Breaking Free from Hourly Billing

A Strategic Guide for AE Firms

Introduction

If you had to double your income this year, how would you do it? Perhaps you're facing some significant expense—kids going to college, medical bills, a big move—and you need to substantially increase your revenue over the next 12 months.

Most professionals immediately consider three potential approaches, none of which actually work very well.

The Traditional Approaches (And Why They Fail)

Working Twice As Much

The first approach most people consider is simply working twice as much. If you're billing by the hour and you work twice as many hours, mathematically you'll make twice as much money.

Unfortunately, this approach doesn't scale well at all. You'll inevitably burn out, and the quality of your work will suffer. Most professionals I speak with already feel they're working too much and would prefer to work less, not more. Doubling your income by working twice as much isn't just ineffective—it's unsustainable.

Doubling Your Hourly Rate

The second approach people consider is doubling their hourly rate. This rarely works for several compelling reasons.

Your existing clients have been conditioned to expect that you charge a certain rate—$100 or $200 per hour, or whatever your current rate is. If you email them tomorrow announcing that your rate has suddenly doubled, they'll naturally have questions. They'll wonder how your value doubled overnight.

For new clients, if your hourly rate is double the industry standard for your field, you'll need an extraordinarily compelling justification. Most professionals find it virtually impossible to merely double their rate and see a corresponding increase in income.

Hiring Junior Staff

The third common approach is hiring junior employees—or if you already have junior employees, doubling their number.

While this can work in theory, it comes with significant challenges. Let's examine the case of someone with no current employees. Even if you could magically find a qualified person available to work for you full-time—someone you could bill out for 40 hours a week alongside your own 40 hours—you'd still have to pay their salary. The amount you'd actually profit from their work would be just a fraction of what you bill.

To double your income this way, you'd likely need to hire at least four employees. And that's assuming you could find them instantly without posting job descriptions or conducting interviews.

Then you'd need four or five times as much work to keep everyone busy. If you're not already booked solid with a six-month waiting list, you'll end up with employees sitting idle while you still have to cover payroll.

The Core Problem with Hourly Billing

None of these three approaches reliably works for professionals billing by the hour. The fundamental reality is that you simply cannot double your income while you're trading time for money.

This applies not just to traditional hourly billing where you track time and send timesheets with invoices. It also applies to other time-based approaches like providing quotes based on hourly estimates or offering clients a certain number of hours per week on a fractional basis. All these models make the hour the central focus of what you're selling.

The Mindset Shift: Selling Know-How Instead of Time

To significantly increase your income, you need to package and price your expertise differently. This represents a profound mindset shift that many professionals struggle with initially. They may think they understand the concept but still end up smuggling hours into

their quotes and prices.

The core mindset shift involves how you think about your value. Most professionals identify with the activities of their craft—“I do architecture” or “I run an architecture firm.” I want you to stop thinking that way and start thinking: “I know how to do architecture.”

This subtle shift allows you to begin selling your know-how independently from doing the actual hands-on work. I separate this into “brains” and “hands”—selling your brains (your expertise) rather than your hands (your time and labor).

Three Ways to Package Your Expertise

When you stop trading time for money and start packaging your expertise, what does this actually look like in practice? I’ve identified three approaches that apply to virtually every type of professional service business I’ve encountered, including architecture and engineering firms.

1. Digital Products

A digital product is a digital tool or information product that sells while you sleep. It features no-touch sales and no-touch delivery.

You create a tool or digital document that’s available behind a paywall on your website. People purchase it without your involvement, and you wake up to find more money in your bank account than when you went to bed.

For architects and engineers, examples might include: - Pre-designed ADU plans - CAD or BIM templates - Video courses teaching Revit skills - Software plugins for popular tools like SketchUp - Workflow automation for AutoCAD

The beauty of digital products is that you create them once and can sell them infinitely with zero marginal cost. They also function as excellent marketing tools while generating revenue. When customers derive value from your digital products, they may approach you for custom work or modifications, creating additional business opportunities.

2. Productized Services

A productized service is a fixed-scope service that you sell at a published price. These offerings feature no-touch (or very low-touch) sales but high-touch delivery.

Clients can purchase these services directly from your website with minimal interaction. An automated system onboards them, and then you deliver the service in a systematic, standardized fashion. You're still doing hands-on work similar to what you do now, but you've packaged it like a product so clients can easily understand the value proposition and purchase without extensive consultation.

Think of it like buying a chair at Target—you can see the item, read its specifications, understand what you're getting, check the price, and decide if it's worth it. The "productized" part refers to the marketing and sales process up to the point of purchase. Once they buy, you deliver the service manually.

For architects, productized service examples might include: - Feasibility study packages - Permit-ready ADU designs - Starter remodeling concept plans - Code and compliance checkups - Retail space test-fits - Zoning envelope studies - Entitlements navigation services - Architectural drawing cleanup - Remote design critiques - Architect-led site selection

The key is to target these offerings to specific client types where the scope will remain consistent from client to client. For instance, you might only sell a particular productized service to residential clients, not commercial ones.

With experience, you'll know approximately how long each service takes to deliver. Over time, as you sell more of these specific productized services, you'll become more efficient at delivery through optimization, automations, checklists, and playbooks. This effectively gives you a raise as you deliver the same value in less time. Meanwhile, your reputation might grow, allowing you to raise prices while doing less work.

A useful exercise is to consider your favorite clients or most common client types. What service do you regularly provide that doesn't vary much from client to client? Even if it's not your favorite task, the profits from systematizing it can be substantial. These productized services often lead to larger projects when clients are impressed with your efficiency and value.

3. Value Pricing for Custom Projects

The third approach combines custom project work with value-based pricing. This represents the most significant paradigm shift for most professionals.

