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Pricing of consulting in Vaasa

Exploratory case study research

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ABSTRACT

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The existing research on consulting and the pricing of consulting activities is centered on the needs of large consulting firms which work for large companies with hundreds and thousands of employees. But how can consulting be better adapted to the demand of all businesses in small cities, and expand their market to tend to the needs of smaller companies as well?

In order to find an answer to this question, this research aims to study the current offering of consulting services in the Vaasa area as well as possible pricing alternatives that would innovate consulting services for large corporations as well as be capable to meet the needs of smaller sized businesses in small cities.

The theory review studied the existing concepts of consulting, the factors that determine how pricing is set in consulting services and the relationship between value and pricing. Then, in order to compare the theory and the reality of this area, an exploratory case study was utilized as the investigation method. Five local consultants from different industries were interviewed in order to find the ways in which they set their prices, how those prices are implemented in their projects, and the relationship between their pricing strategies and the ways in which they create value for their clients.

According to the research results, the consulting services in the Vaasa area do not offer a wide selection of affordable consulting services for small and medium sized businesses. Consulting in the area is centered on the needs of large corporations, and value-based pricing has not been extensively utilized in the area, as most projects are priced according to the negotiation of an offer between the consultants and their clients through cost-based and competitive pricing.

The respondents have a positive attitude towards value-based pricing. They find it a promising possibly profitable addition to the pricing strategies they currently utilize. Following this perception, a layered pricing model has been developed in order to expand the pricing strategies of consultants in this area. Whether the suggested model can adequately cater for the needs of small businesses is to be evaluated in further research.

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1 INTRODUCTION

This thesis will be centered on the exploration of the consulting industry in the Vaasa area and its pricing in order to shed some light on the development possibilities for the consulting industry of this region.

The role of consultancy firms as support to management decisions and problem-solving is generally associated with large and medium sized companies which can afford their services. However, most small business owners do everything by themselves or are privately advised by their peers or relatives (Weineberg 1985). In the Vaasa area, some companies rely on accounting firms or marketing firms to develop their business in those areas, and several businesses comment on how difficult it is for them to afford these services, which are considered only when under really dire circumstances or as a luxury. (Interviews 1-6, 2018).

This thesis aims to evaluate the demand in the Vaasa area for an innovative pricing scheme for consulting businesses that would better adapt to the most recent developments and trends in pricing theory and services development, which focus on the customer needs and the pricing of services based on their added value to the customer. (Schindler 45-62, 2012)

The thought of a pricing scheme that would take what the client can actually afford into consideration, and then establish how much help that would grant them, managing the resulting agreement as a project or iteration and pricing it dynamically, has been a great source of inspiration. (Calabrese, De Francesco 2014)

The results of this study might prove useful for the development of a more competitive consulting pricing model for the consulting businesses in the Vaasa area, which might be able to better include the small and micro companies market segment, comprised of companies with under 50 employees and a total balance sheet of under 10 million euros. (European Commission 2018)

1.1 Aim of the study

The research problem establishes the aim of the thesis. My chosen thesis topic is 'Pricing of Consulting in Vaasa'.

The research question in this case study is the evaluation of the current situation of consulting in the Vaasa area, focused on whether the current pricing of consulting services affects the accessibility of small businesses to these services.

The results of these questions will be discussed, and the author will elaborate on whether an alternative pricing model could be implemented as a basis to a new consultancy pricing model centered on including the needs of micro and small businesses.

1.2 Limitations

This study is limited to the consulting services provided by a sample of five consultants who work in the city of Vaasa. The cultural dimension and the organizational and business culture that they represent is that of this region, and the results may not be comparable to other cases without taking this limitation into consideration.

Also, the investigation is based on the fragments of theory chosen by the writer, and does not comprise all existing theory on consulting or all possible alternative pricing methods when making deductions.

1.3 Structure and Implementation

The thesis objectives are:

1. Theory research: Reviewing the theory relevant to consulting and pricing of consulting activities.
2. Empirical research: Evaluating the current situation of consultancy and its pricing in the Vaasa area.

How: Investigating the current offerings and pricing system of consultancy services in the Vaasa region through an explorative case study. The case study will provide an overview of the current situation.

3. Outcome: Evaluating the current supply of consulting services, and suggesting the possible implementation of a dynamic pricing system for consultancy that may support small businesses' operation.

2 THEORETICAL FRAMEWORK

This section aims to explain some of the theory relevant to consulting and the pricing of consulting activities. The theory selected for this study elaborates on the concepts of consulting, pricing, value, and value-based pricing. The sources have been selected attempting to include the relevant theory to micro and small companies.

To begin with, considering the aim of the study of including small companies in the scope of consulting clients, it is relevant that two main paradoxes are found when considering the relationship between SMEs (small to medium size enterprises) and consulting services:

Even if SMEs are frequently poorly managed and in obvious need of support to their business activities, they are low-frequency users of management advice, and when SMEs resort to management advice, they find it of little use. Also, consultants and small business owners do not perceive that they provide relevant value to one-another: Small owners find that consultants lack understanding of their context and are too expensive, and consultants find SMEs to focus on inferior problems and lack strategic, holistic outlook of how business operations function. (Poul and Klyver. 2006)

SMEs evaluate their consultants based on objective outcomes, such as the effects of their services on costs reduction or increased profits, and place less importance on subjective values like setting and achieving business objectives or assisting in coping with change. This affects how customers choose their consultants and shows that their main focus is profit, which makes the pricing of the consultant services very relevant. (Bennett and Robson 2005).

The following sections will elaborate on the concepts of consulting, pricing, value and the possible alternative of value-based pricing as a solution for including small and medium sized businesses in the consulting market, starting from the definition of consulting and on to the pricing of consulting activities, what value is

and how consulting provides value, and how the integration of value-based pricing could be meaningful for the development of new pricing strategies in the consulting field.

2.1 Consulting

As this thesis is centered on the pricing of consulting activities, it is necessary to explain what consulting consists of:

The essence of consulting is creating, transferring, sharing and applying management and business knowledge (Kubr, 2002, 4). Consultants assist companies with their issues, strategy, projects and growth through it.

A consultant is an independent professional advisory service provider who improves managers and organizations' condition by framing issues, establishing the needs for change, formulating solutions and overseeing the implementation of these solutions.

Definition 1: Consultant (Kubr, 1996, 8, Weiss, 2001, 39)

This definition, compiled from the works of Kubr and Weiss, shows the breadth of tasks that consultants face day by day. This definition emphasizes the whole extent of the consultant's work, from analyzing economic and organizational problems and searching for the best solutions to surveying the implementation of the solutions they have designed (Laacks, 2010, 9).

Marchenko and Yarmak elaborate further on this view of consulting by defining consulting based on the strategic value it creates: they view consulting as the enhancing of a company's functioning and strategy specifically through providing businesses with intellectual resources that create value. Intellectual resources and knowledge are the product which the consultant is renting, and the strategic added value provided through this rent is reflected through the price that the consultant sets on their work.

After understanding the essence, breadth and strategic value of consulting, we can conclude that a consultant's work consists not only on renting knowledge which can provide the clients with the solutions they need but also with the added value of helping them run and develop their business in the long-term according to the clients' needs.

And it is that long-term strategic focus of consulting where being a 'great consultant' gets complex: consulting cannot only be sustained on the application of technical solutions for specific problems or plain problem fixing; it also involves more creative and abstract skills which are much harder to price, such as the ability of thinking in an innovative way and raising the bar of what the client's organization can achieve. For this consultants need an extraordinary business sense, intellectual breadth, and prospect empathy, and the skills that make or break a consultant's success are relationship building, listening and innovative thinking. (Weiss, 2001, 39-41)

Table 1: Five key areas for consulting services (Agnes, 2006, 4, following FEA-CO 2006)

<p>Corporate Strategy Services</p> <ul style="list-style-type: none"> • Strategic Planning / Organisation Development • Mergers & Acquisitions • Market & Competitive Intelligence • Sales / Marketing / Corporate Communication • Financial Advisory • Other 	<p>Information Technology</p> <ul style="list-style-type: none"> • IT Consulting • IT System Analysis, Design, Development & Integration • Other
<p>Operations Management</p> <ul style="list-style-type: none"> • Business Process Reengineering • Change Management • Customer / Supplier Relation Management • Project Management • Turnaround / Cost Reduction • Purchasing & Supply management • Other 	<p>Human Resources Management</p> <ul style="list-style-type: none"> • HR Strategy & HR Marketing • Executive Coaching • Recruitment / Search & Selection • Benefits, Compensation & Retirement • Performance Measurement & Management • Training & Development • Talent Strategies • Other
<p>Outsourcing</p>	

The number of tasks that consulting faces are wide and varied, and there are many areas where consulting is utilized, as shown in the table above.

