

BEYOND THE HOUR

Making the Case for Value-Based Pricing



OCTOBER 2026

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Acknowledgments

The ACEC Research Institute thanks our working group and the hundreds of ACEC member firm leaders who took part in the study's interviews and survey or otherwise contributed to this research. We are grateful to our lead researcher, Dr. Paul S. Chinowsky of the University of Colorado Boulder, for his research and analysis. We also thank our Strategic Partner, BST Global, for its financial support of this research, and BST Global CEO Javier A. Baldor for contributing the foreword.

STRATEGIC PARTNER



FOREWORD

By Javier A. Baldor, Chief Executive Officer at BST Global.

As we usher in the fourth industrial revolution powered by AI and data, we are in the unique position to create the AI-powered and data-driven “Superconsultancy” that will transform our industry. While this is perhaps the most exciting time in a generation, unveiling incredible opportunity, it simultaneously presents an existential threat. Let’s explore why and how we got here.

Historically, AEC firms must increase staff to achieve revenue growth — they need more people to deliver more projects. Therefore, the most logical business model for the AEC industry has always involved billing for time, materials, and expertise to deliver successful projects for clients. Bigger, more complex projects take more time, require specialized expertise, and involve more people, all of which are billed accordingly. That’s the way it’s always been.

Even though the widespread advancement of technology over the past 50 years has drastically changed how the AEC industry functions, the cost-based pricing model has largely maintained its foothold. However, as AI technology becomes more integrated into AEC operations, the industry is contending with a new reality: Capacity and revenue are no longer limited by or correlated with staff levels. They can now truly be decoupled.

The Incredible Opportunity

Firms now have the opportunity to achieve meaningful growth with AI, using advanced technologies to generate more output, value, and revenue without increasing labor costs. McKinsey & Company estimates that generative AI (GenAI) and other emerging technologies have the potential to automate work activities that consume up to 70% of an employee’s time every single day.¹ The strategy and management consulting firm also projects that AI and automation could unlock up to \$228 billion in annual value across the U.S. AEC sector by 2030.²

This fundamental shift in how value is created, delivered, and experienced undermines the AEC industry’s traditional business model and poses an important question: If the same work can be completed dramatically faster with fewer resources and better outcomes, is the time-and-materials business model still relevant or even sustainable?

The answer that continually emerges is that, as AI accelerates productivity, value will be driven less by effort and more by results. Simply incorporating new technologies into daily operations isn’t going to keep the AEC industry from falling behind in the age of AI. Something more fundamental needs to change along with the technology — the business model must evolve to support an entirely new operational reality. We are seeing this take shape today with a clear shift toward value-based pricing models.

¹ “The economic potential of generative AI: The next productivity frontier,” McKinsey & Company.

² “How AI is reshaping the future of the AEC industry,” McKinsey & Company.

However, the real shift will occur with the introduction of an outcome-based business model that delivers AI-infused “Services-as-Software (SaS).” According to HFS Research, “We’re entering an era of SaS — where delivering outcomes no longer relies on traditional services. Instead, ‘services’ are delivered primarily through advanced technology, reducing human intervention and maximizing efficiency. This isn’t just evolution. It’s a complete transformation.”³

Sequoia Capital partner Julien Bek recently published a fascinating essay titled “Services: The New Software” in which he states, “The next \$1T company will be a software company masquerading as a services firm.” He goes on to add, “Today’s judgement will become tomorrow’s intelligence. As AI systems accumulate proprietary data about what good judgement looks like in their domain, the frontier will shift. Copilots and autopilots will converge.”⁴

In the future everything will be about creating and proving valuable and quantifiable outcomes for clients. This is how we will all be held accountable by our clients. If you perform, you will prosper. If you don’t, you will become irrelevant or cease to exist in this new AI era.

How might you approach this? Perhaps consider applying Amazon’s Working Backwards⁵ method for ideation and innovation, which starts with the end in mind. Begin by “reimagining” not only the future client experience, but also the future employee work experience that will achieve it. To do that, you must think AI-first with the goal of stripping out every single point of friction in the client and employee experiences.

Becoming very close to your customer and understanding value from their lens is paramount to this process. Begin by asking yourself, “How can we truly understand what is extremely valuable to our client and what creates tangible and meaningful value for them?” Once you understand that, you can foster a client experience that is so valuable and resilient that you are tethered to your client and able to move beyond the project to create an insurmountable value moat.

The future of client experience in AEC will not be defined by a better project deliverable alone. It will be defined by the entire experience surrounding that deliverable — how clients engage with firms, access information, measure progress, and receive value in real time.

Furthermore, there is an opportunity to unlock entirely new commercial models. Every firm has an incredible superpower: its data. The opportunity is in harnessing it, leveraging it and, most importantly, monetizing it. Firms that are willing to reimagine what’s possible will recognize opportunities to provide data products and intelligence services that extend beyond a single project. The traditional AEC firm will become a data business powered by AI.

For example, consider how you could aggregate and anonymize your client project data and deliver it as a data product in the form of insights that are extremely valuable to your customers. Now imagine monetizing that data product as a subscription that complements

3 “Services-as-Software™: Redefining How We Deliver Outcomes,” HFS Research.

4 “Services: The New Software,” Sequoia Capital.

