

Project Report: New Pricing Model

Goal:

Develop a new pricing model, paying special attention of project type and budget-size of the non-profit organizations, in order to create a tool to estimate appropriate project fees.

Approach:

The old pricing model was created in June 2006. It has been tweaked but never fully reevaluated during the intervening years. Our approach was to start with an external analysis of the Boston area non-profit consulting market. Next we analyzed financial data from the last 3 fiscal years (2014-2016). Based on these results, a new pricing model was created.

External Analysis:

The external analysis is based on the members of the Nonprofit Consultants Network, <http://nonprofitconsultantsnetwork.org/>. All NCN members which provide similar consulting services to ESC of New England were asked, via email, to schedule an interview to discuss their consulting practice.

65 Consultants were contacted, 22 were willing to do an interview via phone. (33.8% response rate)

The results of the interviews are listed below. (n=22)

1) How many years of experience do you have in this field?

Average: 15.32 years

Median: 14.5 years

2) Is your firm located in the city or outside?

Boston inner city: 22.72%

Boston districts: 77.27%

3) What is your typical volume? How many projects do you have per year?

Average: 11.97

Median: 10

4) How long do you typically spend on each type of project? (days or hours)

Length of project							
Meeting Facilitation	Mentoring/ Coaching	Strategic Planning	Business Planning	Governance	Fundraising	Marketing	Assessment
2-8 hours			around 40hours	5-20 hours	around 80 hours		40 hours
					3-6 months		
		2-6 months	2-6 months				1-6 weeks
	2 hrs - yrs	6-9 months	6-9 months				
	9-12 months	6-9 months					
	2 days - yrs	12-24 months					
					6-12 months	3-4 months	3-6 weeks
	9-12 months						2-4 months
	2-3 months	3-6 months	2-3 months				
		6 months			6 months		
					3-4 months		
					5-100 hours		
					9-12 months		
	1hour-3months	6 months					
					2-12 moths		
					20-40 hours		
						6-12 months	
1 day	8 months	1 year					
				(4months)			
	1 hr/ week, 3-12months						

5) How many consultants are employed by your firm? How many support staff?

Employed Consultants:

18.18% are working with several consultants.

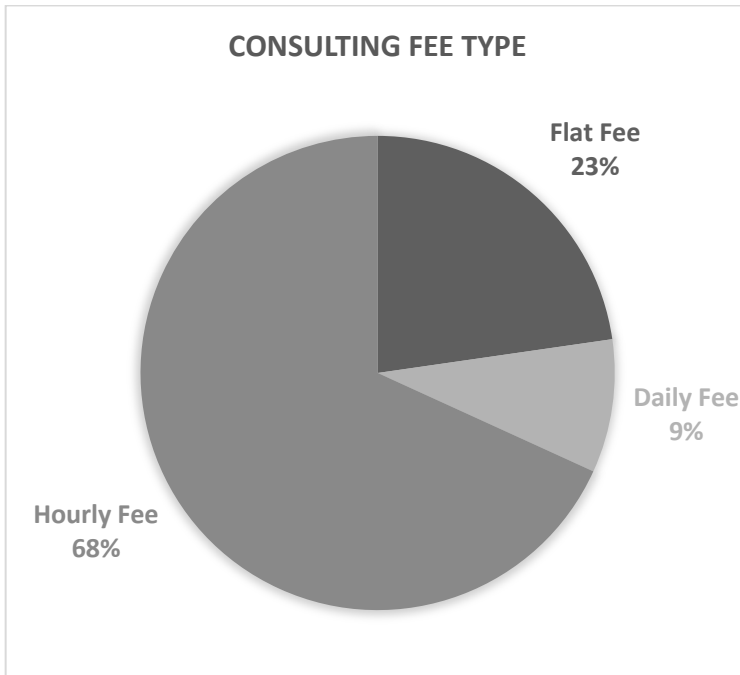
81.81% are working alone as a consultant.

Employed Support Staff:

18.18% are working together with supporting staff.

81.81% are working without supporting staff.

