

BUSINESSof  
ARCHITECTURE

# 01.PROPOSAL STRATEGIES

THE BUSINESS OF ARCHITECTURE INSIGHTS SERIES

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# 01.PROPOSAL STRATEGIES

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Is it really possible to earn 300% more revenue with this simple proposal writing strategy?

If you've read my articles for any amount of time you know that I'm always on the lookout for business lessons that apply to what we do as architects.

Recently I took a trip with the family to the petrified forest in Napa Valley, CA.

In the gift shop they sell gemstones and fossils.

Most are priced in the \$5.00 – \$20.00 range.

Then I saw this:



Yikes!

Yes, this is a polished rock for sale for \$2,100 USD.

The more I looked at it, the more I thought it would be neat to have slice of a petrified tree hanging out in my living room.

Is this just the crazy idea of a deranged gift shop owner, or is there a deeper business lesson at work here?

Perry Marshall, in his book 80/20 Sales and Marketing, talks about something called the 80/20 demand curve.

What this says, basically, is that for every 100 people who enter the gift shop, one person will be willing to pay for something very expensive, and the vast majority will pay for something much cheaper.

Intuitively, this just makes sense.

There are fewer people of wealth than people of average income.

Although 1000 people might walk past the \$2100 slab of rock in the gift shop, all it takes is 1 person to purchase it.

And with that one purchase, the shop has hugely increased the revenue for that day, and served its customers better by giving them what they want.

This is a good example of offering products at different price points to fit market demand.

When I walk into my gym, there is a big sign that offers a V.I.P. upgrade for an extra \$15.00 per month.

They also offer multiple plans – you can access one gym for \$60 per month, or get access to other gyms with more amenities (like racquetball courts) for \$80 per month.

Again, this gives me as a patron more options – and it also increases the gym's average customer value (the amount of money spent by an average customer over the life of the customer's patronage).

It's a perfect win-win situation.

I get more options, my gym gets more money.

One last example from Microsoft:

The image shows three pricing cards for Office 365. Each card has a header, a price section, a dropdown menu for the annual plan, a 'Buy' button, and a list of features.

Office 365 Business Essentials	Office 365 Business	Office 365 Business Premium (BEST VALUE)
\$5.00 per user/month annual commitment pay monthly	\$8.25 per user/month annual commitment pay monthly	\$12.50 per user/month annual commitment pay monthly
\$5.00 annual plan, pay monthly	\$8.25 annual plan, pay monthly	SAVE 16% \$12.50 annual plan, pay monthly
Buy now	Buy & download now	Buy & download now
<b>Get business-class email &amp; the web version of Office applications</b> <ul style="list-style-type: none"><li>Business-class email hosting with 50 GB mailbox</li><li>Web version of Office: Outlook, Word, Excel, and PowerPoint (desktop version of apps not included)</li><li>1 TB file storage &amp; sharing</li><li>HD video conferencing with Skype for Business*</li><li>24/7 phone &amp; web support</li></ul>	<b>Get desktop and web version of Office applications</b> <ul style="list-style-type: none"><li>(Business-class email hosting not included)</li><li>Desktop version of Office 2016: Outlook, Word, Excel, and PowerPoint</li><li>Web version of Outlook, Word, Excel, and PowerPoint</li><li>One license covers 5 phones, 5 tablets, &amp; 5 PCs or Macs per user</li><li>1 TB file storage &amp; sharing</li><li>24/7 phone &amp; web support</li></ul>	<b>Get business-class email &amp; the desktop and web version of Office applications</b> <ul style="list-style-type: none"><li>Business-class email hosting with 50 GB mailbox</li><li>Desktop version of Office 2016: Outlook, Word, Excel, and PowerPoint</li><li>Web version of Outlook, Word, Excel, and PowerPoint</li><li>One license covers 5 phones, 5 tablets, &amp; 5 PCs or Macs per user</li><li>1 TB file storage &amp; sharing</li><li>HD video conferencing with Skype for Business*</li><li>24/7 phone &amp; web support</li></ul>

Office 365 Business Essentials	Office 365 Business	Office 365 Business Premium <span style="color: white; font-weight: bold;">BEST VALUE</span>
<p style="text-align: center;"><b>\$5.00</b> per user/month annual commitment pay monthly</p> <p style="text-align: center;">\$5.00 annual plan, pay monthly</p> <p style="text-align: center; background-color: green; color: white; padding: 5px;"><b>Buy now</b></p>	<p style="text-align: center;"><b>\$8.25</b> per user/month annual commitment pay monthly</p> <p style="text-align: center;">\$8.25 annual plan, pay monthly</p> <p style="text-align: center; background-color: green; color: white; padding: 5px;"><b>Buy &amp; download now</b></p>	<p style="text-align: center;"><b>\$12.50</b> per user/month annual commitment pay monthly</p> <p style="text-align: center; color: red; font-weight: bold;">SAVE 16%</p> <p style="text-align: center;">\$12.50 annual plan, pay monthly</p> <p style="text-align: center; background-color: green; color: white; padding: 5px;"><b>Buy &amp; download now</b></p>
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Here Microsoft offers 3 different price levels for their “Office 365” service.

At the lowest level you have “Business Essentials” – for the price sensitive freelancer with minimal software needs.

On the upper end is the “Business Premium” level – for an extra \$7.50 per month.

Now on the surface an extra \$7.50 doesn't seem like much, but compared to the “Essentials” version they've increased their revenue by a whopping 250%!