We can observe that consulting has many varied applications, such as the development of corporate strategy services, operations management, human resources management, information technology consulting, and the outsourcing of other projects. It is a profession in which either consultants specialize in one particular field, or become ‘professional generalists’, consulting in all sorts of fields in a broader and less technical scope (Interview with R5, 2018).

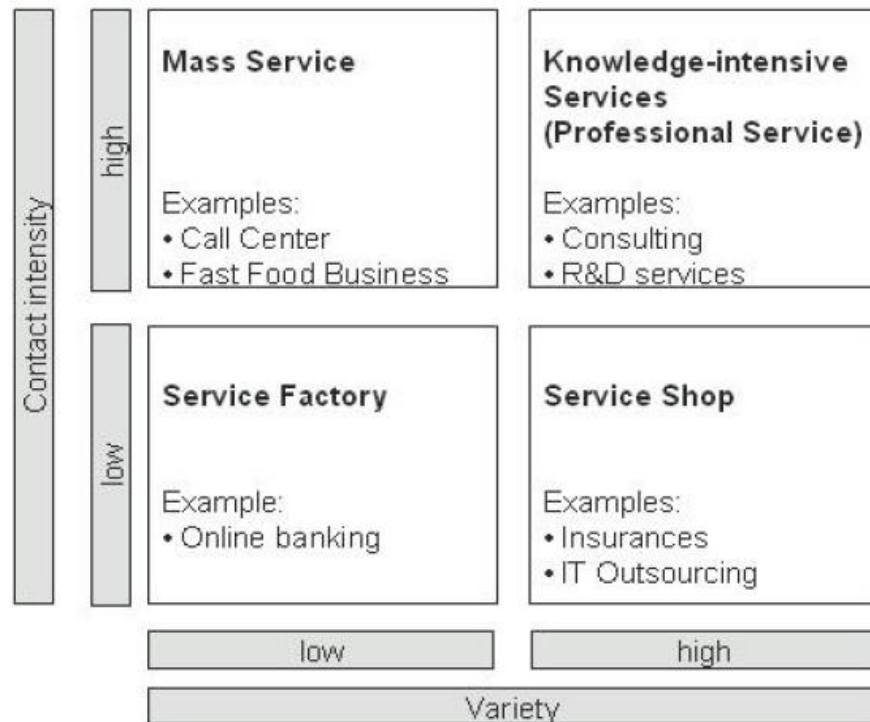
Consulting as part of the services sector

The following section aims to provide context for better understanding the consulting industry, placing it as part of the services sector, and explaining its characteristics as a service.

Europe’s economy has during the last few decades transitioned into a service economy which employs most of its workers within the service industry (Laacks, 2010, 7). In order to understand consulting as part of the service industry, it is necessary to take into consideration that research about management consulting is rather young in comparison to the great lengths to which the networks and service industry have been investigated.

Services can be classified according to the services’ contact intensity and variety. Contact intensity refers to the amount of interaction held with the customers, and variety refers to how varied is the services selection offered by a company.

Table 2: Typology of services (Barth et al. 2000, 11)



This table shows that consulting is within the most complex form of services, and it requires high contact intensity with the client and has numerous variations in its service providing.

Consulting firms are the most typical example of knowledge-based firms, among others marketing agencies, research and development companies and investment banks. This means that their most relevant assets are the expert knowledge of their employees and the talent of their employees. Knowledge management is consulting services' core product, to the point that education and development of staff is even included in the strategy of the largest consulting firms, for example, McKinsey has its own corporate university to educate and train its staff. (Laacks 2010, 14)

Thus, it is essential for consulting to succeed is to target the service's focus towards knowing the customer needs and the management of knowledge (Laacks, 2010, 7-9), especially when targeting diversified and unique service offerings.

Dimensions of consulting and the importance of relationships with the client

Client organizations have two different dimensions which require consulting (Kubr, 2002, 5):

- The technical dimension, which involves the nature of management or business processes and the client's problems, and the way how these problems are analyzed and resolved and where business skills are applied.
- The human dimension, which involves the interpersonal relationships within the client organization, how people feel about the problem and their motivation to improve the current situation, as well as the interpersonal interaction between the client and the consultant.

Løwendahl's theories on professional service firms (1977) already fifty years ago claimed that the most important factor to turn a customized business model such as consulting into an opportunity is to have a close relationship with the customers, in order to gather their insights about perceived value for specific customers. These relations provide a platform for an in-depth gathering of data to estimate the customer value in use (the price a customer actually pays)

Consulting firms need to devote some time to learn what customers value most, and one of the best ways to do so is to devote the time to ask them directly through interviews. Customers will perceive this effort as being cared for, and the feedback will bring fresh information about the key value delivered by the consultant or the consultant firms, as well as state problematic issues that should be dealt with. This process of information gathering from the customers' network can make a great impact as for the firm's competitive advantage and differentiation from other consulting firms. (Parker, 2003, 25-28).

2.2 Pricing

Pricing for consulting services

De-Graft, Badu, Edwards, Adesi, and Hold (2012) have conducted a theoretical research on the existing theory around pricing for consulting services, and find that service, pricing and quality have not been deeply researched as critical factors for consultancy pricing. They elaborate on what they call the ‘pricing paradox’, which is the trade-off between value (intrinsic, extrinsic, substantive, cognitive and monetary) and price.

Their key findings are that value and pricing are symbiotically related and cannot be separated from one another, since price quantifies value. Even if estimating customer’s willingness to pay is a panacea for most failed pricing strategies, and consultancy pricing needs to be a combination of the cost structure, service value added and competition, pricing is ultimately set case by case between the consultant and customer.

It is only logical that consulting firms, same as any other firms, need to be adequately compensated for the services they provide and maintain healthy financial exchanges with their clients. The customer should feel that the cost of the consulting services utilized is well balanced to the real value contributed by the consultant to the client’s business. Clients do not wish to be overcharged for low-quality services but are reasonable towards paying a high fee in exchange for an excellent professional service. (Kubr, 2002, 681)

But pricing cannot be only seeking payment that corresponds fairly to the time spent on their assignments as well as the impact achieved on the clients’ organization; it needs to include covering other costs and expenses, such as the development of the consultant’s intellectual capital, the time spent on marketing the consultant’s services and administration tasks time. (Kubr, 2002, 681)

Bowbrick (1995) supports the need for budgeting other time-expending activities other than the consulting projects alone. The ideal for independent consultants is

to generate the highest possible income from a decent workload, but in order to keep consulting services competitive, consultants must also work on honing their skills and marketing their services.

Challenges of pricing consulting activities

It is not that easy to apply concepts as complex and intricate as value and fair remuneration in practice, and the variety of clients and assignments makes the application of value-based pricing challenging in real life. For the clarification of this statement, the next section will develop on the ways that consultants have typically dealt with this challenge.

The typical way in which consultants deal with this challenge for most of their assignments is applying time-based fees, and utilizing higher rates and other payment arrangements for more knowledge-demanding or specialized assignments. (Kubr, 2002, 681). This has been challenged by many academics, such as Karl-Erik Sveiby, who asks:

“What is the value of an idea that comes in the flash of a second but is based on a life of experience? It is hardly the time spent on it. Basing the value of knowledge on time spent can never be correct, still, it is the most common. What other ways are there to charge for knowledge?”

As previously mentioned, time-based fees are the most usual method for consulting freelancers to set their fees, and it is done through calculating the sum of costs plus the desired annual income divided by the number of days one wishes to work, resulting in the daily rate charged.

However, this formula neglects to consider the general market conditions and might result in a decrease of the perceived quality of the service due to an excessively cheap price in comparison to other offerings. Bowbrick (1995) suggests that since obsolete consultants tend to lose their market share, an estimate of a third of consultants' work time in a year should be dedicated to developing skills

and updating knowledge and that the remaining time should also include marketing in order to obtain the highest profit margins.

Marchenko et. Al. (2015) emphasize the role of consulting networks of professionals from different branches in order to create value. Value cannot be assessed just by the consultants themselves, their added value needs to be verifiable through their network. They define the value of consulting as similar to every other non-material service: intangible, perishable, inseparable, heterogeneous, non-owned and inconsistent, and deduce from this definition the main challenge of consulting pricing: that value is not stable and is constantly altered by the customer-consultant relationship as well as by changes in the customer's expected outcome, monetary and non-monetary costs, time used and innovativeness required. (Marchenko et. Al. 2015)

Agreeing with the previously mentioned statement, Weineberg (1985, 183-192) supports that pricing is a negotiated relationship and relies on the emotionality of the relationship and reliability of the consultant instead of just on rationality.

His book on 'The secrets of Consulting' explains the emotional aspects implied in pricing, as for example that the amount paid influences customers perception of the consultant and the amount of respect they will give to the consultants themselves and to their time and resources, and clarifies some psychological sales skills needed to increase perceived value of the consultants, such as not looking desperate for any job, evaluating any additional benefits to the monetary fee when evaluating a deal and different ways of charging fees. This is an interesting point to consider, that the value of pricing also sets the attitude of the customer towards the service.