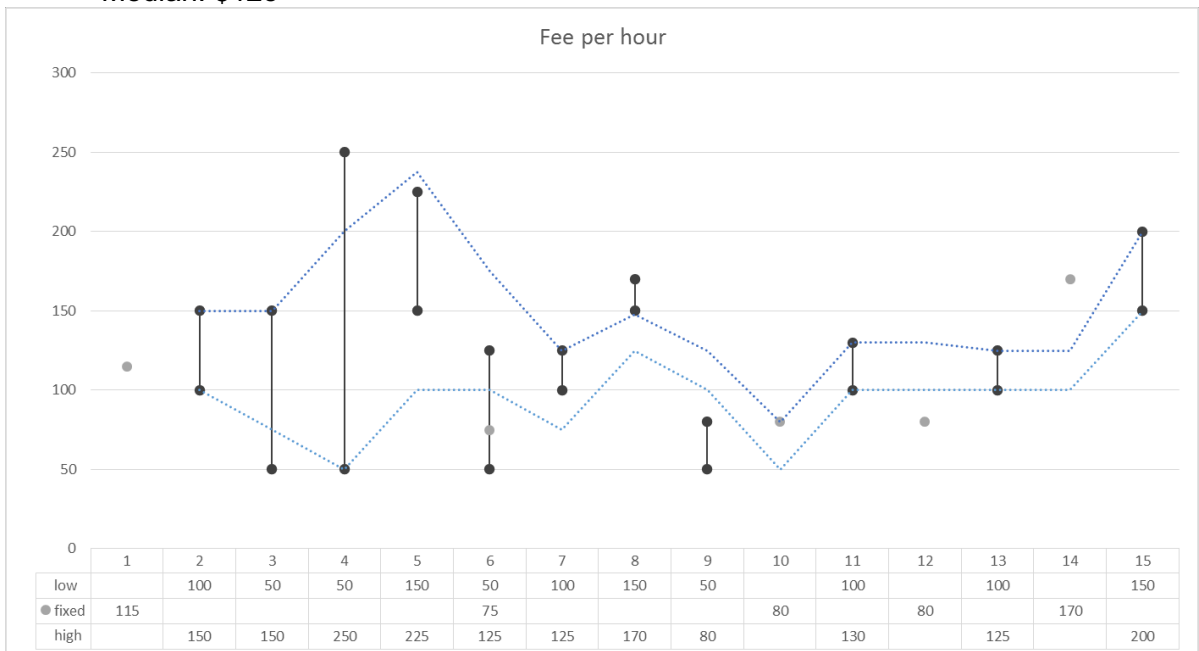
6) How are your fees set? Do you charge an hourly rate, daily rate, or a flat fee per project?



7) What is the typical hourly rate? Daily rate?

Daily Rate: \$1500 (n=2)

Fee per Hour: (n=15)
 Average: \$122.22
 Median: \$125



8) What are some of the factors that impact the total fee?

Size of non-profit organization, value of service, location (travel expenses), budget/revenue of nonprofit, scope (workload), degree in complexity, evaluation of how easy or hard working with the organization will be, lengths of project, level of expertise of engaged consultant.

9) What are typical deliverables for each consulting project type?

ESC Service	Deliverables
Facilitation	Flipchart, list of agreed action items, review of client write up, final report
Mentoring / Coaching	Improved performance of mentee; Guideline handbook, learning milestones
Strategic Planning	Strategic Plan, action plan, financial plan, mid-term report, evaluation report, Data plan, board presentation
Business / Operations Planning	Analytical findings, action plan, implementation plan
Governance	Implementation plan, action plan
Fundraising	Fundraising plan (action plan) with mentoring, appeal letter, case statement, materials for email campaign, planning of event, thank you letter, welcome letter, communication calendar, donor specialized strategy, donor persona statement, relationship building plan
Marketing & Brand Development	Marketing Plan, brand blueprint (int./ext. language), social media strategy

Summary findings:

- The fee calculation is often based on estimated hours which leads to a flat project fee.
- The greater the amounts of projects per year, the lower is the hourly rate.
- Consultants with a more experience tend to spend more time on projects.
- Consultants with more experience have generally a higher fee.
- Most of the consultants hire supporting staff only when working on big and complex projects
- ESC is for some consultants a well-known competitor, so they were not willing to share a lot of information.

Summary of all interviews as an overview:

The overview of all interview data illustrates the name of the consulting organization and their specific answers. An average and median is calculated for the projects per year, the pricing, the number of staff and the years of experience. 'TDC' is not included in the calculation of the average numbers because it's an outlier with its organization size and number of staff and would distort representative data.

The lengths of the different project types are statistically not comparable due to the various units of hours, months and years. However, a certain trend is still applicable.

