



Rewriting the Fee Formula

A Smarter Model for Pricing Your Services

A strategic approach to aligning your fees with the value you provide to clients.



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THE **WELL-DESIGNED** FIRM



Your Expertise and Efficiency are Being Penalized

Traditional pricing models punish you for being good at your job

- 1 Hourly Billing: Faster work = lower revenue
- 2 % of Construction: Saving Client money = cutting your fee
- 3 Result: Excellence becomes a financial liability

This is why we're all feeling fee pressure—it's baked into how we price.
Today, we're going to explore how to break that cycle.

What Architects and Engineers Actually Sell

When we focus on hours and deliverables, we undersell our true value and create a transactional relationship instead of a transformational one.

1

Insight

See possibilities clients can't envision

2

Judgment

Professional expertise through thousands of decisions

3

Confidence

Peace of mind about decisions and outcomes

4

Transformation

Create a better future

Insights Win Projects

Healthcare Surgery Center Case Study

Traditional Proposal

- ✓ Focused on: programming, space planning, and aesthetics
- ✓ Emphasis on deliverables and regulatory checklists
- ✓ Descriptions of firm capabilities and similar projects

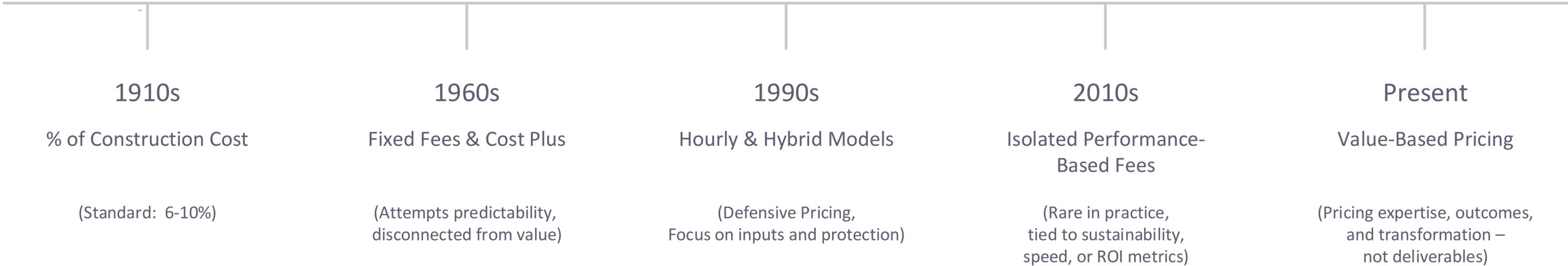
Winning Proposal

- ✓ Began with the question: “What’s limiting your ability to perform more daily procedures?”
- ✓ Discovered bottlenecks in patient flow and equipment staging
- ✓ Focused on designing for operational efficiency, not just space
- ✓ Framed the proposal around outcomes, not just deliverables
- ✓ Positioned themselves as a strategic partner



The winning insight about patient flow was worth hundreds of thousands in annual revenue to the client, far exceeding the architectural fee.

A Century of Fee Models—and Why They No Longer Fit



Fee models have evolved over time, but the fundamental question remains: Do our fees reflect the true value we create?



When Percentage of Construction Cost Worked

Then



Now



- Clear scope boundaries▶ • Complex, expanding scope
- Low professional liability▶ • Heightened liability exposure
- Design expertise was revered▶ • Design expertise commoditized
- Simple construction techniques▶ • Complex building systems
- Limited technology requirements▶ • Intensive technology integration

The profession has evolved dramatically, but our fee structures largely haven't kept pace.



The Mindset Shift

From Time-Based to Value-Based Thinking

FROM		TO
1. Pricing inputs>	Pricing outcomes
2. Time tracking for billing>	Time tracking for learning
3. Selling Services>	Selling Transformations
4. One Price>	Three Options
5. Client "shops" you>	Client chooses you

This shift requires rethinking not just how you price, but how you position your entire practice in the marketplace.

The Value Conversation - Ask Before You Price



Why?

Discover true motivation
behind the project



What Value?

Define what success looks like,
ROI metrics



Why Now?

Understand urgency and
consequence of delay

These three questions reveal the true business context and help you understand what's actually at stake for your client.

Case Example:

Private School Early Childhood Center

- 8,500 square feet
- \$4 million construction budget
- Critical requirement: Open by fall or risk enrollment loss

Three architectural firms shortlisted for this opportunity with dramatically different approaches.



