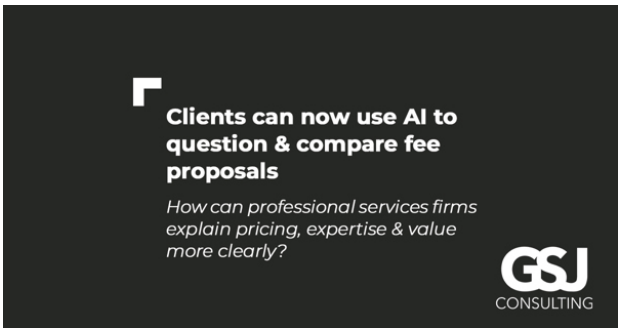


AI is likely to make vague pricing explanations harder to sustain

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Tell me if you have heard any of these before:

“We charge a premium because of our expertise.”

“Our fees reflect the complexity of the matter.”

“We provide a high-quality, partner-led service.”

All of these may be true. But they leave the client with an unanswered question: *What, specifically, am I paying more for?*

Professionals have historically been poor at answering that question. For years, firms have been able to rely on reputation, relationships and a degree of information imbalance to carry some of that explanation. Clients could obtain competing proposals, but comparing them was often difficult. Different scopes, staffing arrangements, assumptions and fee structures made it hard to work out whether a higher price reflected a better service, or simply a more expensive provider.

AI gives clients another way to examine those differences. They can ask it to review a proposal, identify unclear assumptions, compare competing offers and prepare questions for the firm.

My somewhat controversial view is that this will make vague pricing explanations harder for professional services partners to sustain.

This is not to say there will be no place for value pricing. Actually, the opposite is true as professionals will increasingly need to connect their fees to something the client can understand, assess and value.

What it does as though is this: to value price, you need to change the narrative.

The problem with saying “it’s complex”

Complexity is one of the most common explanations for a high professional fee. Yet the word itself tells the client very little, to nothing, about the value being delivered.

Is the work complex because several regulatory regimes apply? Because the documents are inconsistent? Because the transaction involves multiple parties with competing interests? Or because the consequences of getting the advice wrong are unusually serious?

These distinctions matter. Each suggests a different approach, a different allocation of resources and potentially a different price.

Consider a proposal that says: “Our fee reflects the complexity of the transaction.” Compare that with an explanation that identifies three unresolved ownership issues, a tight completion deadline and the need to negotiate protections against a particular commercial exposure.

The second explanation gives the client something concrete to consider. It also allows the firm to explain how those issues affect the work required. The first does none of those things.

Expertise needs a connection to the client’s problem

Expertise is valuable, but a statement about expertise is not automatically an explanation of value.

A firm may have experienced partners, impressive credentials and a strong reputation. The client still needs to understand how those attributes will improve the handling of their particular issue. Otherwise, expertise risks becoming a general claim that every competing firm can make.

A stronger explanation connects experience to its practical application. Has the team handled the same type of dispute before? Does it understand where negotiations tend to stall? Can it identify an issue early that a less experienced adviser might only discover after substantial work? Does its industry knowledge reduce the amount of background explanation the client needs to provide?

These are useful reasons to appoint a firm. They can also support a premium, provided the claims are credible and relevant.

The challenge is to move beyond “we have considerable experience” and explain what that experience enables the team to do. A client should be able to see why it matters to their decision.

“Partner-led” needs to describe actual involvement

Professional services proposals frequently promise a “partner-led service”. While the phrase sounds reassuring, most clients know

the reason is because all the senior associates are overseas earning much more than they can at home!

So, if partner involvement is part of the pricing explanation, the proposal should make that involvement clear. What will the partner do? Which decisions require their input? Who will undertake the day-to-day work? How will the team avoid unnecessary duplication?

This becomes particularly important when a client is comparing a higher-priced proposal with a lower-priced one. The firm needs to explain the honesty behind its resourcing choices.

A credible explanation shows that the team has been designed around the work and the client's needs and not just to make a quick buck!

The fee structure needs an explanation too

The same scrutiny applies to the pricing model.

If a firm recommends hourly billing, the client may ask why a fixed fee is unsuitable. If it offers a fixed fee, the client may ask what is included, which assumptions underpin it and what would trigger an additional charge. A retainer raises questions about access, capacity, response times and the treatment of unused services.

"We always bill this way" provides little reassurance. To reinforce the value being delivered, the client needs to understand why the proposed model makes sense for this engagement.

For example, a firm might explain that the initial diagnostic stage has a fixed fee because the deliverables are defined, while the subsequent negotiation stage depends on the other party's conduct. It could then propose a budget range, reporting arrangements and a point at which further approval will be required.

That explanation makes the uncertainty visible. It also shows the client how it will be managed.

Value must be visible before it can support the price

There is a further problem. Some firms do understand the value they provide, but fail to communicate it in their proposals.

They list activities: review documents, attend meetings, prepare advice and negotiate terms. The client is left to work out how those activities relate to the outcome they need.

A stronger proposal explains the purpose of the work. Reviewing the documents may help identify obligations the client cannot readily meet. Negotiating terms may protect the client's ability to exit an unsuitable arrangement. Preparing advice may enable the board to make a decision with a clearer understanding of its options and exposure.

The aim is to make the connection between service and value easier for the client to understand.

More detail is not always the answer

There is a temptation to respond to greater scrutiny with longer proposals. But additional pages will not help if they contain more claims about excellence, responsiveness and commitment.

What matters is the quality of the explanation. A concise proposal can provide considerable clarity if it identifies the client's problem, describes the proposed approach, explains the team's involvement and sets out the fee assumptions.

This requires a better conversation before the proposal is written. What is the client trying to achieve? What concerns them most? Where does timing matter? What would make the engagement successful from their perspective?

Without that understanding, the firm is likely to fall back on generic language. With it, the pricing explanation can be tailored to the decision the client actually needs to make.

A stronger explanation starts inside the firm: five questions to ask before you send the proposal

AI is likely to increase the pressure on firms to explain their pricing. But the work required is largely internal.

Can the partner explain why this team is appropriate?

Can the firm identify what justifies a premium?

Are the scope and assumptions clear?

Does the proposed fee structure reflect the uncertainty in the work?

Can the client see how the service addresses what matters to them?

These questions deserve attention before a proposal reaches the client.

And if the price depends on the client accepting a vague claim about expertise, quality or complexity, the proposal needs more work.

GSJ Consulting works with professional services firms to present their value clearly and win and retain more clients. Contact us to talk about how your proposals and pricing conversations could be stronger.

The information contained in this article is of general nature and should not be construed as legal advice. If you require further information, advice or assistance for your specific circumstances, please contact us.