Name	Projects per year		Pricing (in \$)				permanent consultants	Support Staff	years experience	Meeting Facilitation	Mentoring/ Coaching	Strategic Planning	Length of project				
	low	high	low/hour	fixed \$ /hour	high/hour	daily fee							flat fee	Business Planning	Governance	Fundraising	Marketing
Amsden Consulting	10	15		115				5	0	9	2-8 hours		around 40hours	5-20 hours	around 80 hours		40 hours
Paper Crane Associates	n/a		100		150			1	4	10							
K. Weill Consulting	15	20					1,000-15,000	1	3	15					3-6 months		
Rollinsupton Consulting	5		50		150			2	0	22		2-6 months	2-6 months				1-6 weeks
Mendelsohn, Gittleman & TDC	10	15			250		15,000-18,000	2	0	29	2 hrs - yrs	6-9 months	6-9 months				
Michael Jacoby Brown Co	3	5				1500		1	2	30	9-12 months	6-9 months					
Tracy A. Corley & Associates	2	3	150		225			1	0	18	2 days - yrs	12-24 months					
Communicate! Consulting		8	50	75	125			1	0	8				6-12 months	3-4 months	3-6 weeks	
Jeff Katz and Associates	4		100		125			1	0	17	9-12 months					2-4 months	
Diane Gordon Consulting		16	150		170			1	0	20	2-3 months	3-6 months	2-3 months				
Tugboat 23 Consulting	8	12	50		80			1	0	6					6 months		
It's the Results, LLC	3	4					5,000-10,000	1	0	11		6 months			3-4 months		
Brenda Noel Consulting	10			80				1	0	12					5-100 hours		
Plazak Associates	3	5	100		130			1	0	14					9-12 months		
Claremont Consulting		50					20,000	1	0	8	1hour-3months	6 months					
Rowe Resources	10		n/a					1	0	22					2-12 months		
Kris Willox	20	30		80				1	0	12					20-40 hours		
Good Egg Marketing		20	100		125			1	0	10						6-12 months	
Lach Training and Consult	7	8		170		1500		1	0	18	1 day	8 months	1 year				
Susan Egmond	12	15				33% of annual CEO salary		1	0	18				(4months)			
Annette Rubin	15	20	150		200			1	0	3	1 hr/ week, 3-12months						
*(outliners)																	
n=22																	
Average:		11.97		122.22				1.29	0.64	15.32							
Median:		10		125				1	0	14.5							

Internal Analysis:

For the internal analysis of ESC of New England the financial years 2014-2016 were evaluated with special attention to previously charged fees. The Excel Sheets 'Stage3 clients \$ Fees by Project FY'xx' were used and combined to one table. The following calculations are all created with Pivot tools.

The following chart illustrates the **charged fees of FY14-16 according to the specific type of project:**

Project type	fee:	250	300	500	750	1000	1200	1500	1750	2000	2500	2600	3000	3500	4000	4500	5000	5500	6000	6500	7000	7400	7500	8000	9500	10000	12000	14000	15000	17000	20000	38000	40000	NA	Grand Total	% of total	
Business Planning																	1		1																2	1%	
Coaching					8		5	1			1	2		1																				10	28	12%	
Diversity																										3									3	1%	
Facilitation		1	1	3	2		4	3		2		2	2																					1	21	9%	
Finance					1					5		1	1				2																			10	4%
Fundraising							1					4	3	5		5		2		3		1			1											25	11%
Governance									2			3		1	1	1		1										1		4						14	6%
HR							1			4											1															6	3%
Marketing			1		2	2					1	5	1			4	1																			17	7%
Mentor/Program																	2									1										3	1%
OD											2	1					1											1								5	2%
Operations Planning											1	1									1															3	1%
Outcome program			2							4						1		1					1		1									3	13	6%	
search														1			2																			1	0%
Strategic Planning					1								5	5	8		10		6	2	2		1	4	1	13	2	3	4	1	3	1	1			73	31%
sucession										1																								3		3	1%
Tech										1																										1	0%
Workshops							1							1							1															3	1%
Grand Total		1	1	6	3	11	6	11	1	10	8	1	21	16	20	2	27	2	11	2	7	1	2	5	1	19	2	3	6	1	7	1	4	14	233	100%	

Within the FY14-16 most of the ESC Projects were Strategic Planning (31%), it also consists of the biggest range of fees, from \$1,200 to \$40,000.

