

## Business Development Service Providers Should Charge

### *Lessons Learned from the Argidius-ANDE Talent Challenge*

*Charging for services from the very start of a program helps identify the right Small and Growing Business (SGB) segment, focuses attention on creating customer value, and creates a path to sustainability*

It is challenging for organizations launching new initiatives to go to market. They need to consider what to charge: what will be the optimal fee for a given service where willingness and ability to pay is uncertain. Organizations are often hesitant to charge as they are still in the market research phase—trying to refine the service, identify the customer, and understand the delivery of financial and non-financial value.

One AATC finalist did not charge for the service they provided to Small and Growing Businesses (SGBs). Another offered highly subsidized and in some cases free services. The following are lessons learned based on the two organizations' business decision in regards to charging.

When one of these finalists offered its service in the market for free, it received overwhelming and diverse interest. The SGBs that were selected to participate in the program benefited by having a high value service delivered for them for free. However, participation did not help establish what SGB within this diverse set was the appropriate customer. Nor did participation validate willingness or ability to pay. The program was left with questions about the target market, pricing and path to sustainability.

Another AATC finalist offered their service at a free or sometimes highly subsidized rate. There was uptake of the service, but a free service wasn't necessarily what the SGBs needed. For example, an SGB accepted the offer a free engagement; however, because it was free they didn't make a strong commitment to the project. The CEO, because the project was not on their books and costing them money, did not engage. As a result, there was little commitment from the SGB to the work process and final deliverable. Nor did the organization give enough consideration to the outcomes such an engagement could deliver. The CEO admitted if they put their own resources in terms of time and money into the project they would have put more effort in. It ended up being an under-optimized opportunity for both the SGB and the AATC finalist.

Having businesses pay is important because it attracts the right SGBs (in terms of the market segment and commitment to engage effectively and use the service to deliver outcomes). Through charging, service providers are able to test the rates in the market and assess both willingness and ability to pay. If a service provider is seeking a path to sustainability, charging a fee from the start will help them optimize their sustainability.

The two AATC finalists that charged what they perceived as fair market rate were quite successful. There were no free passes for their customers. They invested in market research. They honed in on the core customer and their ability and willingness to pay. It helped these finalists focus on delivery, excellent customer service, and ensuring value creation. They also demonstrated a clear path to sustainability. A key learning is it pays to get paid!