Setting a price

The most influential phase of price setting is the initial phase of problem recognition and defining a price for solving it, where most customer value is created, and where the most explicit influence to the total customer value is. (Interviews 7-11 2018, Johansson 2012)

Some more value can be obtained through the execution phase of the problem solving, when the scope of the problem at hand and the fees for solving it may be renegotiated. Both problem defining and execution phases are iterative, and both of the phases increase the intertwinement between internal price setting and customer oriented price setting. (Johansson 2012)

Most value is created at the beginning of the negotiation process between a consultant and their client. The value of a contract is affected by the supplier-customer interaction, which is determined by their long-term relationship (created by the stream of projects and deliveries involved in the relationship). (Johansson 2012)

Fees can be charged in many ways and following diverse strategies. On the topic of additional fees, Weineberg (1995, 186-187) provides an example from his own experience. He utilizes advance payment clauses if the deals are far in the future as a way to increase their clients' commitment to the agreed dates and times, as well as non-refundable fees when a date is not renegotiable and must be kept. Also, he suggests that when the consultant is not certain of the exact scope of the feasibility of a project they should charge a staged fee, working through the project iterations as they come. Schein (1987) supports staged fees as the most reasonable, since both client and consultant cannot accurately forecast the amount of preparation time needed for each meeting, and all the time utilized for each separate project should be compensated.

Value assessment and pricing responsibilities

When establishing the price for consulting, the compensation policies of consulting businesses are similar to those found in other service sector firms. Compensation needs to reflect the technical complexity of the project, the quality of the individual talent, the market situation, the performance of the firm, and the actual contribution of each individual consultant to the company's profit. (Kubr 1995)

Value assessment depends on two key factors: the local uniqueness of value creation, which is how customized or standardized an offering is, and the heterogeneity

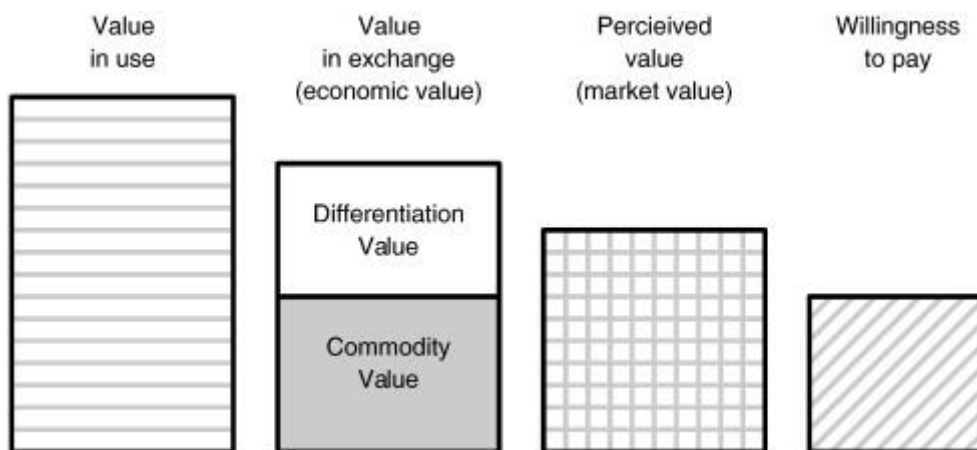
ty of value in use in a customer segment, the variations in value for different customers within a given customer segment. (Johansson, Olsson, Andersson 2017 56-75)

Specifically for consulting businesses and in order to create customer-specific value, generic pricing must be separate from more customized, unique deliveries. Generic price management is far from optimal since to set custom prices the individual consultant must utilize their specific knowledge of the customer and the project at hand.

2.3 Value

About value creation

Table 3: Smith and Nagle (2005) Types of value.



As the table above shows, there are four different stages of value:

1. Value in use, which is the want-satisfying value of a product or service.
2. Value in exchange, the economic value of a particular product or service that can be sold and bought in the market. It is composed of both the differentiation value, as the value when compared to other similar offerings, and the commodity value, as in the monetary costs of the service.
3. Perceived value: the total utility of a product or service.

4. Willingness to pay.

From these, the contrast between the last two types of value is of critical importance for the success of the negotiation process that occurs before establishing a deal for a consulting assignment. Perceived value is defined as the total bundle of value that a product or service provides, but customers' willingness to pay is not only made of the perceived value. The clients' willingness to pay a consultant for their work is a combination of the perceived value and the differentiation value, the comparison with other reference values from similar offerings.

Several ways of creating value can be identified, called value creation logic models (Johansson and Andersson, 2012):

- Shop value creation logic: Consultative value creation or creating value hand-to-hand with the customer, utilizing iterative problem-solving sequences to create a customized solution for the unique customer needs. It is typically utilized by consulting firms.
- Chain logic value creation logic: generic product or service value creation often seen in traditional firms, where the value creation processes are standardized to enable sequential activities at the same time as implementing transformation processes.

Then, there is another way of distinguishing how value is provided, considering how tailor-made for the customer the solution is designed.

- Pure customization: All, production and offerings are made from scratch for the project at hand, creating purely individualized offerings. Generally applied to services to create value unique to the customer. Purely customized offerings face the difficult challenge of not having similar reference values to compare prices with.
- Mass customization: A set list of customization options is presented to the customer, who then chooses the most suitable for their needs. Generally used in products.

Pricing differs according to whether only pure customization is used or a mix of customization and standardized deliveries logics are used to create value. These two value creation logics can be combined through what is called a 'layer approach': using a chain value logic creation as a base, providing some standard selection of options to depart from and then fine-tuning the details through pure customization. These can then be complimented with competitor comparisons for a better holistic view.

2.4 Value-based pricing

Value is different to costs. Value does not represent the costs of providing a consulting service since value does not only reflect economic value to the customer. Value is first and above all the client's psychological perception of what the client's business has gained from the consultant's actions. (Kubr, 1995)

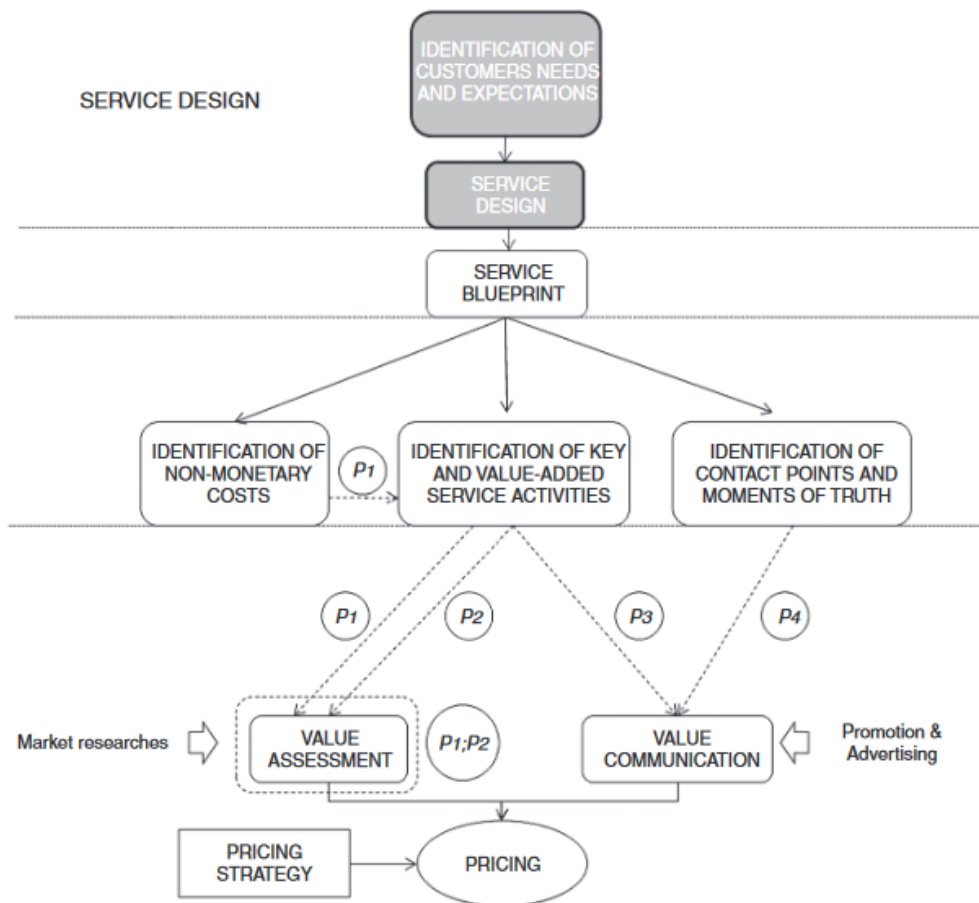
Value can consist of different factors to each individual customer. Some customers value availability, others straight-forward communication even when the message might not be easy to digest and others value discretion above all other characteristics.