55% of the projects are based on Strategic Planning (31%), Coaching (12%) and Fundraising (11%).

Comparison of Financial Years:

Financial Year	2016	2015	2014	2014-2016
Number of Projects	71	102	60	233
Fee (Average)	\$6,072	\$6,203	\$6,025	\$6,118
Fee (Median)	\$4,250	\$4,000	\$3,500	\$4,000
Budget Size of Clients (Average)	\$24,208,505	\$3,399,948	\$4,223,206	\$11,084,273
Budget Size of Clients (Median)	\$1,465,540	\$841,531	\$614,393	\$909,448

To get a deeper insight into the data, please see the excel sheet "Fees & Clients FY14-16". In this document, a Pivot tool is created with the possibility to select specifically between the variables:

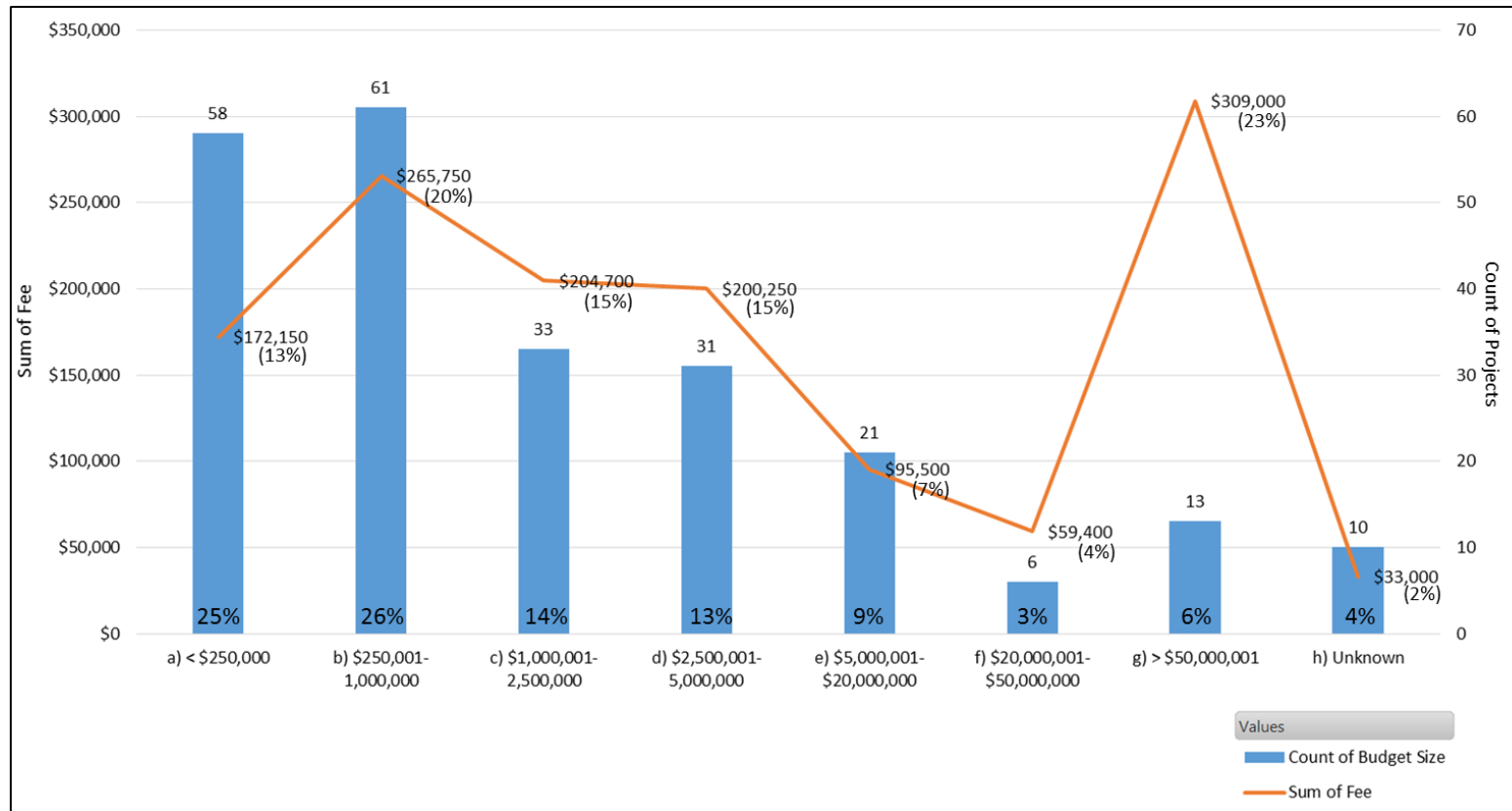
- FY Year
- Project Type
- Budget Size
- Project (Client)
- Charged Fee