Three Firms, Three Approaches

Firm A

\$275,000

Hourly: Not-to-Exceed

- Focused on inputs / deliverables
- Detailed hourly breakdown
- Time-based approach

Firm B

\$300,000

Fixed Fee: % of Construction

- 7.5 % of construction cost
- Tied to project budget
- Familiar, traditional approach

Firm C

\$300K / \$420K / \$500K

Fixed Fee: Tied to Outcomes

- Business outcome focused
- Speed to market guarantee
- Enrollment protection assurance

Firm C's \$420K Fee Feels Like a Smart Investment. They Didn't Win on Price. They Won on Positioning. As Trusted Advisors, they were able to upsell to \$500K



Firm C Asked Different Questions

RECLAIM THE PROFESSION

1

Why this project?

Capital campaign launch, board confidence, competitive position in market

2

What are we?

Institutional credibility, enrollment momentum, \$1.2M annual revenue from new students

3

What now?

Missing deadline = lost enrollment + jeopardized campaign + board credibility damage

They connected the dots between the \$1.2M in annual revenue at stake and their ability (and commitment) to deliver. With the proper framing, their \$420K fee seemed like a bargain.

Always Present Three Options

Start with the top tier. Anchor high.
Build down with integrity.

Basic

- ✓ Core services only
- ✓ Lean delivery
- ✓ No extras

Enhanced

- ✓ Adds strategic value
- ✓ Greater impact and support
- ✓ Smart, risk-balanced middle ground with additional value

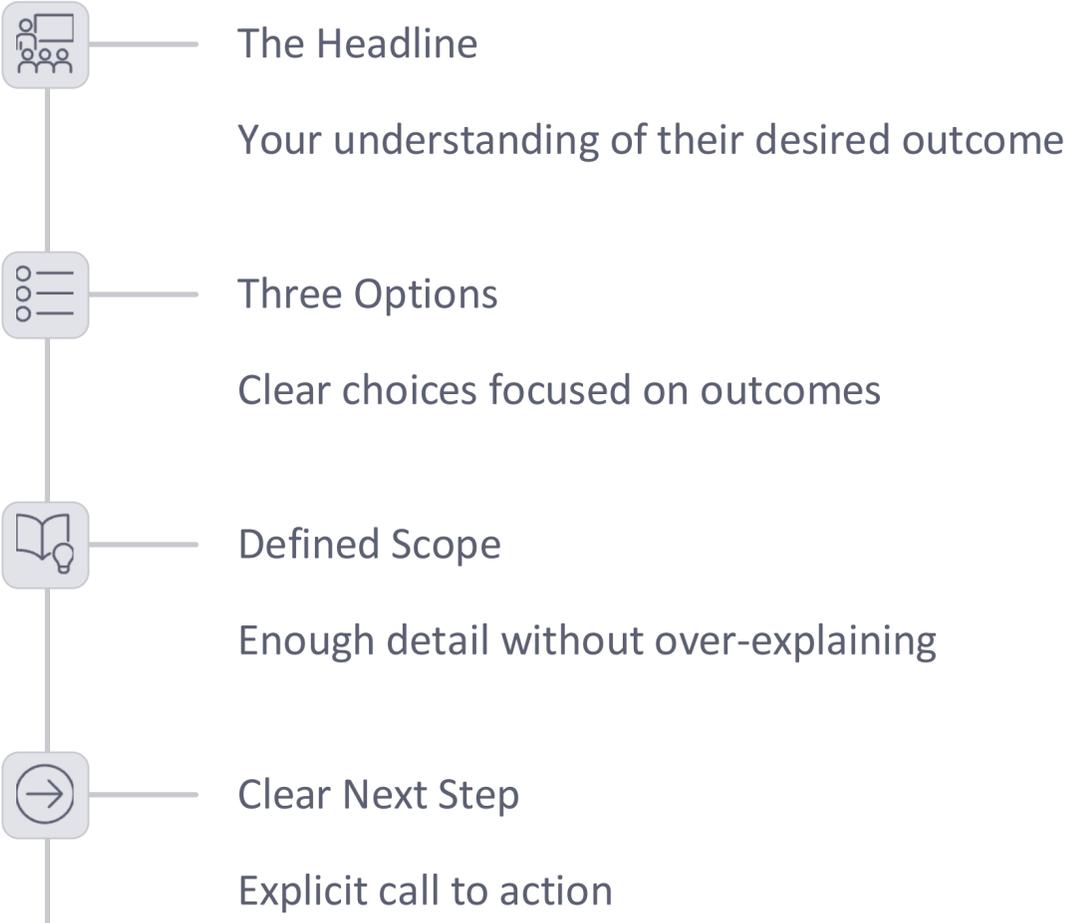
Comprehensive

- ✓ Delivers maximum value
- ✓ Minimizes client effort
- ✓ The absolute best version where money is no object

Options create choice that empowers clients while positioning your firm as thoughtful and thorough.

The Anatomy of a One-Page Proposal

Clarity and Brevity Win



A one-page proposal demonstrates confidence and forces clarity in your thinking and communication.