The competitive environment in the consulting industry maintains the relationship between value and costs in check and ensures that it is re-established when necessary when the competitive landscape changes. A service of low value cannot be sold for a high price under the claim of having high costs if the client fails to see how the high costs for the service are justified when comparing them to the total value the service provides. (Kubr, 1995)

These are the reasons why the current trend in pricing is moving towards value billing or value-added billing. The price paid by the customer should be in reasonable proportion to the value provided by the consultant's initiative. This can benefit the consultant as well with higher profit margins if the value is not only measured from a cost perspective but from a results perspective. (Kubr, 1995)

Calabrese and De Francesco (2014) have researched the possibility of using Service Blueprint as a clarifying tool that would enable companies to establish demand-based pricing based on the customer's perceptions of what makes a service company unique (value added) and the service's weaknesses (non-monetary costs, like waiting times, uncertainty and drawbacks during the service experience). This visually clear system would allow consultants to evaluate each step of the prospective customer's needed help, and then base the price according to the balance between the value that they can provide to the customer and the customer's perception of that value. This model is shown below in Figure 2.

Figure 2: The demand-based pricing model (Calabrese et.al. 2014)



Briefly, it is of critical importance to determine which consultative aspects create value in relation to pricing for consulting to be able to implement such a model.

Behavioral barriers to value-based pricing

Very few firms have succeeded in implementing a pricing practice that enables them to match their pricing with the customers' perceived value. Some managers believe that pricing is predetermined by external factors such as market condition and competition and set prices as a response to their environment. Others have difficulties communicating the products' value to their customers, and some others are challenged by who should have the authority to change prices and grant discounts. (Andersson, 2015)

The individual sales representative decision making plays a key role in the firm's ability to maximize gross-profit margin, and managers might incentive them to negotiate more ambitious prices with their customers in exchange of bonuses and other monetary incentives.

The following behavioral obstacles are found when trying to implement value-based pricing strategies:

- Hedonic intrinsic motives on individual behavior: sales reps prioritize friendly pleasant customers at the expense of higher profits. Sales representatives with years of long customer relationships tend to grant discounts as a gesture of friendship instead of prioritizing value-seeking negotiations.
- Myopic behavior: granting discounts in order to close a deal at the expense of profit margin contribution instead of losing the deal, prioritizing short-term gains before long-sightedness.
- Uncertainty avoiding through setting historical prices that are not profitable anymore due to increased costs. This is a challenge to value-based pricing since when consultants view pricing this way, they refuse to take into consideration the individual product value to the individual customer in the current situation and take the risk of renegotiating prices.

Due to these behavioral barriers, both strong skills and mindset training must be implemented to consultants or pricing decision making must be restricted from management, employing price caps, minimum prices, and other similar tools.

3 RESEARCH METHODS

The research in this thesis is an empirical research, which means that the outcome will be a set of conclusions and hypotheses based on the consultants' opinions, and this research will not have as its main objective the collection of statistical data but the collection of perceptions.

The research will be targeted to one main segment: the local consulting companies and services of the Vaasa area, selected from companies headquartered in the city.

The questionnaire will consist of two parts: the first part where background information and the general evaluation of statements related to the consulting service offering will be collected, and the second part where the interviewees will be allowed to provide additional comments and insights in a more open way.

The data and conclusions obtained from the consulting companies will then be compared with the literature review and conclusions will be drawn.

3.1 Structure of investigation: Case study

Case studies are utilized as a research method when the research question seeks to explain a contemporary phenomenon in depth and within its real-life context, that is, how and why some phenomenon works and also when the boundaries between phenomenon and context are not clearly evident.

It is what leads to the explanatory methodology of case studies, which deals with explaining the presumed causal links in real-life interventions that are too complex for surveys or other experimental strategies.

Especially, multiple case studies are the research method utilized when wanting to reply to a how question, in our case 'how could demand-based pricing be advantageous for consulting in the Vaasa area'.

All of the responses for this case study have been recorded, transcribed and analyzed utilizing the Nvivo 12 Pro qualitative research software for finding similari-

ties and differences among the respondents, as well as the links between the responses and the theory review.

The investigation followed the following steps:

1. Selecting case companies within different consulting fields (Table 1, Five Key Areas of Consulting Services, 2006) headquartered in the city of Vaasa.
2. Conducting, recording and transcribing the five interviews.
3. Coding the results using the nVivo 12 Pro qualitative analysis software, which allowed to code the information and group it into relevant categories. This software facilitated the comparison of information sorting it by question asked first to compare similarities and differences between respondents. After reviewing the different impressions obtained from the responses grouped together, the information was grouped together by topics and perceptions through the use of word repetition queries, mind-maps and grouping of text fragments which followed the same argumentation line.
4. Compiling the results in written form in a separate document.
5. Drawing of conclusions and possible developments.

3.2 Details about interviewees

Recorded interviews were chosen as the method to conduct the case study as a way to gather the richest possible insights into the situation of consulting in the Vaasa area. They are explorative in nature and designed to explore the most relevant aspects of the theoretical framework in the author's perspective.

For the sample, five consultants established in the Vaasa region have been interviewed thoroughly in a structured interview following a case-study approach. They come from both private and public organizations and diverse fields, such as insurance brokering, technology and small business consulting.

For the sake of research ethics, all the replies have been anonymized and filtered according to the respondents' wish for confidentiality. The interviews have been recorded, transcribed, and approved by the respondents before utilizing their information in this thesis.

3.3 Interview question guide

The interviews have six sections:

1. Background: age, education, current job title and years of experience in the consulting field.
2. Work time and income: concerns work hours and income both at the moment and in ideal and maximum work capacity circumstances, as well as the work-time distribution on different tasks.
3. Pricing: the pricing models followed when setting the price for their consulting.
4. Client's background: how their typical client is.
5. Consulting assignments: how their typical consulting assignment is, type of problems faced and level of customization in their assignments delivery, as well as costs structure.
6. Open-end interview: questions about the client's behavior, their work environment, their business development and perceptions of value and value-based pricing assignments.

4 RESULTS

All five respondents have expressed their wish to remain anonymous, and thus the responses will not show company names or respondent names. The respondent referred to will be expressed when necessary through the naming of the industry to which the respondents belong to, and the numbering of the respondent, R1, R2, R3, R4, and R5. Such numbering will allow each individual respondent to evaluate their comments when quoted explicitly in this thesis. In this section, the wording ‘average’ equals mathematical mean.

4.1 About the consulting companies cases:

Background:

All respondents are between 43 and 52 years old. They come from diverse industries, namely engineering and energy, insurance management, business development and travel development. Three out of our five respondents have managerial positions, such as managing directors or managers, and three out of our five respondents are shareholders of their companies. 80% are male, and 80% have a Master’s degree education. They are all highly experienced professionals in their fields, in four out of five cases, over 17 years of experience. Two of the cases are or have also been involved in university education.

The background of the consultants’ clients:

The companies that consultants in this area are working with show a really wide spectrum of amounts of employees, from one-person companies to companies with tens of thousands. The engineering, energy and insurance companies have Master level educated clients, travel and business development have the whole spectrum of educations in their clientele. The usual contact persons, the ones who negotiate with consultants, are either the owners of the company, within management positions or project managers. The clients come from energy and power businesses, production industry, services and travel, all following the industry in which the consultant is specialized.

The consultants' average client is between 36 and 54 years old.

According to the languages division between clients, it is remarkable how the energy and engineering industries have a 70 and 80% of English assignments, whereas insurance consulting works 70% of the time on Finnish assignments, 70%, business development works a 70% of the time with Swedish, and tourism development has the most balanced distribution between the three languages.

About the consultants:

Work time and income

Respondents were enquired about their current income, minimum desired income, and maximum possible income when working at full capacity.

It is interesting that not a single one of the respondents would accept any lower income than they are currently obtaining for their work if they were to get a new job, as well as the remarkably higher income and desired income that the energy, engineering and insurance management industries hold when compared to business development and travel development, which work in correlation with public entities such as the municipality of Vaasa.

Time distribution

The respondents were also asked about their current work hours, maximum possible work hours and ideal work hours.

The average week of the consultants interviewed is long, 45 hours. In a special week, when traveling or having to take care of special assignments, they work an average of 55 hours, and their ideal working week would consist of 38.8 hours. Most of them feel satisfied with their current working week and express that they currently perform in their works without compromising their mental or physical health.

R5, who used to work in the travel industry, expressed that although their work used to involve working weekends and 60 hours weeks, if they had to conduct the same type of projects nowadays, they would work based on their feelings, as to do something creative and good, they should work flexibly. ‘It is of no use to try to force yourself to get something done.’