5 “Working Backwards to drive customer experience and SMB innovation forward,” AWS.

your current project-based services. This opens the door to AEC leaders discovering that the project itself is no longer the only thing of value: Project-generated data can also be a value engine. Not only will these firms deliver projects more efficiently with AI, they'll turn the resulting knowledge and data into a new source of value and sustainable revenue. They'll then have the tools to evolve from project providers into strategic "intelligence partners."

Perhaps the most transformative shift will be that the workforce itself expands as digital workers, in the form of autonomous or "super" agents, assume much of the production work. In a world where AI agents become the laborers, a firm's most valuable people may no longer be defined by output alone but by their contributions of critical thinking, creativity, emotional intelligence, and leadership. Where digital agents become the "doers," humans will be able to lean into their roles as the thinkers, advisors, innovators and trusted partners.

In some peer industries, innovative leaders are exploring alternative business structures involving two distinct entities — one housing their employees and the other housing the technology — thus unlocking investment opportunities for the "technology entity."⁶ There is potential for a similar structure within the AEC industry that could allow engineers and designers to work alongside AI agents while enabling new funding opportunities for the technology powering those agents.

The Existential Threat

As we welcome the incredible opportunity that AI affords, we will also see the advent of "Private Equity 2.0" as it aggressively invests in the AI/agent-first consultancies that will upend the traditional AEC firm. Led by a core team of licensed industry domain experts, these firms will completely reimagine project delivery, employing QA/QC specialists to ensure a human is in the loop to sign off on design reviews, code compliance, and accountability for thousands of agents.

We will also see a wave of mergers, acquisitions and partnerships led by technology companies like Accenture, Amazon, and Anthropic, to name a few. Marrying their AI and Big Data expertise with deep AEC industry engineering domain experience, these tech giants will drive significant market disruption at scale. We're already seeing this in partnerships like the one Freshfields recently announced, wherein the UK "magic circle" firm will help Anthropic build specialist AI tools that could later be sold to rival law firms. The alliance gives Freshfields early access to future Anthropic models and tools.⁷

Industry-wide disruption by technology companies isn't the only threat to AEC firms in an AI-powered future. When AI technologies and innovations are entering the market at break-neck speed, the greatest threat of all is simply standing still. At this critical juncture, every firm should instead be focused on accelerating digital transformation to fully embrace the potential that AI brings. Even firms that are experimenting with low-risk, automation-focused pilots are merely testing the waters from the edge and reducing AI to nothing more than an interesting tool.

⁶ "This Lawyer Upended 'Big Law' Once. He Has a Plan to Do It Again." WSJ.

⁷ "Freshfields and Anthropic Team Up to Co-Build AI Legal Workflows, Deploying Claude Across the Firm Globally," Freshfields.

To avoid becoming obsolete, AEC leaders and their firms must lean in now, transforming operations through meaningful AI integration and embracing new business models.

The Path Forward

With all of this to consider, it's crucial to understand that the future of work is about more than doing the same things faster. It's about reimagining how work is created, delivered, and valued. The AEC firms that thrive will do more than adopt AI — they'll rethink their entire business around the opportunities and “experiences” that AI creates for clients and employees.

The vast capacity for AI to shape the AEC firm of the future is why research initiatives like this and BST Global's AI + Data Survey are so important. They're vital to gaining a deeper understanding of the immense opportunity and potential threat that AI brings to our industry. The resulting reports underscore the need to harness AI's potential and examine the strategic business implications of AI integration, different types of AI and their applications for AEC, and AI's impact on the future of the industry.

Now is the time to reinvent yourself — while we are at historic levels of prosperity — and not be reactive to the AI-first and native “Superconsultancy” that is coming. The prize waiting for these vanguard leaders of tomorrow is the opportunity to achieve next-level operational performance as they change the world. The opportunity before us truly is for all, whether you are a 30-, 300- or 3,000-person consultancy. Seize it.

“

When we widen the aperture, we see how many possibilities emerge in a future where labor is no longer the primary constraint — opportunities for new business models, new operating models, new workforce structures and even new competitors. It's time to rethink what's possible.

**JAVIER A. BALDOR, CHIEF EXECUTIVE OFFICER,
BST GLOBAL**



EXECUTIVE SUMMARY

Engineering services have more opportunity than ever to align compensation more closely with what clients value most: better solutions, earlier risk identification, greater certainty, and stronger long-term outcomes. It is well documented that the traditional pay-for-hours model does not always reinforce those objectives. It rewards labor inputs and cost management more directly than judgment, creativity, specialization, or productivity. Still, estimates of internal cost and effort remain central to fee setting, and when investments in innovations reduce required hours, firms may struggle to recover those investments even as clients receive more output.

This opportunity is especially important for AI. Its value is not limited to labor savings: it may expand alternative analysis, synthesize firmwide knowledge, identify risks earlier, and make new services economical. These capabilities require investment in software, computing, data, training, governance, and integration. If AI reduces billable hours while compensation remains hour-based, adoption of technologies that benefit clients may slow.

The alternative is for engineering firms to be compensated for the value they create, not the hours they bill. Value-based compensation gives firms a stronger reason to invest in expertise, technology, data, and creative problem solving when those investments improve client outcomes. Survey respondents defined value broadly: innovation (22%), risk reduction (21%), specialized capabilities (20%), financial return (19%), and speed (18%). The relevant measure therefore depends on the client and project, not on a universal formula. Some arrangements may tie compensation to milestones or performance, but the research does not establish that every value-based model requires at-risk fees.

