

Best practice

How to talk to clients about your fees

Chapter 17.01 Agreements with Owners

Authored by Michael Strogoff, FAIA, Strogoff Consulting, Inc.

Summary

Using the right language in a fee proposal and identifying ways to reduce fees informs the client and positions an architectural firm for effective fee negotiation. And the factors that influence fees do not have to remain a company secret. Michael Strogoff, FAIA, offers sample language a firm may use to communicate the intricacies of its service fees to clients.

Finding the right language

When a client evaluates a design professional's fee, he or she likely focuses on a few simple questions: Is the fee more or less than I expected? Is the fee reasonable? How does it compare to that of other design professionals? Is there room for negotiation?

Even when a design professional submits pages of supporting data (e.g., spreadsheets showing projected hours per task or hours per sheet, anticipated staffing levels, cost per square foot of construction), a client is unlikely to understand the factors that drive the proposed fee. Without this understanding, a client has little choice but to resort to answering his or her own simple questions.

To give a client better criteria for evaluating your fees, accompany your fee proposal with a concise explanation of the items that affect your fees. Poll your consultants for the factors that drive their fees, and include the most significant of those factors in your list.

Sample language to reflect your specific project

"Among the factors affecting our anticipated level of effort and, therefore, our fees, are..."

- The preferred design-bid-build delivery method versus a different method, such as design-assist or negotiated bid that gets the contractor and its subcontractors involved earlier in the process
- The multiple construction phases with different contractors, which necessitates different sets of construction documents and specifications and more job-site and construction-observation meetings
- Uncertainties with the existing site conditions
- The expedited design schedule, which will probably entail added overtime costs
- The number of design review meetings, client presentations, user workshops, and community meetings
- The inclusion of multiple design options and bidding alternates
- The large number of specialty disciplines on our team, such as our security, historic preservation, energy conservation, and sustainability consultants
- The extent of our predesign services, specifically the site comparison studies and cost feasibility studies
- Several unique design features, such as the outdoor plaza fountain, the passive heating and cooling systems, and the customized workstations
- Additional agency reviews (coastal commissions, wetlands agencies, historical building society)
- The inclusion of special cost-comparison studies and value-engineering sessions
- The special models and presentation materials to assist you in your fund-raising efforts

Identify ways to reduce fees

After listing the major factors that affect your fees, provide a few options relating to those factors that will allow your team to reduce its fees.

For example, you might say, "Although we believe that our proposed fees reflect the necessary scope of services, there are several opportunities to reduce our required level of effort and therefore our fees, including..."

- Incorporating the alternates into a single base bid
- Reducing the number of design-review meetings
- Shortening the construction duration from 14 months to 10 months
- Establishing an account at a local printing facility that will bill you directly for our reproduction expenses

Conclude with something like, "If any of these options seem feasible, I will be glad to discuss the possible fee savings and help determine the most cost-effective way to proceed."

During your fee negotiation, try to steer any discussions about reducing your fees to your list of possible fee savings.

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About the contributor

Michael Strogoff is publisher of *Negotiating Strategies*. This article initially appeared in *Negotiating Strategies*, the monthly newsletter for design professionals and their advisers with practical, proven techniques for negotiating better and increasing profits.

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