The average consultant spends 26% of their time in marketing their services, 16% of the time developing their skills and 58% of the time in the actual consulting and administration work. There is a marked difference from this average in the case of R2, who as a project manager in the engineering field spends 60% of their time in marketing.

The respondents were asked to spread the actual consulting and administration work in three percentages totaling 100%, according to the time spent preparing before the consulting assignment, during the consulting assignment and as after-sales communication and follow up after the consulting assignment is done.

The average preparing time is 31%, showing deviations from the mean in the cases of R1, from the energy industry, with 45% preparing time, and R5 from travel development with 80%, who states that the biggest part in their industry is preparation.

The average assignment time is 57%, showing the greatest deviation again in R5 from travel development, with only 15% of their time into delivering the project.

The average after-sales communication and follow up time is 12%, with the greatest deviation in R4 from business development, who uses 30% of their time in following the success of their clients.

Possible improvements from the consultant and the client perspective

When considering in which areas of their professional practice they could use some further development, they mention that they need to better learn business model development and more innovative pricing structures for their own consult-

ing companies. Marketing is a priority as well, as in including a marketing orientation and service-design principles into their companies' strategy is important to them. Within marketing, they aim to expand their knowledge of digitalization and social media, sales, customer opportunity identification, and broadening the type of sectors that they work within. They also wish to improve in developing the cooperation with the customer in the long term and learning what made a sale fail from unsuccessful project bids, and last but not least risk management.

When asked about how their clients could make it easier to work for them or improve their work relationship, the two main ideas from our respondents relate to the information flow from the customer's side and the capability to build mutual trust. To build trust, the customers would disclose their strategy and targets clearly as well as admitting which are their challenges and giving honest input about their problems. This would result in them placing more precise and clear orders for the projects, knowing better what needs to be done for the client and being able to understand and consult in a correct way.

About the consultants' assignments and projects:

Our respondents are specialized within their professional area, in which they conduct most of their assignments, and two out of the five also diversify their work to include their other professions, such as education, project management or legal advising.

The interviewees were asked how long a typical assignment is in the companies, and the ranges were not conclusive. All respondents express a really wide range, from a few hours to several years, with the exception of R4 from business development, who divides their work through meetings which usually last one to two hours.

The shortest assignment for most respondents lasts from a few minutes to one hour. R2, from engineering, expressed that their team's shortest assignment has been 200 hours. The longest assignments for all consultants have taken several

years, from two to eight, and for three of the respondents their longest assignment is still going on.

To conclude with the analysis of the assignments conducted by our interviewees, the range of pricing of a typical assignment for the four out of five who chose to disclose this information varies within three thousand and a hundred thousand euros. The cost structure shows that the majority of respondents have between 60% and 80% of their costs located as salary. Between 5% and 40% of the costs are fixed and variable costs, being 5% for the only example in which there was not an office in the cost structure. Between 0% and 30% of the costs are profit, in which 0% was related to a publicly funded organization, and 30% was related to the only respondent which employs value-based pricing and unique projects most extensively.

Issues faced

The following question dealt with the types of issues that the consultants faced in their daily work, divided among technical issues, such as lack of know-how or technical skills, people issues, such as organizational conflicts, or strategic issues, such as a lack of direction or strategic outlook of the organization. Both energy (R1) and engineering (R2) consultants had very similar results, with a 70% technical issues. The insurance company (R3) had a 100% people issues, in the way that all their issues were about dealing with people, the flow of information between them and their clients and the clients' lack of understanding of the insurances' coverage. The business developer (R4), faced an even amount of technical and strategy problems, 45% and 45%, followed by a 10% people problems, mostly related to leadership, and R5, the travel developer, faced a 50% people problems, 30% strategy problems and the least were technical problems, with just a 20%.

4.2 How pricing is set in this area

The interviewees show a great variety in the way they set their prices. One of our respondents sets prices rather intuitively, according to their feelings of the market

price, their willingness to take care of the order, and their evaluation of the client's willingness to pay.

Other methods employed in the Vaasa area are charging according to the time consumed in the project, setting fixed prices for the project at hand, using target pricing (based on a budget and the savings obtained from it), charging standard yearly fees to loyal clients, or charging for the work that others outsource to them.

The decision between value-based pricing and competitive pricing is made through the comparison of what others have to offer, then conducting competitive pricing, and when having something truly unique to offer using value-based pricing,

Then when public agencies are involved, sometimes the consultant does not charge fees from the client at all, as their work is funded by the municipality they work for or even by the European Union.

Pricing methods:

Daily rate, for example x€ per day: Three out of five use this method.

Hourly rate, for example x€/hour: Five out of five use this method.

Full payment in advance: Only used in the form of set yearly fees in one of the cases. The rest express that they do not use this method at all, and one specifies that it is due to the client would not want to pay high fees all at once, in advance.

Partial payment in advance. Three out of five use this method. The advance percentage ranges between 10 and 50%.

One-time fee specific to the assignment at hand. Four out of five use this method.

Staged fees: Fees that are charged as the phases of the assignment unfold. Two out of five use this method. One of our respondents who does not currently use staged fees shows enthusiasm for utilizing this method in the future.

Performance/ target based fees: Agreed upon the project results or savings obtained according to the clients' budget. Two out of five use this method. One as a small commission when the project is ready, and the other because of the industry specifications, as the fees are collected based on the savings obtained on behalf of their client.

Contingency fees: Fees only charged if the project succeeds. Three out of five have used this. The following two cases stand out: R3, from the insurance sector, and R2, from the engineering sector, have utilized the fees in the way that they only charge fees altogether if they win a tender or bid for a project.

What affects the price?

Customization

The interviewees were asked to elaborate on the extent to which they customize their projects, varying between standardized offerings, standardized offerings with a few customized details and fully custom-made projects unique to the customers' needs.

Both R1 (energy industry) and R2 (engineering industry) use standardized and semi-standardized offerings, but hardly ever use customer-unique projects. One of them expresses doing these type of projects perhaps twice a year, and the other one states that they try to preserve their core competence and core services as unmodified as possible, thus, the use of full customization is rare for them.

R3, our insurances consultant, uses only fully customized advising to their clients; R4, the business developer, uses either fully-standardized or fully-unique services when advising businesses.

R5, from travel development, states that the level of customization grows according to the size and profitability of the assignment. Small assignments, lasting a few hours, tend to be fully standardized whereas slightly more time-consuming ones allow for some details to be customized, and really extensive assignments

with a great profit margin can be completely made according to the customers' wishes.

Renegotiation and willingness to pay

When asked about how accepting or reluctant clients are to pay for the consultants' work, our interviewees all agree that they always pay. They are agreeing to pay, especially when the costs are based on the sharing of savings obtained on behalf of the client. The clients appear pleased with paying as they are the ones demanding the help in the first place. Only when tax-payers money is used as a funding source the pricing is 'always too high'.

The general impression of the negotiation process in Vaasa is mainly provided by the insurance (R3), business (R4) and travel (R5) respondents, who actually conduct their operations in the area and not mainly abroad. They usually utilize standard contracts, and the contracts go on their terms as long as they are aimed towards private enterprises and customers. When the clients are the European Union or municipalities, the projects payment terms are very long, several months or up to a year, and the negotiation of all administrative details is very complex, as well as when dealing with international organizations, which have very professional negotiators and are very time-consuming as well until key customers are established with a set frame of agreements.

Reputation

Reputation is the key for clients, and all of our respondents express that the brand perception, references from past clients and recommendations are one of the main pillars on which their success is based. Also, a solid background makes them trustworthy to the client.

4.3 Providing value and value-based pricing as a possibility

Value providing and renegotiating

The consultants consider that the value of a project is provided in different moments of truth throughout the projects. All agree that the project is split into two great moments of truth: making the client believe what you are pitching you can do and actually fulfilling your promise, that is delivering the results.

During the first phase, during the first meetings, the consultant develops the project and offer for learning what the value for the customer will be, and then develops a project offer in which the whole project delivery is not revealed, so that the consultant has something to give and the clients do not just follow the whole description of the steps as written in the offer and do all the work by themselves. But on the other hand, the offer cannot be too vague, as the customer needs to see something specific and reliable.

Of course, the client only sees the benefits once the work is being done, when the consultants can really use their skills.

It is interesting how one of our respondents specifies that the early project phases are underpaid, as a lot of work is put into writing the offer and meeting the client, and the situation balances during the delivery phases of the project when the consultants are well paid and make a profit.

The renegotiation of offers and project scopes and payment was also part of the interview. R4 from the business development field would never have the need to renegotiate an offer, as in business development the customer takes a new appointment or calls if they need more out of an offer than negotiated. R5 from travel development considers renegotiating an offer unprofessional, so they would just keep to the agreed offer and learn from the mistakes, and have the customer be aware that variable costs such as travel costs and other unpredictable costs are not included in the project fee, and add them for payment as an additional fee.