Adjacent knowledge industries show that a value-based commercial model is credible. Management consultants use specialized expertise, client data, strategic advice, and performance improvement to move from supplier to solution provider and strategic advisor. Legal, financial, IT, accounting, tax, and medical services likewise command premiums where expertise is scarce or outcomes matter more than production effort. Engineering cannot simply copy these fee structures. The transferable lesson is that clients pay differently when providers define the outcome, demonstrate value, and offer capabilities that are not readily substitutable.

The case for value pricing is not new, but AI creates a new opening because it may change both what firms provide and how they provide it. Rather than repeat another cycle in which productivity rises but compensation remains tied to labor, firms can use AI to expand knowledge synthesis, alternative analysis, risk identification, and proactive data-driven services. Many of these applications remain prospective, but their value lies in changing client outcomes, not simply reducing task time.

AI may also shift professional services from the traditional staffing pyramid toward a “consulting obelisk”: fewer AI facilitators or techno-professionals, experienced engagement architects, and senior client leaders. The hypothesis is smaller teams, faster solution development, and greater emphasis on judgment, data, and value rather than resources consumed.

Adjacent professions make this hypothesis plausible: AI can perform basic tax returns and legal documents, while accounting and consulting firms are moving toward data-driven advisory

services. These shifts may reduce some junior work while increasing the importance of domain expertise, engagement design, senior judgment, and client leadership.

The engineering industry is not yet at that future state. The 19 executive interviews and 488 survey responses show early adoption concentrated in experimentation and support functions. Proposal and bid assembly account for 26% of reported AI use and information synthesis for 22%; firms using AI report average labor savings of approximately 15%. These are respondent-level, unweighted results from a 6.4% response rate and should be interpreted as patterns rather than precise industry estimates.

Interviewees ranged from cautious “Fast Followers” to active experimenters. Most agreed that AI is changing proposals and marketing, but not yet core engineering; few reported materially better client solutions today. Client demand and new service development remain weak drivers, and pricing models have generally not changed. Larger firms more often invest in proprietary tools and use savings to expand capacity, while smaller firms spread savings across quality, learning, and other uses. Still, AI is beginning to change production economics, necessitating a discussion about changing commercial structures too.

The recommended response is not simply to announce value-based prices. Firms must earn the right to have a different conversation by climbing the Value Ladder: **create** something meaningful to the client; **demonstrate** it with credible, preferably quantitative evidence; determine how much value can reasonably be **captured**; and only then apply **value-based pricing**. Pricing is the culmination of the process, not the starting point.

The pathway differs by client. Private developers offer greater discretion to test differentiated offerings and alternative pricing and received the highest opportunity score (3.10), versus municipal agencies (2.14) and state or federal agencies (1.92). Public-sector progress is more constrained: 36% of respondents identified agency policy as the largest source of resistance, making value demonstration, pilots, client education, procurement flexibility, and advocacy more important.

Four pathways can move firms up the Value Ladder: **enhance traditional deliverables** with broader knowledge and insight; **differentiate through specialization**; **develop new services** and broader advisory relationships; and **build data-focused partnerships** that enable proactive solutions. Firms may use one pathway or combine several based on market, client, capabilities, and public- or private-sector context.

Execution requires more than technology licenses. Firms need cross-training, technology integration, sales and negotiation capability, performance metrics, benchmarks, and contract changes. They should select the right pathway, define measurable outcomes, and build trust through early evidence. AI’s immediate strategic importance is the opening it creates to reposition engineering around client value before another generation of productivity gains is absorbed into fewer hours and higher expectations. Capturing a fair share of that value sustains the investment; better client outcomes remain the reason to make it.

INTRODUCTION

THE VALUE LADDER

Value Creation: The difference between how much a customer values a service and what they're willing to pay for it.¹

Value Demonstration: The interactions with customers that aim at convincing customers to buy a firm's value propositions.²

Value Capture: The ability of a firm to capture revenue and profit from the value it created.³

Value-Based Pricing: A pricing model that compensates project partners based on the value they create, not the cost to deliver their services.

1 Heinrich, Ally, "How Value Creation Applies to Your Business," Harvard Business School, April 2, 2026, <https://online.hbs.edu/blog/post/value-creation>

2 Ritter, Thomas, and Carsten Lund Pedersen. "Digitization capability and the digitalization of business models in business-to-business firms: Past, present, and future." *Industrial marketing management* 86 (2020): 180-190.

3 Jorgenson, Eric. "Why Value Capture is the Most Important Business Idea You Haven't Read Enough About," Medium, September 28, 2015. <https://medium.com/evergreen-business-weekly/why-value-capture-is-the-most-important-business-idea-you-haven-t-read-enough-about-c035c657d091>

Traditionally, engineering firms have been very good at measuring the inputs required to deliver their services, particularly labor hours. Achieving value-based pricing requires firms to focus on measuring the value of the outcomes they create for clients. Value-based pricing emphasizes identifying a customer's known and unknown needs and delivering a service that customers agree has value beyond the cost of producing the service. However, value-based pricing is not simply charging a higher fee, nor is it synonymous with lump-sum pricing. It is a different way of determining what engineering services are worth. The research documented in this report suggests that many engineering firms have not yet made that conceptual transition. Specifically, the results show that the industry has emphasized an alternative approach to contracting (lump-sum contracting) rather than developing an appropriate compensation model for obtaining the value of services delivered (value-based pricing).