Proposal for Architectural Services

Client: Private Residence – Single-Family Home
Date: [Insert Date]

Understanding Your Goal

Your goal is to design and build a new home that reflects your lifestyle, strengthens family connections, and creates a legacy property; a place where your children will want to return frequently as they grow older and develop families of their own. This residence should provide both daily comfort and long-term value while balancing design, budget, and schedule priorities.

Our Service Options

Basic – \$150,000 <ul style="list-style-type: none">• Core architectural services (schematic design through construction documents)• Meets program & code requirements• Focus on essential design and permitting	Enhanced – \$210,000 <i>Most Popular</i> <ul style="list-style-type: none">• All Basic services, plus enhanced design development• Interior planning support and material guidance• Construction-phase coordination and quality oversight	Comprehensive – \$275,000 <ul style="list-style-type: none">• All Enhanced services, plus post-occupancy check-in• Custom furniture & landscape integration• High-touch client support for a turnkey experience
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Next Steps

Please select your preferred option below. Upon acceptance, a formal agreement (AIA B101 or a custom residential services contract) will follow to incorporate detailed terms and conditions.

Basic (\$150,000) – Initials: _____

Enhanced (\$210,000) – Initials: _____

Comprehensive (\$275,000) – Initials: _____

Authorized Signature: _____ **Date:** _____

Why Options Work - It's About Psychology, Not Just Pricing



Avoid Extremes

People shy away from highest and lowest options

Anchoring Effect

High-value option sets higher reference point

Signals Confidence

Shows deep understanding of their needs

Middle Tier Default

Most clients gravitate toward mid-tier

The psychology of choice is powerful—70-80% of clients select the middle option when presented with three choices.

Addressing Risk Without Discounting

Replace Discounts With Risk Reversal



Phased Engagements

Start with pilot/discovery phase



Performance Incentives

Link fees to success metrics



Limited Deliverables

Focused output like feasibility study



Money-Back Guarantees

Use rarely, but powerful

When clients hesitate due to risk, offer to restructure the engagement—DO NOT REDUCE YOUR FEE.

Track Time to Learn, Not Bill

Every Hour You Save Should Benefit You—Not Just the Client



Pricing Accuracy

More precise future proposals



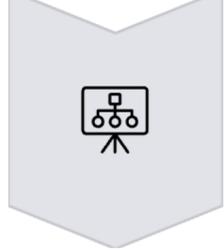
Profit Centers

Identify your most valuable work



Scope Management

Early detection of scope expansion



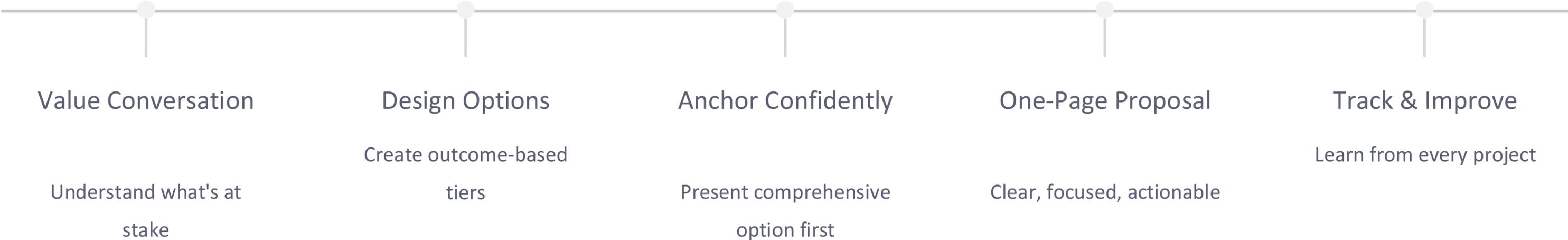
Process Optimization

Streamline inefficient workflows

In a fixed fee world, efficiency = profit.
Track time to increase efficiency, not to bill more hours.



Your New Fee Process - From Discovery to Decision



This continuous improvement cycle creates a sustainable competitive advantage for your practice.



Your Challenge

What Will You Do Differently?

Ask "What's at stake?"

Before discussing scope

Offer three options

Instead of single price

Frame your value

Instead of justifying your fee

Choose one thing to implement in your next client conversation.

Remember

"Every conversation with a prospect or client is a sales conversation."

It's your responsibility to maintain your position as a trusted advisor.