Both the energy (R1) and engineering (R2) consultants cope with renegotiation through establishing such a solid and well thought out offer that this kind of discussions would not be needed, both in the way that they deliver exactly what they

have sold and nothing more, and they have clarified all price-affecting details enough that they would not need to charge any further fees.

Other ways to deal with the renegotiation of offers appear in the case of yearly established fees, which can be renegotiated at the turn of the year in order to balance the amount of work demanded by the client when the client grows or expands their workforce. This means that during the first year when utilizing yearly fees, the consultant is most at risk, and during ongoing years they can adjust the price to more realistic levels according to the work they do.

The respondents were challenged to tell whether they hide part of the value they could provide the customer in order to get to place a further sale in the future. The insurance company denied doing so, explaining that they always go full speed. Our remaining respondents show different approaches regarding this question. When working in large projects, especially for the European Union or similar public entities, they need to be thought as phases, both in order to perform adequately and to get to deliver and charge for the whole project and ‘not spill all the beans on the beginning’.

Another of our consultants shows a very transparent approach to the value they can provide for the cost they require, educating the customer about the price and that if they want to get additional insights and further thought on the project, that is, added value for their project, they would need to buy that.

Then there are specifications on the ‘hiding of value’ according to the type of contract at hand. For example, in the case of hourly contracts, it is easy to work progressively and discuss doing more hours when seeing the need or opportunity to do more to help the customer. But when the contract has a fixed price or a target price, the costs need to be kept down or else the contract would be lost, which leads to hiding some cost details and bringing them up later as additional orders or change orders.

Opinions on value-based pricing

Value-based pricing has been utilized by three out of our five respondents. Some consider the value of the project taking into consideration companies in their start-up phase, charging smaller fees for companies with smaller turnover. Other cases in which value-based pricing is utilized is when generating savings for the client, although it involves the risk of low reward if the savings obtained are low.

Finally, the consultant can use value-based pricing when delivering a type of project or service that no one else is offering and that the local market cannot substitute. It is like having a monopoly, and the consultant sets the price they consider appropriate. Having the unique set of knowledge of an industry or an area enables the consultant to charge whatever amount they consider their brand and project uniqueness is worth. But when the offering is similar to what others can provide, then it has to be competitive pricing, as well as when key customers who are well aware of the market price for similar projects, which makes the culture where these big companies come from be the factor that determines whether value-based pricing can be implemented.

The next question dealt with whether a client would take advantage of the consultant when the consultant asks what the client can afford to lower the fees charged for a project.

Two of our respondents agree that their clients are really cost conscious and only trying to cut down the fees, and their clients' economic situation and size of the company come into play when negotiating.

Our energy sector consultant (R2) argues that if they would ask what a client can afford, they would propose a project which is doable for that amount, so lowering the price will only diminish the amount of work the consultant puts into the project, thus fewer results. Our engineering sector consultant (R1) backs this argument, developing on the general practice being honesty and not hassling around the price, as lies or manipulative negotiation will end the negotiation altogether. The country and culture of the clients are also important, as some countries are

more straightforward about their budgeting for projects and others take several rounds of negotiation in order to find what their budget can afford them.

Factors affecting value-based pricing

Culture

How much does the customers' culture affect the possibility of implementing value-based pricing?

All consultants show that there is a strong influence of the clients' cultural background on the possibility of utilizing value-based pricing. The local business developer (R4) details that even the local cultures within Finland, the background, education and surroundings affect the way clients can be dealt with.

When doing business with nearby countries, such as Sweden and Estonia, the business environment and negotiation techniques are already remarkably different from those of Finland. Surprisingly, it is mentioned that in Sweden, implementing value-based pricing is not normally possible, the concept of value-based pricing is much disliked. And even in Finland, the possibility of implementing anything other than competitive or target pricing is really dependent on the areas of activity and customer types that are being dealt with.

Demand-based pricing is possible in some countries, whereas in others the culture makes it impossible. Some cultures come to the negotiation table with a very clear idea of what the market price is, and share their opinion on the price the consultant is offering in a very straight-forward manner, and also allow for discussion on the scope, price and tasks of the project in order to meet that price they can afford. Countries such as Russia and Germany state these details along the sales process. But other cultures are more reluctant to negotiate in this manner, for example, according to one of our respondent's experience, certain Asian cultures.

Position as established businesses

Consultants were asked whether their position as a part of well established, stable and renowned consulting companies make them more capable of delivering value-based pricing than other smaller, for example, one person consulting agencies.

When functioning as part of publicly funded business support or development, it is not possible to charge differently for different customers, as the pricing strategy has to be democratic and equal for all clients, but as bigger consulting firms all consultants that trade independently from taxpayers' money agree that the smaller consultants sometimes are pressed by their own budget and survival, and need to sell a certain amount of hours or projects to survive. So they cannot easily afford to integrate their clients' budget into their pricing strategy and need to price according to their competitors and the established market price. In contrast, one of our respondents hints that bigger agencies make up to a third of their profits from big success deals in which value-based pricing is utilized.

Also, when doing strictly technical projects such as engineering, discussing the value added is not perceived as an acceptable pricing method, whereas in broader perspective consulting such as management or strategy consulting it is definitely possible to use the added value to justify higher prices.

Further insights

One of our consultants believes that the Vaasa region could truly benefit from value-based consulting, as it does not really have that many kinds of consultancy companies that actually work within the different areas of consulting. There is a lot of IT-based and engineering consulting, but not so much based on the business sides of understanding the customer behavior, buying decisions, marketing and other areas.

Also, as the research corroborates, the personnel costs are the highest cost item in the whole cost structure of consulting businesses, which also affects pricing in the way that when there are no projects in sight, profitability drops alarmingly quickly. And in such cases, when the company's future loading prospect looks dire, the prices can decrease to maintain profitability. Pricing is not only based on the mar-

ket or customer willingness to pay, it is also based on the company's situation and what the consultant's company can afford. In other words, a negotiated relationship.

Another of our respondents stresses the importance of building the brand, image and reputation, in other words, the credibility of the consultant, and using value-based pricing when there really is value added to a project, as in something unique and innovative to provide, and not just an overpriced industry standard.

5 CONCLUSIONS AND DISCUSSION

5.1 Discussing the results

The case study succeeds in shedding light on the consulting industry situation in Vaasa, on the background and characteristics of consultants in the area, all highly specialized consultants that work for large corporations and consult in a large business scale.

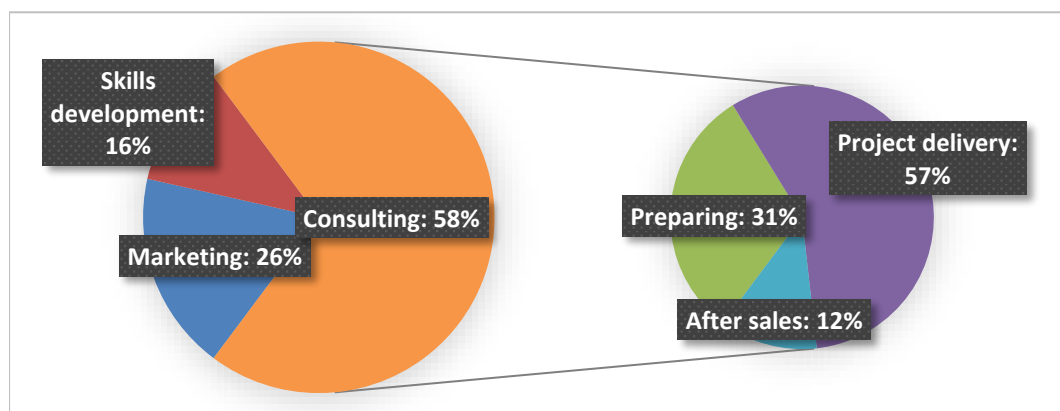
Pricing in the area is following the traditional price setting strategy generally observed throughout the history of consulting. It is mainly based on the consultants' cost structure and time consumption, considering value-based pricing through the evaluation of the offer's competitiveness (how unique a delivery they can provide compared to their competitors), and finally through the company's loading (the free capacity of the workforce and its utilization to keep up profitability).

When considering the pricing of consulting, Kubr (2002) and Bowbrick (1995) discuss the need for taking the time spent marketing the consulting services and developing the consultant's skills into consideration when developing pricing strategies. This is supported by the findings, which show how the average consultant spends 26% of their time in marketing and 16% of the time developing their skills. Thus, 42% of the price of consulting should consider these activities.