Artificial Intelligence (AI) is bringing this issue to the forefront as firms are beginning to gain, or are soon to gain, efficiencies that will reduce the number of hours required to produce traditional services. The industry challenge is to reexamine business strategies that enable firms to capture the economic value to a client and receive a fair price for services rendered and investments made. This is not just a fixed multiplier-based fee, but a fee that reflects the knowledge, experience, and expertise of the professionals within the firm. Achieving this alternative pricing perspective is the motivation for the value-based pricing research effort.

Capturing value is a key business strategy of adjacent knowledge-based industries from financial and legal services to IT services and the medical profession. While some of these professions may still charge on an hourly basis, the hourly fee is in most cases significantly higher than those charged by engineering firms. This reflects the perceived value of the service by the client through value demonstration. These professions have built an expectation with clients that expertise requires appropriate remuneration. They practice value pricing. The challenge for engineering firms is how to replicate the introduction of the value pricing approach.

Why Now?

The world is experiencing a move to a new chapter of possibilities with the introduction of AI. The promise of AI is to reduce the time required to generate solutions, increase the rate of innovation, and enable firms to leverage global knowledge faster and better. Simply put, a technology is arriving that promises to be transformational for knowledge workers. This is creating an opening for industries of all types to rethink processes, workflows, and solution objectives.

The introduction of AI is triggering firms of all sizes to rethink what the future may look like and how competitive advantage is changing. What is being learned from companies such as OpenAI and Anthropic is that innovation and investment may change industry playing fields. The opportunity exists to reposition, refocus, and reinvent. In this way, the introduction of AI is a driver to discuss new strategic pathways that leverage new technologies, new knowledge availability, and new concepts of client value.

However, the engineering industry needs to approach this opportunity with a focus that differs from previous technology introductions such as CAD and 3D modeling. In those cases, technology was invested in and introduced, workflows adjusted, efficiencies adopted, and pricing reevaluated. However, the opportunity to adopt value pricing was not leveraged.

Rather, work processes were adjusted to avoid losing revenue due to clients expecting additional deliverables through more efficient operations.

The consulting engineering industry should not repeat this history. Rather, the industry needs a thoughtful response that emphasizes how AI is a driver to creating greater value in addition to providing greater efficiencies. The industry must consider how to recoup potentially significant technology and AI investments as hours to produce client solutions as currently defined will most likely decrease. The industry must leverage the AI introduction through strategic marketing and awareness prior to owners demanding lower pricing due to a perception that fewer hours are required to generate solutions. In sum, investment in strategic AI technology advances presents a transformative opportunity to develop client solutions. However, it also requires a commitment to defining and articulating the value this technology adds for clients.

The Engineering Industry Challenge

Engineers often lament that the fees clients are willing to pay do not reflect the expertise that they are procuring. This is the core of this research effort. How can consulting engineers change their pricing strategy to better reflect the value they bring to the project? Answering this question requires both understanding how the engineering industry finds itself in the current situation and how adjacent professions have created models which could be modified to fit the needs of consulting engineers.

In terms of the former, the engineering industry acknowledges that there are hurdles that must be aggressively addressed to move forward on a new strategy. Representative issues include:

Low Barriers to Entry – The consulting engineering industry, judged by numbers of firms, remains primarily a small-firm business. While revenue measurements emphasize the top firms, the industry remains varied and, in many cases, remains a local-focused endeavor. This reflects the low barrier to entry for engineering firms. Large numbers of similar firms at each revenue level create an environment for intense competition and continual reductions, rather than increases, in fees.

Lack of Strategic Differentiation – Value starts with the perception that the client is receiving something different from what others can provide. This must be something more than “our terrific people” when asked what the advantage is of hiring a specific firm. What is it about “our terrific people”? Firms must think deeper about the unique expertise they are bringing to the table.

Management Versus Strategic Leadership – Project/design managers are critical individuals in the context of any project and in ensuring firm profitability. However, these management functions are not substitutes for strategic leadership. Firms need to place a premium on competitive positioning, strategic planning, financial planning, and technology deployment to establish and retain competitive advantage.

These are just a few of the tough issues that engineering firms must address to demonstrate value to potential clients. However, a caveat to the findings presented in this research effort in terms of overcoming these barriers and achieving value pricing is that they should be considered in the context in which a firm is operating. Specifically, there is a significant difference between public and private owners in general and within geographic regions and sectors specifically. In the public project domain, the introduction or expansion of value pricing is a policy or regulatory issue. Individual departments generally do not have the independent discretion to allow for alternative pricing models. In these cases, a firm will need to demonstrate the additional value that could be gained by allowing value pricing. In a smaller municipality, this may be a presentation to the city council or county commissioners if they have the independence to alter pricing models. However, in the case of a large city, state, or even federal department, this may take a change in regulatory oversight. This requires advocacy to the governing body, which could delay the pricing introduction for a year or more. The bottom line being that the introduction of value pricing is ideally governed by the local office or agency. A firm needs to determine this prior to embarking on the Value Ladder.

In contrast to public owners, private owners have greater discretion to allow value pricing. As the survey responses later in this report indicate, private owners/developers who are putting in place projects that are time sensitive may be more open to alternative pricing as speed of implementation and quality of solutions are key to the overall project implementation. In these cases, the ability to articulate value, demonstrate how the value can be realized, and the ability to build a relationship with the owner are key to capturing value. Although the local versus national issue remains an issue with private owners as national chains may have policies that make it difficult to change pricing. Once again, the benefit to the owner of the value-added is going to be key to introducing value pricing.

