to work out a suitable hourly 'billing rate'.

(Note: Your costs would mainly be your fixed costs of: internet/phone, computer/software, training/conferences, car/transport, promotion, and possibility office rent – which need to be partially recovered from each project).

Given that you have not written many professional marketing plans as yet, you estimate that it will take you around four full weeks (about 200 hours) to research, prepare and write a dynamic marketing plan to impress your new client.

### **Budgeting Worksheet** (also see example provided in the first column)

	<b>Example</b>	<b>Your Estimate</b>
1. Required weekly wage (before-tax)	\$1,000	
2. Required hourly wage (divide A by 25 hours per week) *	\$40	
3. Total annual costs (see list above)	\$15,000	
4. Total hourly costs (divide C by 1,250 hours in a year)	\$12	
5. Hourly billing rate (sum of B and D)	\$52	
6. Likely project hours	200	
<b>7. Fee to be charged for project</b>	<b>\$10,400</b>	
8. Check how your fee compares to competitors?		
9. Check if your fee provides value to client and is ethical		

*\* On average, consultants typically only have a 25 hour weekly capacity – due to need to complete administration, promote the business, and undertake training, and so on.*

---

### **Student Discussion Questions**

1. What fee did you decide to charge for the project?
2. Do you think that the client will be happy with this fee?
3. When consultants initially set up their business, sometimes they tend to under-price to win business. Highlight the benefits and risks of this approach.