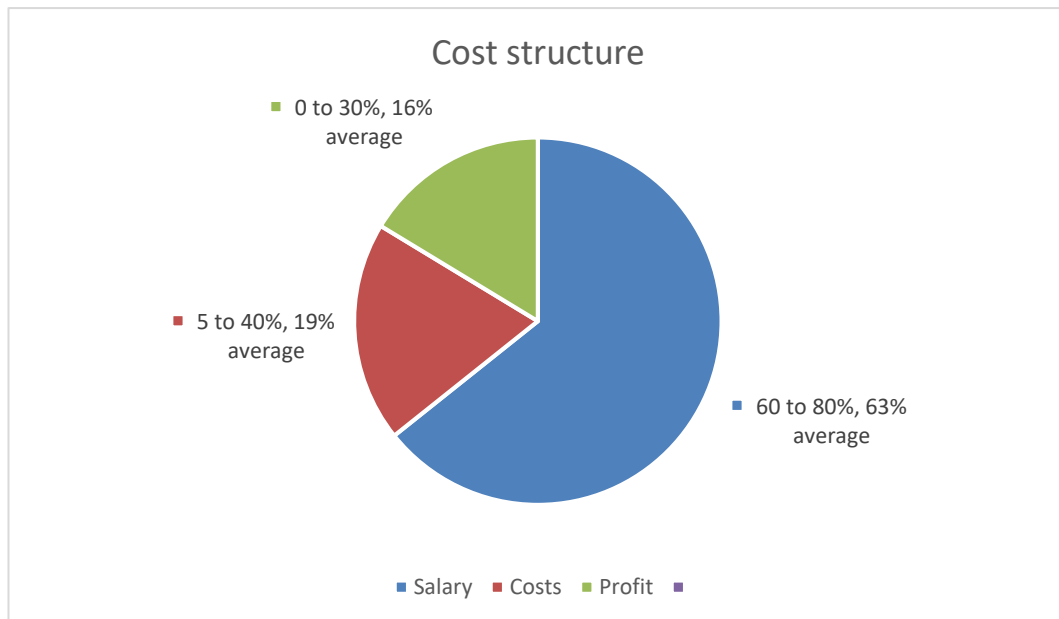
Also, there is a division within the pure consulting work: 57% of the time is the actual assignment delivery, 31% is preparing time, and 12% is after-sales communication and follow-up.

Based on these results, the time distribution of consulting services in this area is:

Figure 3: Time division in consulting activities



Then, the consultants' cost structure in the area is estimated to be:



All consultants agree that culture influences the implementation of value-based pricing, and in Finland, the implementation of such pricing needs to take into consideration the type of customer being dealt with. (Interviews 7-11, 2018) The general attitude towards value-based pricing is positive, as it is seen as capable of bringing higher revenue to the consultant in exchange of higher, more unique value to the customer, although only in large-scale, completely customized projects that cannot be supplied by competitors.

Agreeing with Johansson's views on the problem-recognition phase of the project being the moment most critical for setting a price, the consultants in this area find the flow of information and the customer's willingness to disclose the real issue at hand as the most important aspects that clients can think about when seeking to obtain their best possible service. They find the initial phase when co-creating an offer for the project the most value providing, and the next most important moment of truth would be the complete delivery of the agreed project. The initial phases are hinted to be underpaid by one of our consultants. Renegotiation is only utilized if it was previously agreed in a contract, and in cases when fees critically

need to be re-evaluated. Most respondents perceive that the offer-making stage needs to be so comprehensive and complete that renegotiation will not be an issue.

According to the segment of consultants that have been interviewed, the most targeted client organizations have thousands of employees. This suggests that the micro-sized companies and small companies, as in companies under 50 employees, are not highly represented among their clientele of consultants in the Vaasa area.

The results of this research show that the demand-based pricing model designed by Calabrese and De Francesco (2014) might prove to be a beneficial model to those companies that wish to consider implementing value-based pricing across their whole product range and not only into the most customized assignments.

Their model utilizes the service blueprint model to clarify what according to the customers' perception makes a company's offering unique, providing them some additional value that their competitors cannot provide, as well as covering the costs generated by the consulting company's weaknesses (non-monetary costs, like waiting times, uncertainty and drawbacks during the service experience). The model proposed could allow the companies to evaluate each step of the customer's needed help, and then base the price according to the balance between the value that they can provide to the customer and the customer's perception of that value, potentially increasing the prices they can charge and improving the value of the offer negotiation stage of their projects. (Calabrese, De Francesco 2014, Interview 11 2018).

5.2 Pricing model proposal

Based on the costs structure and time utilization results obtained in this research, the author's proposal of a pricing model that would better adjust to this area's consulting characteristics would be the utilization of a layered pricing strategy, agreeing with Johansson and Andersson's views of a layered approach to value creation (as detailed in section 3.4 of this thesis).

The first layer of pricing would consider the company's cost structure as a base. The second layer of pricing would adjust the pricing adding a percentage of the price based on the structure according to which consultants utilize their work time. The third layer would consider discounts or increases according to the free capacity of the workers, and the state of profitability. And the fourth layer would add a surplus when the project is innovative or creative enough to stand out when compared to similar competitors' projects.

Figure 4: Pricing model proposal



Following example will showcase the proposed model.

Company A, based in Vaasa, has 5 employees. They rent an office and equipment and pay bills for 6.000€ per month, which constitute their costs. They wish to obtain a 20% profit.

1. First layer of pricing:

- Salary: 5 employees, 3,000€ per month = 15,000€.
- Costs: 6,000€
- Profit: 4,200€ (20% of salary + costs.)

Total: 25,200€ desired turnover per month from consulting activities.

2. Second layer of pricing:

- Marketing costs: additional 26% = 6,552€
- Development costs: additional 16% = 4,032€
- Consulting costs: 25,200€ (from the first layer's total).

Total cost: 35,784€

Considering the consultant's ideal work week to be 38 hours, the time distribution within the consulting firm would be:

$38 \text{ hours} * 5 \text{ employees} * 4,34524 \text{ weeks per month} \approx 826 \text{ hour per month}$ in the team.

- Team's marketing, 26% of time ≈ 215 hours per month.
- Team's skills development, 16% of time ≈ 132 hours per month
- Team's consulting hours ≈ 476 hours per month

These are the hours that bring in revenue. According to the total cost divided by the total consulting hours per month, the hourly rate for our consultants' work should be a minimum of 75,18€ per hour.

3. Third layer of pricing:

There is one consultant who is idle. She does not have any projects in her hands at the moment. She decides that in order to keep covering costs, she will offer projects at a 10% discount in order to keep the profitability positive.

4. Fourth layer of pricing:

A business strategy remodeling project comes in. It requires the whole team's innovative thinking, as the whole business plan is being remade, and the project design involves creating an implementation plan for the proposed changes in the business operation. Due to the brand's expertise and reputation with similar projects, they consider adding a 60% surplus to the project's total value.

This fourth layer would take into consideration the amount of customization utilized in the project, as well as charging for the brand's additional value of delivering something unique and truly innovative.

This is a simplified example for the purpose of illustrating the layered pricing approach and does not consider taxation or all details of a complete cost structure.

5.3 Conclusion

In conclusion, there is a great potential for the utilization of value-based pricing in the area, as it is perceived as mutually beneficial for both consultants and clients. The implementation of value-based pricing across the whole value chain of a consulting company in Vaasa might be challenging, as it is an innovative concept and has not been tested in the Vaasa area (Interviews 7-11, 2018). A possible solution would be, according to the results of the research, the utilization of a layered pricing approach.

From the consultants' perspective, the proposed pricing model could take better into consideration the monetary value of the amount of customization and innovative thinking utilized in the creation of assignments. It would effectively implement a new value dimension in pricing other than costs, time distribution and loading.

From the clients' perspective, the systematic expansion of the current pricing models utilized in this area with this additional layer of pricing could take better consideration of the interaction between them and their consultants. The price charged would increase or decrease according to the value added to the client's needs for each project, lowering the price of standardized offerings and projects that follow a preset template, and being charged higher fees only when the solutions provided are valuable and meaningful to the client.

5.4 Ethical questions

Informed process consent: participants were aware of how their replies would be utilized, of being recorded for the purpose of transcribing their replies, and were given an option to state with what degree of confidentiality their answers should be treated, as the questionnaire form in appendixes shows.

Researcher-participant relationship: Although the researcher was not personally acquainted with any of the respondents, her role as a student, and potential perception of the data obtained as harmless and not having any need to obtain any busi-

ness secrets, may have given the respondents a sense of trust that they would not have felt towards a researcher with competing objectives in mind, or towards private market researchers. To tackle this issue, all participants were informed of the nature of the research, and all the responses have been filtered to provide anonymity to the respondents' businesses.

Risk-benefit ratio: All participants were informed about the thesis results publication in Theseus, and all of them have been promised a copy of the thesis for review. Considering the risks of business secrets breach, the respondents will have approximately two weeks to read through and ask for changes in the thesis prior to its official publication.