Let's Keep the Conversation Going

Business Coaching and Strategic Support for Architects & Engineers



THE
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ARCHITECTURE **IN** BUSINESS

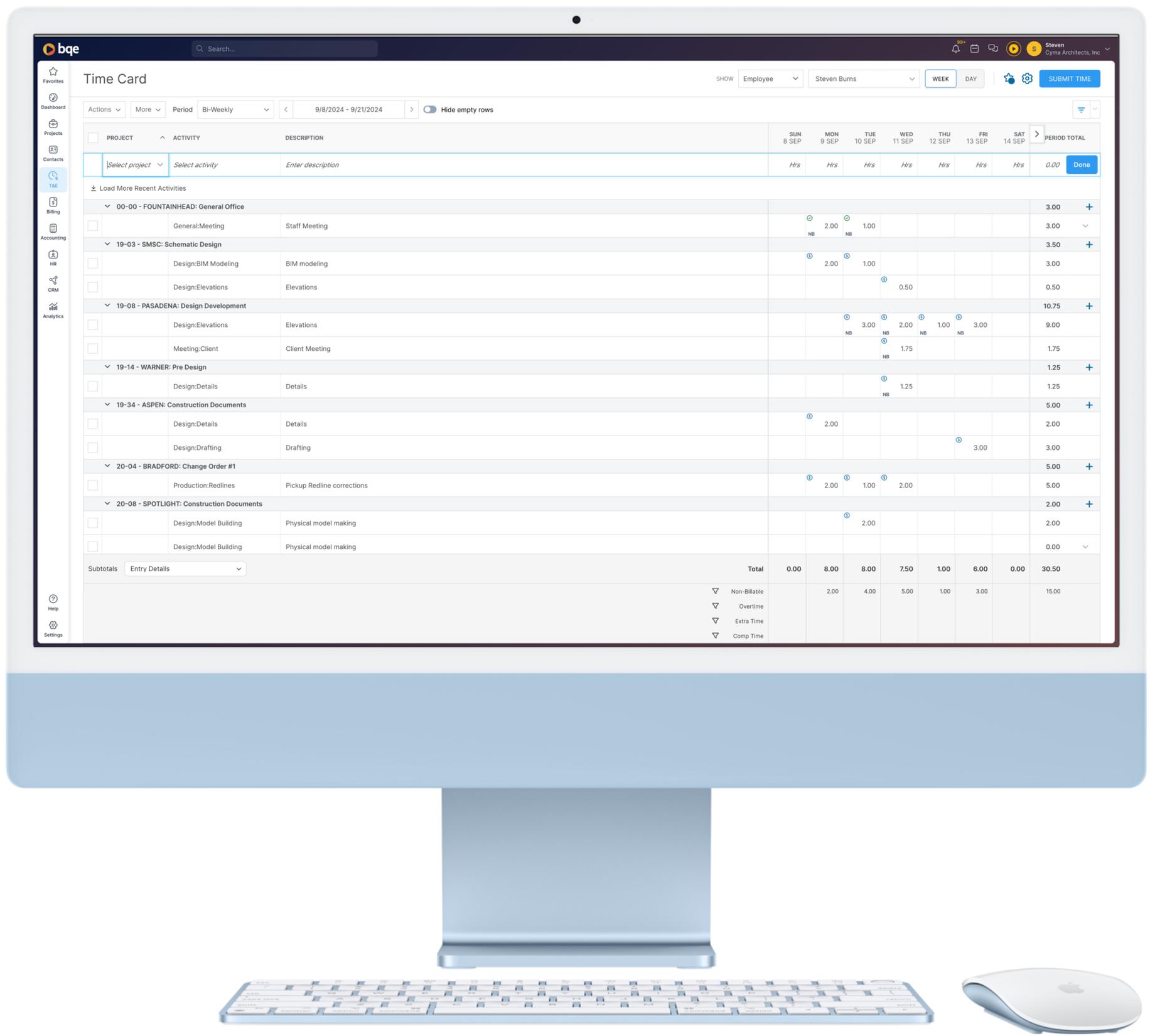


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AIA
Continuing
Education
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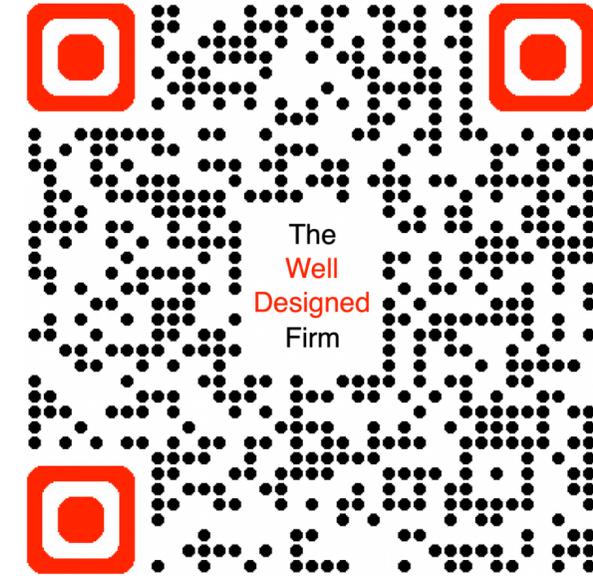
THE
ARCHITECT'S
NEWSPAPER

Best of Products Award
Planning & Management Software



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