Fees & Clients
FY14-16.xlsx

Excel Document:

The analysis of the **client budget structure per project** and the **sum of fee per budget category** is illustrated in the following: (FY '14-'16)



- 51% of projects within the last three years were from clients with a Budget ≤ 1m

- 23% (\$309,000) of total charged fee is made with clients with a Budget > 50m

→ ESC made 23% of its 'revenue' with 6% of its projects

Pricing Model:

Old Version:

The old pricing model which was issued in June 2006, is based on a range calculated on the estimated hours and consultants per project. In the following table, the calculation is illustrated in the example of fundraising. The old pricing model is based on a standard rate of \$500 per day which results in **\$62.50 per hour** (assumption: 8 hours per day). The calculated minimum and maximum fee is used with the “multiplier 1” for clients with a revenue of 1,000,001 – 2,500,000.

ESC Service	Time Commitment & Duration	Staffing	Min. hours	Max. hours	Min. # consultants	Max. # consultants	Consultant # discount	Hourly rate	Hourly rate discount	Min. Fee	Max. Fee	Typical Fees
Fundraising												
Analysis & Planning	3-6 mos (2 mtgs/mo = 8 - 12 workdays / person)	2 people	64	96	2	2	1.00	\$ 62.50	1.00	\$ 8,000	12,000	\$8-12K

Due to the calculated range, a possible fee was estimated and adjusted to the different sizes of revenues with a multiplier.

2006 Pricing Model	Facilitation	Mentoring / Coaching	Strategic Management		Business / Operations Planning		Board Development		Fundraising	Marketing & Brand Development
	Facilitation	Mentoring / Coaching	a) Strategic Management	b) Implementation and monitoring	a) Analysis	b) Implementation	a) Assessment	b) Implementation	Analysis & Planning	External Analysis & Strategic Plan
Range	\$2-10K	\$3-6K	\$10-25K	\$8-12K, billed quarterly	\$10-25K	\$10-25K	\$10-15K	\$10-15K	\$8-12K	\$8-12K
Possible Fee	3,000	4,000	12,000	10,000	15,000	12,000	12,000	10,000	10,000	10,000
Revenue of client										
Multiplier										
< 250,000	0.25	750	1,000	3,000	2,500	3,750	3,000	3,000	2,500	2,500
250,001 - 500,000	0.5	1,500	2,000	6,000	5,000	7,500	6,000	6,000	5,000	5,000
500,001 - 1,000,000	0.75	2,250	3,000	9,000	7,500	11,250	9,000	9,000	7,500	7,500
1,000,001 - 2,500,000	1	3,000	4,000	12,000	10,000	15,000	12,000	12,000	10,000	10,000
2,500,001 - 5,000,000	1.5	4,500	6,000	18,000	15,000	22,500	18,000	18,000	15,000	15,000
> 5,000,001	1.75	5,250	7,000	21,000	17,500	26,250	21,000	21,000	17,500	17,500

New Version:

The new pricing model consists on the same calculation theory than the old one. Due to our external market research result with an average hourly rate of \$122.22, we considered it as a competitive and necessary change to increase the fee for the new model. The assumed standard fee for “multiplier 1” will change to the base of **\$125 per hour** to calculate the range for every project type. A lower and a higher range is given for every revenue category, based on the initial calculated range and the specific multipliers. Additionally, we reevaluated the hours which every consultant would spend on every type of project, as well as how many people are typically members of the consulting teams. We also looked at what fees had been previously charged for each project and budget category. All of these factors contribute to the development of this new pricing model.

