

When Clients Have No Budget

By Andrew Sobel

The dreaded phrase, “We have no budget for this!” is being heard all too often these days. Variations include “Our budget has been cut”; “We have a corporate-wide freeze on all consulting and training expenditures”; or, “We really do see the value, but we just cannot afford to do it right now.”

I’ve been talking to my own clients, as well as colleagues and friends, about how they are handling these difficult conversations. Here is a list of 18 ideas that I’ve put together for you:

1. Gain sponsorship from a higher-level, more powerful economic buyer. You’ll have to work closely with your existing client to make this happen, as no executive likes it when you go over his or her head.
2. Redefine the issue so that it attracts the necessary funds. This may also be necessary to gain the higher-level sponsorship in (1).
3. Find efficiencies in their existing budget. This requires investment, but if you gain a deep enough understanding of your client’s overall set of expenditures (e.g., for consulting, legal services, IT, etc.) you may be able to recommend efficiencies through service provider consolidation, productivity improvements, or other means.
4. Restructure the work to achieve cost savings. Whereas (3) looks at their broad budget, in this case you recommend changes in the way the client is approaching your particular program or project so that it can be executed for less money.
5. Create flexible contractual terms. If it is a client you trust, and you can get the agreement in writing, you could offer to invoice and receive payments on a flexible schedule. A client, for example, may have the funds available in three or four months, and if you’re willing to accommodate that, you may be in business.
6. Give discounts if the client doesn’t go to an RFP. This can preempt a competitive bid, which is very costly to undertake, and allow you to reinvest the time in adding more value in the proposal process.
7. Add more value to the overall package. “It’s too expensive” usually means “We don’t perceive sufficient value.” More value could include advice and counseling around your core program or service, personal coaching, knowledge transfer, training, follow-up assessments, or many other things.
8. Appeal to an important personal “win” of the buyer. Most clients have a business agenda and a personal agenda. Showing how your offering can help accomplish both of these will raise the perception of overall value.
9. Combine budgets to fund your program. To the extent your project impacts multiple functions or business units, you might be able to get budget allocations from multiple sources.
10. Combine discounts to create a BIG discount. One of my clients was asked to discount their fees by 15%, and their ability to do this was going to make or break the deal. They responded by creatively finding a total of 15% from 8 different sources that all reduced their cost of delivery or otherwise saved them money—allowing them to pass on the savings to the client. These included early payment discounts, productivity discounts, a volume discount, and so on.
11. Restructure the project to meet their budget. This is common sense and it can lead to a very fruitful dialogue about what is most important to the client.
12. Rename what you’re doing and find a different budget category. This could work in particular circumstances. Some of a training budget could come from funds for educational materials, or a portion of the budget for legal services could become training.
13. Tie your work more closely to quantifiable revenue increases or cost reductions. You should always be doing this, but during a year like this it’s particularly important. You’re going to have to spend more time on the benefits case for each piece of work you sell. One tip: Have your client approve/endorse the benefits case. Otherwise it will carry little weight!

14. Provide ongoing advice to keep the discussion going. If a client has no budget to get a project started, you may—depending on the circumstances—be willing to meet on a regular basis to talk about the issue and give some free consultation to your client, all the while keeping the interest up so that when there is money available, you're the preferred advisor. Invest to stay on the radar screen.
15. Tie your fee to results. Some services firms do this in certain markets (e.g., in investment banking, executive search, etc.) but most do not. If you're confident and choose the right metrics, this may be an option when all else fails.
16. Sell what you do as a product not a service. If you can productize your know-how and approach, then you may have access to a different budget or budget approval process. If your service can be capitalized and then amortized over time, this could make a big difference.
17. Deliver your services virtually. By eliminating in-person meetings you could dramatically lower the cost of your proposal. Many clients are in fact relying on webinars, teleconferences, video teleconferencing, and other means to cut down travel and meeting expenses. I am working with several clients, for example, to deliver virtual executive development seminars in Linden Lab's Second Life virtual world.
18. Make yourself a Margarita, relax, and take a step back. In the end, there may be no strategy that is sufficiently compelling to conjure up the necessary budget for your services at this point in time, with this particular client. Remember, you can pursue a client opportunity too aggressively. By taking a step back, you may just shift the psychological balance and find that your client, in a few months, is pursuing you.

This is a difficult environment for almost everyone. Sometimes, after you do everything you can to influence the situation, there's nothing left except to be philosophical and refocus your energies. The egregious economy and tight client budgets will improve—that's for sure. When? I don't know—and neither do you. Think about the story that Abraham Lincoln used to frequently tell, about a king who commanded his wise men to find a single sentence that would always be true. Lincoln spoke these words on September 30, 1859:

"It is said an Eastern monarch once charged his wise men to invent him a sentence, to be ever in view, and which should be true and appropriate in all times and situations. They presented him the words: "And this, too, shall pass away." How much it expresses! How chastening in the hour of pride! How consoling in the depths of affliction!"

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