The value pricing research effort provides a path for engineering firms to enhance value-based pricing opportunities in both contexts. As detailed, AI itself is not a driver or an advantage to achieve value-based pricing. Rather, the introduction of AI has opened a window of opportunity where both firms and clients can discuss traditional and emerging pricing models. The path presented in this report is a starting point for firms to examine both their internal and external strategies to leverage strategic value pricing opportunities. Ultimately, value is earned through developing internal and external perception that the services provided have value beyond the cost to produce those services.

LITERATURE REVIEW

The introduction of technology with the potential to change professional services consulting is a recurring theme over the last 40 years. In the early 1980s, personal computers along with desktop CAD systems promised to reduce the time required to generate contract documents. In the 1990s, 3D modeling promised to reduce errors and reduce the time required to correct technical designs. A decade later the widespread availability of the Internet promised a new era in team collaboration and time savings. More recently, cloud-based services promised seamless integration and savings. And today, the introduction of AI is promising to reduce costs by placing the power of knowledge and immediate data access at everyone's fingertips.

In each of these eras, delivering on these promises required technology investment. From individual workstations to remote computing capabilities, technology has never come without a price tag. The subsequent challenge for professional services firms has been to recoup investments while increasing financial margins. In terms of the latter, savings in performing tasks have seen mixed results. While the time required for the original task such as generating contract drawings was reduced, those savings were often replaced with new client expectations with no additional compensation. For example, additional value engineering options were expected since it was easier to produce alternatives with advances such as parametric design.⁴

Today, the introduction of AI technologies is presenting a similar pattern as previous generations of technology introduction. The promises around AI speak of better solutions, new services, reduced labor costs, and opportunities for new entrants.⁵ However, achieving these results requires investment. New hardware is required to support AI processing and data search capabilities. New training is required for all levels of personnel to understand the capabilities and restrictions of AI technologies. This returns the discussion to the question of how to recoup investments and enhanced solutions through billing that reflects the value of services and leverages new technology.

In a first step to answering this recurring question, a literature review was undertaken to understand how engineering and adjacent professional services industries are approaching this challenge with specific emphasis on AI technology. The literature review focused on peer-reviewed studies to ensure objective findings formed the core of the scan results. Supplementing these peer-reviewed studies were documents produced by professional associations that covered findings from their constituencies. Finally, reports from individual consulting firms were used to confirm findings with specific case studies where appropriate.

4 Aish, R., Woodbury, R. (2005). Multi-level Interaction in Parametric Design. In: Butz, A., Fisher, B., Krüger, A., Olivier, P. (eds) Smart Graphics. SG 2005. Lecture Notes in Computer Science, vol 3638. Springer, Berlin, Heidelberg.

5 Shah, Adeeba. (2026). "How AI is Changing Engineering Design: Real vs Hype 2026," SimuTecra Engineering. May 31, 2026. <https://simutekra.com/blogs/ai-engineering-design-real-vs-hype-2026>

Services are Changing

The first relevant finding for consulting engineering firms is to understand that the nature and delivery of services is changing.⁶ This finding from adjacent industries has been a theme in the literature for decades.⁷ Traditionally, professional services have been thought of as having high amounts of client contact time, high levels of solution customization, extended project timelines, and being highly relationship driven.⁸ This contrasts with mass market services which are characterized by minimal contact time, being equipment focused, and being product oriented.⁹ However, research is showing that four key areas are undergoing fundamental shifts with the introduction of AI.¹⁰

The first of these areas, relationship focus, is perhaps posing the greatest challenge to engineering firms. Specifically, the client-firm relationship is a foundational element for engineering firms. Engineering firms invest heavily in developing personal relationships with key clients to develop trust and a sense of partnership. The engineer/owner relationship is what enables a superior level of advisory/consulting services and outcomes. The typical RFP does not often convey the ancillary project benefits that might be achieved because of strong client relationships. Today, this personal relationship model is changing. In adjacent industries such as law, IT services, and finance where personal relationships and trust are also key, the emerging trend shows that reputation is no longer sufficient to retain relationships. Rather, clients are now asking what “outcomes” the firms are bringing to the relationship.¹¹ As AI-centric firms rapidly introduce new offerings to industries of all types, clients are asking what new outcome guarantees are being provided by the consultants. For example, accounting firms are no longer just providing accounting services but are also expected to bring capabilities to answer strategic financial questions.¹² These expectations are projected to grow throughout the professional services domain as clients have greater access to AI tools that claim to provide basic services.

6 Samokhvalov, Konstantin. “The transformative impact of artificial intelligence on the management consultancy sector.” *Management Consulting Journal* 7, no. 1 (2024): 59-68.

7 Gilson, Ronald J. “Value creation by business lawyers: Legal skills and asset pricing.” *The Yale Law Journal* 94, no. 2 (1984): 239-313.

8 Stumpf, Stephen A., Jonathan P. Doh, and Kevin D. Clark. “Professional services firms in transition: Challenges and opportunities for improving performance.” *Organizational Dynamics* 31, no. 3 (2002): 259-279.

9 Silvestro, Rhian, Lin Fitzgerald, Robert Johnston, and Christopher Voss. “Towards a classification of service processes.” *International journal of service industry management* 3, no. 3 (1992): 62-75.

10 Bezuidenhout, Carl, Troy Heffernan, Roba Abbas, and Michael Mehmet. 2023. “The Impact of Artificial Intelligence on the Marketing Practices of Professional Services Firms.” *Journal of Marketing Theory and Practice* 31 (4): 516–37. doi:10.1080/10696679.2022.2090005.