Calculation matrix with project type assumptions and deliverables:

ESC Service	Time Commitment & Duration	Staffing	Min. hours	Max. hours	Min. # consultants	Max. # consultants	Hourly rate	Min. Fee	Max. Fee	Assumptions	Deliverables
							\$ 125				
Facilitation	1/2 day	1 person	8	10	1	1	\$ 125	\$ 1,000	\$ 1,250	includes pre call, prep, post call	agenda, debrief call
Facilitation	Full Day	1-2 Person	16	20	1	2	\$ 125	\$ 2,000	\$ 5,000	includes pre meeting, prep calls/interviews, post meeting	agenda, preliminary interviews, debrief
Mentoring / Coaching	6 months	1 person	20	30	1	2	\$ 125	\$ 2,500	\$ 7,500	meetings every 2-3 weeks	Guideline handbook, learning milestones
Strategic Planning	6 months	2-4 people	80	100	2	4	\$ 125	\$ 20,000	\$ 50,000	4-6 hours a week. Meeting aprox every other week	environmental assessment, mission/vision/position, goals, strategies, tactics, plan to implement
Governance Assessment	2 months	2 people	62	74	2	2	\$ 125	\$ 15,500	\$ 18,500	kick-off, interviews, recommendations, wrap up	interviews and recommendations
Governance Implementation	4-6 months (after assessment phase)	2 people	40	90	2	2	\$ 125	\$ 10,000	\$ 22,500	3-6 hours a week, meetings every 3-4 weeks, coaching, providing templates	revised by laws, position descriptions, handbook, onboarding plan, recruitment plan
Opps (tech, outcome, HR, OD)	2-4 months	2-4 people	50	100	2	4	\$ 125	\$ 12,500	\$ 50,000	kick off, interviews, doc review, recommendations, review, strategy development	Assessment, recommendations, strategies to implement
Fundraising	3-6 months	1-2 people	64	96	1	2	\$ 125	\$ 8,000	\$ 24,000	(2 mtgs/mo = 8 - 12 workdays / person)	Fundraising plan (action plan) with mentoring
Marketing & Brand Development	4-6 months	2 people	50	90	2	2	\$ 125	\$ 12,500	\$ 22,500	(2 mtgs/mo = 8 - 12 workdays / person)	Marketing Plan, brand blueprint (int./ext. language), social-media strategy

In addition to the pricing model, a matrix which considers the estimated months of the project, the hours per week, and the rate per hour, is build:

Weeks	8	16	24	48	\$/hr
Hours/Week	2 months	4 months	6 months	12 months	\$ 125
4	\$ 4,000	\$ 8,000	\$ 12,000	\$ 24,000	
6	\$ 6,000	\$ 12,000	\$ 18,000	\$ 36,000	
8	\$ 8,000	\$ 16,000	\$ 24,000	\$ 48,000	
10	\$ 10,000	\$ 20,000	\$ 30,000	\$ 60,000	

New Pricing Model:

2017 Pricing Model		Facilitation		Mentoring / Coaching		Strategic Planning		Operations		Governance		Governance Implementation		Fundraising		Marketing & Brand Development		
		Range	1000 (1/2 Day)	5000 (Full Day)	2500	7500	20000	50000	12500	15500	15500	18500	10000	22500	8000	24000	12500	22500
<i>Budget of client</i>		Multiplier																
< 250,000		0.2	200	1,000	500	1,500	4,000	10,000	2,500	3,100	3,100	3,700	2,000	4,500	1,600	4,800	2,500	4,500
250,001 - 1,000,000		0.25	250	1,250	625	1,875	5,000	12,500	3,125	3,875	3,875	4,625	2,500	5,625	2,000	6,000	3,125	5,625
1,000,001 - 2,500,000		0.5	500	2,500	1,250	3,750	10,000	25,000	6,250	7,750	7,750	9,250	5,000	11,250	4,000	12,000	6,250	11,250
2,500,001 - 5,000,000		0.75	750	3,750	1,875	5,625	15,000	37,500	9,375	11,625	11,625	13,875	7,500	16,875	6,000	18,000	9,375	16,875
> 5,000,001		1	1,000	5,000	2,500	7,500	20,000	50,000	12,500	15,500	15,500	18,500	10,000	22,500	8,000	24,000	12,500	22,500
> 20,000,001		1.1	1,100	5,500	2,750	8,250	22,000	55,000	13,750	17,050	17,050	20,350	11,000	24,750	8,800	26,400	13,750	24,750
> 50,000,001		1.2	1,200	6,000	3,000	9,000	24,000	60,000	15,000	18,600	18,600	22,200	12,000	27,000	9,600	28,800	15,000	27,000