Confidentiality: As there are not that many industries within the fields of the respondents of this thesis in the Vaasa area, there is a risk of the case units being identified. For the purpose of ensuring confidentiality, sensitive information from the replies has been omitted so that even if the case participants were identified, their business data and strategies would remain secure and unharmed.

5.5 Reliability of the results

According to Russel, Gregory, Plieg, DiCenso and Guyatt, as quoted by Baxter and Jack (2008), as a basic foundation to achieve reliability, novice researchers have a responsibility to ensure that:

- a) The case study research question is clearly written, propositions are provided, and the question is substantiated;

The research question is specified at the beginning of the thesis, and the whole research topic was introduced to all respondents prior to the interviews. The need for the research is supported by the theoretical background of the thesis, as well as by the results obtained.

- b) The case study design is appropriate for the research question

The case study has been designed with an exploratory purpose and aims to provide insight and perspective on the current situation of consulting companies in the Vaasa area. It succeeds in providing a varied set of respond-

ents, as well as detailed insights into the consulting industry in the targeted area.

- c) Purposeful sampling strategies appropriate for case study have been applied;

The respondents are from five different industries, both public and private institutions. The author considers the sampling diverse and the replies obtained rich and representative. Admittedly, a wider selection of cases or more responses would have benefitted the case study, but the limitations of the extent of this research and time constraints made the author limit the cases to five.

- d) Data are collected and managed systematically;

The interviews were recorded, transcribed and coded by topics, perceptions and similarities and differences using the nVivo Pro 12 software, which enabled the researcher to compare and evaluate all responses objectively and efficiently. This method of coding enabled by the software allows for better insights into the interview responses, as it quantifies the amount of times a topic has been mentioned and allows to correlate groups of information. This was done in order to increase the reliability of results, and highly recommended if this case is replicated.

- e) The data are analyzed correctly,

Although the respondents' wish for confidentiality limits the scope and detailing of the replies when comparing what is shown in this thesis with the whole information obtained in the interviews, the analysis of results aims to provide a solid review of all key points which do not expose the companies' business insider information.

5.6 Future research options and implementation.

The lack of consulting organizations specialized in dealing with small and medium-sized businesses in the Vaasa area challenges the veracity of the conclusions obtained, as Vaasa simply does not have consulting agencies that deal with consulting as such, only separate consulting agencies that deal with separate tar-

gets of consulting, such as marketing, IT, energy, engineering, and travel among others. There would be the future research option of evaluating whether small businesses in the Ostrobothnia area perceive the dynamic pricing model as a suitable option for their operations, as the only targeted organizations deal with traditional pricing methodologies.

The questionnaire is attached in the Appendices section, and the case can be replicated and conducted in other areas, or extended to more respondents for further research.

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INTERVIEWS

Interview 1. 2018. CEO. Hair salon company. Interview 1. 65100 Vaasa. January 2018.

Interview 2. 2018. Owner. Dried fruits and deli store. Interview 2. 65100 Vaasa. January 2018.

Interview 3. 2018. Owner. Cafeteria. Interview 3. 65100 Vaasa. February 2018.

Interview 4. 2018. Owner. Photography studio. Interview 4. 65100 Vaasa. February 2018.

Interview 5. 2018. Owner. Cafeteria and confectionery. Interview 5. 65100 Vaasa. March 2018.

Interview 6. 2018. Managing director. Cultural association. Interview 6. 65100 Vaasa. March 2018.

Interview 7. 2018. Managing director. Energy company. Interview 7. 65100 Vaasa. March 2018.

Interview 8. Insurance broker. Insurance company. Interview 8. 65100 Vaasa. March 2018.

Interview 9. Business advisor. Business development agency. Interview 9. 65100 Vaasa. March 2018

Interview 10. 2018. Business development manager. Engineering company. Interview 10. Skype. April 2018.

Interview 11. 2018. Senior lecturer and consultant. Travel development agency. 65100 Vaasa. April 2018.

APPENDIX

Questionnaire

(Please cross this box to grant the interviewer permission to record your voice for the purpose of research validity).

You can select the questions of your choice as confidential: Please cross the red box in front of sensitive details separately so that they are reflected anonymously in the final research.

(Please cross this box if you wish **all answers** to be treated confidentially. All your company's information will be listed as 'Consulting Agency A' in the research paper.)

1. Background:

1.1 Age: (Number)

1.2 Name of your company: Click or tap here to enter text.

1.3 Your job title: Click or tap here to enter text.

1.4 Gender: Click or tap here to enter text.

Your highest completed education: Click or tap here to enter text.

Years of experience in the consulting field: (Number)

2. About your work time and income:

Current yearly income: (Estimate in euros)

Minimum desired yearly income: (Estimate in euros)

Maximum yearly income you could get when working at full capacity: (Estimate in euros)

Average total work hours per week: (Number of hours)

What is your absolute maximum work hours per week? (Number of hours)

What is your ideal work hours per week? (Number of hours)

Your work hours' distribution:

How many hours per month do you spend on marketing your services? (Number of hours)

How many hours per month do you spend in developing your skills and professional knowledge? (Number of hours)

How many hours per month do you spend in consulting assignments? (Number of hours)

Out of the consulting hours, please estimate a percentage of the time spent in the following activities (total sum of all of the three following questions must be 100%):

Preparing time before the assignment: (Percentage)%

Assignment time, actual time with the customer or working on the project: (Percentage)%

After-sales communication and follow up time: (Percentage)%

Pricing:

How do you set the price for your consulting assignments? Click or tap here to enter text.

Do you employ any of the following methods? (Select all which apply to you)

Daily rate, f.e. x€ per day

Hourly rate, f.e. x€/hour

Full payment in advance

Partial payment in advance. If so, what percentage? (Percentage)%

One-time fee specific to the assignment at hand

Staged fees: Fees that are charged as the phases of the assignment unfold.

Performance-based fees: Agreed upon the project results

Contingency fees: Fees only charged if the project succeeds.

Clients' background

What is the average amount of employees your client companies have? (Number)

What is your clients' average education level? Click or tap here to enter text.

What is your clients' usual corporate functions or job titles? Click or tap here to enter text.

What is the most frequent industry where your clients come from? Click or tap here to enter text.

What is the average age of your clients? (Margin, f.e. 20 to 50 years old.)

What is the most used working language in your assignments? Click or tap here to enter text.

Please rate with a percentage (total sum of all of the three following questions must be 100%):

Finnish: (Percentage)%

Swedish: (Percentage)%

English: (Percentage)%

Other? Which language?, (Percentage)%

Consulting assignments:

Which areas of consulting are your specialty when assisting your clients? Click or tap here to enter text.

What is the most frequent type of assignments you face? Click or tap here to enter text.

What is the average amount of time spent per consulting assignment (in hours)? Click or tap here to enter text.

Your shortest assignment this far (in hours)? (Number of hours)

Your longest assignment this far (hours, days, months)? Click or tap here to enter text.

Please establish a percentage (total sum of all of the three following questions must be 100%):

Technical problems (lack of business know-how, business skills or technical skills): (Percentage)%

'People' problems (HR related, organizational conflicts, social problems, leadership-related): (Percentage)%

Strategy problems (lack of holistic view, objectives, lack of clear mission and vision, etc): (Percentage)%

The level of customization in your assignments (select all which apply to you):

Standardized offerings: pre-made assignments and projects that follow a work process template.

Standardized offerings with a few customized details by customer request

Completely unique to the customer needs projects

Average costs of your average consulting assignment: (Estimate in euros)

What do your costs consist of (total sum of all of the three following questions must be 100%)?

Average salary percentage from your consulting assignments: (Percentage)%

Average costs percentage from your consulting assignments: (Percentage)%

Average profit percentage from your consulting assignments: (Percentage)%

Open-end questions: The Interview

How accepting or reluctant are your clients to pay for your work?

How easy or difficult are your contract or deal settings negotiations in the Vaasa area?

What influence do your reputation and references have in your consulting assignments?

How did you build your client base?

- What do you find most problematic when dealing with clients in the Vaasa area?
- What do you find most rewarding when dealing with clients in the Vaasa area?
- In which areas of your professional practice could you use some further development?
- In which areas could your customers improve your work relationship or make it easier for you to work effectively for them?
- Own perceptions of value-based pricing and whether you think it's possible to ask the customer what can they afford and what they think your project is worth. How much do you use this?
- Would a client take advantage of your asking to lower your price?
- In which points of your interaction with your customer do you provide the most value? For example, in the phone, or during the first meeting?
- Do you leave yourself the chance to renegotiate an offer in later phases? How much and in which cases have you used this? For example: 'I gave you an offer but we are doing much more work than agreed. You should pay us more'.
- How much do you think you 'hide' value for the customer in order to get to place a further sale in the future?
- How much do you think the culture of your customers, since you work internationally, affects the possibility of implementing value-based pricing?
- Are you as a strongly positioned consultant more capable of delivering value-based pricing than a small, one-man consulting agency?