11 Estes, Paul. “AI in Professional Services: Turning Firms to Products,” July 28, 2026. <https://www.virtasant.com/ai-today/rise-of-ai-in-professional-services-mirrors-saas-shift>

12 Niepow, Dan. “Accounting Firms Hop Into Business Advising,” CFO, October 15, 2025. <https://www.cfo.com/news/accounting-firms-hop-into-business-advising-ai-risk-cathy-rowe-private-equity/802790/>

The second change is the enhancement of the knowledge-centric environment characterizing engineering with the rapid expansion of data availability. In this new perspective, the emphasis moves to uncovering new insights from client data. As AI presents opportunities to rapidly analyze data, datasets are an avenue for consultants to introduce new findings into traditional client conversations.¹³ For example, identifying areas of risk is a data reasoning activity that AI can address earlier in project development. This is true in legal cases, engineering projects, financial transactions, and even in medical diagnoses. As such, it is no longer sufficient to solely bring professional expertise, but rather the ability to also analyze data with new perspectives is expected.¹⁴

The third area of change focuses on the role of technology. Previously, professional services outside of medical services had a low barrier to entry in terms of capital resources. Services were based on an individual or team having the knowledge to generate client solutions. Large investments in physical equipment or high-end computing platforms were not necessary except in specific areas of practice. However, AI is changing this dynamic. Today, computing capacity is an essential element in developing an AI-enhanced practice. The low-capital, knowledge worker practice is evolving into a human-technology practice where AI insights are as valuable as professional knowledge.¹⁵

The final area of change addresses the changing workforce. The era of a professional workforce is changing to one that is being augmented by the techno-professional.¹⁶ These professionals are not accredited in traditional manners such as being licensed by state boards but rather bring expertise in how to leverage AI to solve client problems. These professionals do not replace licensed engineers but rather provide a new level of support. For example, the need for entry-level tax professionals is being reduced as AI can complete basic tax returns faster and without the potential for human-introduced errors. Similarly, basic legal documents can be generated by AI tools with techno-professional guidance. This is introducing a new type of professional as well as creating opportunities for non-traditional firms to perform similar services.

In summary, the roles that professional services firms play in client solutions are changing. As seen in adjacent industries, the types of services expected and the types of professionals being engaged are shifting due to the introduction of AI. This leads to the next challenge for professional services, understanding what value is in the changing environment to allow for the introduction of value pricing.

13 Radić, Marija, Philipp Herrmann, Theresa Stein, Nicolas Heirich, and Dubravko Radić. "Pricing data based on value: A systematic literature review." In *Proceedings of the Future Technologies Conference*, pp. 319-339. Cham: Springer Nature Switzerland, 2024.

14 "How AI in the Flow of Work is Changing the Way Consulting Firms Operate," Deltek, June 30, 2026. <https://www.delttek.com/resources/articles/ai-in-consulting-firms/>

15 Randazzo, Steven, Hila Lifshitz, Katherine C. Kellogg, Fabrizio Dell'Acqua, Ethan Mollick, François Candelon, and Karim R. Lakhani. "Cyborgs, Centaurs and Self-Automators: The Three Modes of Human-GenAI Knowledge Work and Their Implications for Skilling and the Future of Expertise." Harvard Business School Working Paper, No. 26-036, December 2025.

16 Trilling, B., and C. Fadel. "National Academy of Engineering.(2004). The Engineer of 2020: Visions of Engineering in the New Century." 21st century skills: learning for life in our times (2004).

Value in the New Environment

The concept of value pricing is not new, nor is the desire to move to value pricing from traditional cost-plus forms of pricing¹⁷. Since the early 1980s, professional service firms have been a topic of research for the process of moving to value pricing.¹⁸ The underlying technology driver for this interest remains unchanged. The time and investment required to introduce technologies as well as the enhanced products that are produced should be rewarded by clients in the form of fees that reflect the value being delivered.¹⁹

The question of how to achieve this shift continues to be a focal point in professional services firms of all types.²⁰ In looking at how AI might break the pattern of not being able to achieve value pricing, it is instructive to examine adjacent industries where this shift has partially been achieved. Management consulting firms in particular have been the most studied and documented.

The names of these firms are well-known even if individuals are not fully aware of the services they offer. McKinsey & Company, Bain & Company, Boston Consulting Group, and Accenture are leaders in the management consulting business. As such, through their industry positioning, billing rates from these firms can be three to four times what engineering services are allowed to bill. But the core question related to value pricing is what specific value these firms bring to their clients beyond their names and size. The answer to this lies in both the changing nature of services offered and the perceived need for the expertise offered.^{21,22}

In terms of services, the previously discussed data focus is at the center of these large consulting firms offering AI-based changes. As documented by one firm, long-term relationships with clients and the associated access to data allowed them to propose new areas of contract services that were previously downplayed.²³ These firms are emphasizing how AI-enhanced solutions enable clients to enhance performance either through additional markets, greater efficiencies, or faster implementations. The firms are then tying a higher level of compensation to project performance. In each of these cases, the focus is on introducing new value-based services beyond the scope of the historical relationship between the two parties.

17 Napier, Randy, and Rajat Mishra. "Nice work if you can get it: A Resource-based View of value-based pricing in professional services." *J Supply Chain Oper Manag* 13, no. September 2015 (2015): 25-43.