# Why Multiple Price Options

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**Here are two great reasons businesses offer multiple price points:**

1. Clients and customers get more options.

Instead of forcing everyone into only one way of doing business with you (one price point), you give your clients and customers more options. This serves them better because they are more likely to find a price point in line with their budget and needs.

2. The business increases revenue.

By giving your clients options, it's likely you'll capture more clients because they'll find a price point to their liking. And for those premium clients who always want the best, you'll be able to offer them an upgraded service (and value) at a higher price point.

# Multiple Fee Proposal Options

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**By offering your clients multiple fee packages, you can often increase your revenue by 20% or more, if done properly.**

How is that? Well your top level, premium package should be priced like a premium service and you should charge for the extra value you provide.

If just a few clients take your premium option, you've added revenue straight to your bottom line.

Now, there's an art and a science to offering different fee packages, but that is beyond the scope of this guide.

# **Guidelines for Offering Multiple Fee Options**

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Here are a few rules to follow when you apply this strategy to the architecture industry:

## **Break apart your services to create different service levels.**

Your basic service package might include permit drawings only. An upgraded service package might include multiple renderings, a video walk-through, interior design services or sales and marketing materials that you produce for your clients.

## **Keep it simple.**

Make sure each element of each service level is described in a way that your client will understand (focus on benefits, not features – see below)

## **Use a visual price matrix.**

This will help make it clear what each fee package includes. See the Microsoft example above for what a visual price matrix should look like.

## **Offer a turn-key, all-inclusive package.**

This is your high-end package and it will attract people who value time more than money.

**Give your service levels names.**

Keep it simple, don't go overboard inventing cute names. Bronze, Silver, Gold or Basic, Premium and Executive will suffice.

**Clearly explain the value of each service package.**

Describe the benefits a client will get from each service level, not just the features.

For example, a feature is a 3d-rendering plotted at 600 dpi. The client may wonder, "So what's it to me?" The benefit answers this question: it makes you happier with your finished space because you saw it beforehand!

# Conclusion

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When done properly providing multiple fee packages can mean the difference between winning and losing a project.

This is because the client won't be forced into choosing only one option. If they feel your fees are higher than they like they can go with a minimal package.

## Example 01

Based on phase	Design Only	Design + Bidding	Full Service
Design	✓	✓	✓
Permitting	✗	✓	✓
Bidding	✗	✓	✓
Contract Admin	✗	✗	✓
	\$\$	\$\$\$	\$\$\$\$
Add Material Selections	<input checked="" type="checkbox"/>		+ \$\$

### Fee Tiers Based on Phase

One way to structure a fee proposal with multiple tiers is by basing the tier levels on project phases, as shown in the figure above.

## Example 02

**Based on level of service**

	Level 1	Level 2	Concierge
Con Docs Level 1	✓	✓	✓
Con Docs Level 2	✗	✓	✓
Turn-key	✗	✗	✓
	\$\$	\$\$\$	\$\$\$\$

Level 1 includes: floor plans, elevations, sections, structural details  
Level 2 includes: Level 1 plus cabinet and interior elevations  
Level 3 includes: 1 and 2 plus everything you need to get your project done (material selections, construction)

### Fee Tiers Based on Level of Service

Fee tiers can also be based on the level of service provided. In the example above, the same basic service is provided in all levels, however “Level 2” and “Concierge” provide a higher level of service.

# Example 03

**11.27.2017**

**Project Proposal**

Project No.  
**TBD**

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To  
Client  
Client Address  
Client Address

Subject  
Quote for architectural services  
for new project.

BRONZE	SILVER	GOLD
<ul style="list-style-type: none"> <li>•Plans</li> <li>•Elevations</li> <li>•Permit Drawings</li> <li>•Site Plan</li> <li>•1-2 Wall Sections</li> </ul>	<ul style="list-style-type: none"> <li>•Plans</li> <li>•Elevations</li> <li>•Site Plan</li> <li>•Sections</li> <li>•Full Construction Drawings</li> <li>•Renderings</li> <li>•Models (Digital)</li> <li>•Details</li> <li>•2 Site Visits/month during construction</li> <li>•Preliminary cost analysis</li> </ul>	<ul style="list-style-type: none"> <li>•Plans</li> <li>•Elevations</li> <li>•Site Plan</li> <li>•Sections</li> <li>•Renderings</li> <li>•Models (Digital and Physical)</li> <li>•Details</li> <li>•Full Construction Drawings</li> <li>•1 Site Visit/week during construction</li> <li>•Assistance with finish selection</li> <li>•Contractor/supplier meetings</li> <li>•DETAILED cost analysis</li> </ul>
<p><b>A% of Total Construction Cost</b> <small>*includes structural engineering fees</small></p>	<p><b>B% of Total Construction Cost</b> <small>*includes ALL engineering fees</small></p>	<p><b>C% of Total Construction Cost</b> <small>*includes ALL engineering fees</small></p>

We look forward to working with you!

**TALLstudio Architecture, PLLC**

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Talk: Madison Talley - #####  
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This example, provided by TALLstudio Architecture, based in Ocean Springs, MS, shows how service packages can be divided up by level of service offered.

## Fee Tier Checklist

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Use this checklist to develop your proposal with multiple pricing levels.

- At least 3, but no more than 5 fee tiers are provided, with the standard option being one of the middle options.
- The tiers offer levels of increasing value.
- The fee tiers are clearly represented in a visual matrix.
- The pricing for each level is clearly explained at the bottom of the visual matrix.
- The deliverables of each fee tier are clearly outlined.