Value pricing means setting a fixed price based on the value to the buyer rather than the cost to you, the seller. This flips the traditional pricing model on its head: price is not determined by cost; cost is justified by price. Price is determined by the value in the mind

of the buyer.

Let me illustrate: The Kelley Blue Book might state that a 1971 Camaro is worth $5,000, making it seem like that value is intrinsic to the car. But if I asked everyone reading this book if they'd pay $5,000 for that vehicle, most would decline. They don't want an old car leaking oil in their yard—it has no value to them, regardless of what a reference guide says.

When working with clients, the traditional approach is to estimate how much time and effort a project will require, calculate your costs, and then present a price based on those costs. But this assumes the value is universal, when in fact different clients place different values on the same work.

The key is finding clients who greatly value the outcome your work provides. Instead of asking "How much will this cost me to do?" ask "How much is this worth to the client?"

For this approach to work, you need to clearly define what constitutes a "project." It's not an unending subscription, retainer, or open-ended engagement that continues until the client tires of paying you. A proper project is a specific collaborative endeavor designed to achieve an objective. It has a beginning, middle, and end, with clear success criteria.

When you combine a clearly defined project with value pricing, you can set prices based on what the work is worth to the client, then determine what you'll provide at that price point—rather than the other way around.

The Value Pricing Process

I teach an entire course on this subject called "Automatic Proposals," but here's a simplified eight-step process for value pricing custom projects:

1. Conduct a Sales Interview

Meet with the client, but instead of pitching them, interview them. Your goal is to discover how much the project is worth to them. Ask three types of questions:

- Why this? Why is this particular solution important to them? Why not use the money for something else entirely?
- Why now? Why didn't they do this two years ago? Why not wait until later?
- Why me? Are they just shopping around, or did they specifically seek you out?

These questions reveal the success metrics and what achieving them might be worth to this particular client at this particular time.

2. Set Three Prices Based on Value

Once you understand the value to the client, set three price options. If you determine the value to the client is $100,000, you might offer options at $10,000, $22,000, and $50,000 (using my rule of thumb multipliers of 10%, 22%, and 50% of the value).

3. Create Scope to Fit Each Price

Ask yourself: “How can I help move the needle for this client at the $10,000 price point?” Define a scope of work that you’d be delighted to do for that amount—something you’d be happy to do even for less, but the price is $10,000.

Then ask the same question for the $22,000 and $50,000 options. What could you do differently or with greater depth at those price points that would provide correspondingly greater value?

This is a complete reversal of the traditional approach. You’re not setting price based on scope; you’re creating scope to fit predetermined price points derived from the client’s value perception.

4. Include a Guarantee

For high-level service, include some form of guarantee. This doesn’t have to be a money-back guarantee—it could be a professionalism guarantee, a deadline guarantee, or even a “no technical jargon” guarantee. Choose something that addresses a common client concern, like a “no cost overruns” guarantee that assures them they won’t pay more if the work takes longer than you anticipated.

5. Ask for 100% Payment Upfront

In your proposal, request full payment upfront to block out time in your calendar. This often shocks professionals who are accustomed to sending invoices and getting paid after the work is done. However, it serves an important purpose—it gives clients something to negotiate besides your price.

Surprisingly often, clients will simply pay the full amount upfront. If they do push back, you can negotiate payment terms (perhaps 50/50 or milestone-based payments) while keeping your price firm. Never negotiate your price, only the terms. Once you start discounting, clients will expect it every time.

6. Close the Deal

The closing process requires its own specific routine, which varies by industry. We can discuss techniques for following up on proposals without appearing desperate or hounding potential clients.

7. Control Scope Creep

Once you've secured the project with a fixed price, you must rigorously control scope. Unlike hourly billing, where scope creep increases your revenue, fixed-price projects require disciplined scope management to maintain profitability.

This includes everything from better client vetting (saying no to potential nightmares) to clearly defining what is and isn't included in the project. When clients request changes, you must be prepared to say, "That's not part of our original agreement. Let's complete this project first, then we can discuss that as a separate engagement."

The Maximum Price Formula

The maximum price a client will pay is determined by what I call the Max Price Formula:

DESIRE × MONEY ÷ OPTIONS

- **Desire**: How badly does the client want or need this outcome?
- **Money**: How much buying power do they have?
- **Options**: How many alternatives do they perceive?

When a client approaches you with a specific budget in mind, but your estimated costs far exceed that budget, you've encountered a mismatch in perceived value. Either you need to offer a scaled-down solution that fits their budget, or acknowledge that you're not a good fit for this particular client.

Attracting the Right Clients

A crucial part of this approach is attracting clients who highly value your services. This means saying "no" to price shoppers or those with "champagne taste on a beer budget."

Reflect on your best past clients—those who appreciated your work and derived enormous value from it. What characteristics did they share? Were there demographic or psychographic patterns? For commercial clients, was it something about their size,

industry, or region?

Your goal is to find more clients like these while letting competitors serve the price-sensitive market. Position yourself to appeal specifically to clients who place high value on the outcomes you deliver.

Interestingly, the three approaches I've outlined can function as a marketing funnel. Digital products can lead to productized services, which can lead to value-priced projects. Productized services also help you identify which clients might be good candidates for larger custom projects.

Conclusion

Breaking free from hourly billing requires a fundamental shift in how you think about your value. By packaging your expertise as digital products, productized services, and value-priced projects, you can significantly increase your income while working less.

This transformation doesn't happen overnight. It's a long game that involves rethinking your positioning, your client selection, and your entire approach to pricing. But the payoff is substantial: more income, more satisfaction, and more control over your professional life.

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