18 Maister, David H. "Balancing the professional service firm." *Sloan management review* 24, no. 1 (1982): 15-29.

19 "Implementing Value-Based Pricing for IT Services," PricingLink, April 25, 2025. <https://pricinglink.com/knowledge-base/it-support-helpdesk-services-for-smb/value-based-pricing-it-services>

20 Garrido-Lopez, Mariano, Lane Perry, Yue Hillon, and Joshua Downs. "Exploring Consulting Value Creation for Microenterprises." *Journal of Small Business Strategy* 36, no. 1 (2026).

21 McKinsey & Company. "The Hidden Power of Pricing," 2014.

22 Kampmann, Alexandra H. "Management Consulting Fees: How Bain, BCG, and McKinsey Price Projects," Slideworks, April 19, 2026. <https://slideworks.io/resources/management-consulting-fees-how-mc-kinsey-prices-projects>

23 Manganiello, Lana and Tiano, Joseph. "Law Firms' AI Strategies Need Development and Data Analytics," Bloomberg Law. November 24, 2025. <https://news.bloomberglaw.com/legal-exchange-insights-and-commentary/law-firms-ai-strategies-need-development-and-data-analytics>

Arguably the greater avenue to value-based pricing for management consultants is a focus on perceived need by the client.²⁴ Utilizing their resources, these leading services firms regularly publish studies on emerging topics of interest for their clients. Through these publications, the firms establish their topic expertise as well as reinforcing the critical importance of the topic to their clients. Building an imperative to not get left behind or get blindsided by new industry developments, clients are encouraged to engage the professional services firm to conduct similar analyses or provide strategic advising to their specific context.

The lesson here is that markets are evolving to value longer-term relationships and strategic advising. The objective for professional services firms is to move from a supplier to a solution provider and ultimately to a strategic advisor. This concept is not new, but the introduction of AI presents firms with an opportunity to revisit how to put the concept into action.

Which Clients Value AI

The change in service opportunities presented by AI brings with it the challenge of determining which clients value these services.

Research into this topic highlights the concept of client loyalty, sacrifices and benefits as an underlying driver to valuing new services.²⁵ Benefits from the client perspective emphasize the positive outcomes that occur from working with a professional services firm. This includes excellence in the solution, increase in status from a good result, reducing stress from the efficiency of the process, and positive results in terms of social and environmental concerns. These benefits are consistent with positive outcomes that services firms have emphasized in their offerings even before AI.

The difference for firms today is that the expectation for benefits has increased as clients gain more experience with the potential of AI.²⁶ Research focusing on client expectations is showing that perceived benefits to both the contracting officer and the owner organization may not explicitly show on review forms but are influencing decisions. In particular, the ability to identify potential risks early in the project process is valued as the number of potential roadblocks and delays rises from expanding constituencies.²⁷ Maximizing benefits such as this is gaining client importance as the understanding grows in terms of what can be accomplished.

24 Nagle, Thomas T., Georg Müller, and Evert Gruyaert. The strategy and tactics of pricing: A guide to growing more profitably. Taylor & Francis, 2023.

25 Trasorras, Rene & Weinstein, Art & Abratt, Russell. (2009). Value, satisfaction, loyalty and retention in professional services. Marketing Intelligence & Planning. 27. 615-632. 10.1108/02634500910977854.

26 Mariani, Marcello M., and Matteo Borghi. "Artificial intelligence in service industries: customers' assessment of service production and resilient service operations." International Journal of Production Research 62, no. 15 (2024): 5400-5416.

27 Li, He, Mohammad Yazdi, Arman Nedjati, Rosita Moradi, Sidum Adumene, Uyen Dao, Amirhossein Moradi et al. "Harnessing AI for project risk management: A paradigm shift." In Progressive decision-making tools and applications in project and operation management, pp. 253-272. Cham: Springer Nature Switzerland, 2024.

While amplifying benefits builds on existing marketing themes, the concept of reducing sacrifices may be new to engineering services firms. In this perspective, sacrifices are issues that require clients to expend resources.²⁸ For example, price and schedule negotiations are considered a sacrifice as additional time is required to negotiate. Similarly, security and privacy risks are sacrifices as they require specific attention to be drawn away from the core project. In terms of services, reducing these sacrifices wherever possible is a positive for the client. Minimizing potential sacrifices is considered value to the client.

The challenge for professional services firms in highly regulated industries is that fewer sacrifices are opportunities for improvement. Specifically, in instances where the client has little incentive to rapidly select a firm, has flexibility in schedule, or has limited contracting vehicles, the client may have fewer sacrifices that need to be addressed. This may limit the opportunity for services firms to differentiate themselves based on offerings that reduce client sacrifices.

A New Model for Services

Building on the new models of value-based offerings, adjacent industries are moving slowly toward a new model of project staffing. In traditional models, the pyramid structure is put in place where a large base of junior professionals provides solution components to mid-level staff. These individuals in turn develop overall solutions based on guidance from senior staff and specialists. This model, in place for decades, supports hourly billing where each staff level has specific tasks and accompanying rates. It also provides a well-trodden career path where professionals from early career through senior executives understand roles and responsibilities.

Today, AI is challenging the pyramid model. Specifically, it raises the question of whether a large base of junior-level associates is required during the solution generation process. With AI providing the ability to rapidly search data and summarize findings, the time and effort required to create first-level solutions is significantly reduced. AI emphasizes the utilization of techno-professionals rather than traditional entry-level engineers, accountants, and contract specialists. The alternative model capturing the new solution process is referred to as the “consulting obelisk.”²⁹

In the obelisk model, three levels of professionals are included: AI facilitators, engagement architects, and client leaders. The first level, AI facilitators, are the new generation of lower-level team members. However, in this model, fewer team members are required as the focus moves to leveraging AI to rapidly provide answers to component questions. These are the techno-professionals that are versed in both technical knowledge and AI leveraging skills. The next level, the engagement architects, are the experienced consultants who lead projects. They orchestrate the solution process and translate findings from AI facilitators into client solutions. Finally, the top level of the obelisk consists of client leaders. These individuals are responsible for strategic client relationships and developing the messaging highlighting client benefits and sacrifices.

28 Ruiz, David Martín, Dwayne D. Gremler, Judith H. Washburn, and Gabriel Cepeda Carrión. “Service value revisited: Specifying a higher-order, formative measure.” *Journal of Business Research* 61, no. 12 (2008): 1278-1291.

29 Duncan, David S., Tyler Anderson, and Jeffrey Saviano. “AI is changing the structure of consulting firms.” *Harvard Business Review* (2025).

The change introduced by this model is a focus on rapid solution development, smaller teams, greater team collaboration, fewer required resources, and a greater emphasis on value. Specifically, the teams emphasize leveraging data and knowledge to produce innovative solutions and alternatives while requiring fewer resources to generate these solutions. The service professionals can then emphasize the value of the solution to the client rather than focusing on the number of hours required to generate solutions. This brings forward once again the lesson from adjacent industries that maximizing resources by leveraging technology provides opportunities to sell value rather than hours.

Summary

In summary, adjacent industries and early reports from engineering firms provide insights into the potential to leverage AI technologies into value-based pricing. However, these same insights also raise warnings that return-on-investment may take time. The concept of a direct line item that can be passed along to the client is not borne out by adjacent industries. This contrasts with past technologies such as CAD where firms could pass along computing fees as this was a capability that clients did not have. In the case of AI technologies, clients have equivalent, if not better, AI tools, and thus are not tending to be favorable to paying for these additional technologies.

What is not always visible to clients is that the development of AI assistants requires cost and effort. Specifically, engineering firms continue to have costs associated with:

PROCURING AI TOOLS

**ENSURING THAT SUFFICIENT, APPROPRIATE AND QUALITY
DATA IS USED TO DEVELOP SOLUTIONS**

**CAPTURING THE A/E EXPERTISE TO MAXIMIZE THE VALUE
OF ANALYSIS**

Given this oversight and the wariness about paying directly for AI, professional services firms must focus on one question: what is the economic value to the client of firms investing in AI? The answer emerging at this early stage is that value emphasizes the following key items:

Data focus – In the AI world, data is key. How firms leverage AI to introduce new services that build on client data is fundamental to building value.

Innovation – The hype and promise of AI has clients looking at what is “new and innovative” that firms are bringing to the table. Value is being framed in terms of innovation and new offerings for many clients.

Minimizing sacrifice – While benefits have been the focus for decades, reducing sacrifice is the emergent topic. Understanding client sacrifice will enable firms to focus messaging to include both maximizing benefits and minimizing sacrifices.

Long-term relationships – Long-term relationships are reinforced as these provide opportunities for data access. Where possible, relationships should evolve from solution provider to strategic advisor.

With these in mind, engineering firms need to consider where value is being generated for the client and what pathway is appropriate to introduce new value. The consulting engineering industry differs from other professional services firms in the product it produces for clients. However, it is similar in that the goal of the services is to provide recognized value that can be captured through value-based pricing.



METHODOLOGY

The value-based pricing study required a multi-focus methodology to address the current use of value-based pricing, the adoption of AI technologies, and the potential impact of AI on value-based pricing. The methodology chosen in response to this need was a multi-step, multi-method approach. The multi-methods approach was designed to capture both individual perspectives and broader patterns among ACEC member firm leaders. Additionally, it was recognized that the engineering industry includes firms with differing pricing and client strategies as well as a client base that differs in terms of its approach to selecting engineering firms. Bringing these multiple perspectives into an overarching study required both individual interviews and a broader survey among a cross-section of firm leaders.

The resulting methodology put in place for the value-based pricing research was a five-step process that moved from general literature review to focused interviews and back out to an industry scan. The results were then compiled into a set of recommended options to increase value pricing within the consulting engineering industry.

Literature Review

The topic of value pricing is one that is considered a basic premise for many professions. As such, value pricing strategy has been studied for decades by management and leadership professionals. This extensive literature base was the focus of the first step, literature review. In this step, value-based pricing approaches from both the engineering and adjacent consulting industries were reviewed. The review included peer-reviewed journal articles, professional association studies, and professional journals. The findings from this study were categorized to provide a basis for answering the question of how adjacent industry sectors have successfully transitioned to a value pricing strategy. Additionally, this step highlighted the challenges previously documented by researchers that consulting engineers face in achieving a value pricing transition.

Executive Interviews

Following the literature review, the research team conducted qualitative interviews with ACEC member firm leaders to explore where and if value-based pricing is currently being used within engineering firms, the current state of AI adoption, and the potential implications of AI for value-based pricing.

To identify interview participants with relevant experience, a recruitment screener was distributed to firm leaders at ACEC member firms. Firm leaders who indicated that they had experience using value-based pricing approaches were invited to participate in an in-depth interview. This purposeful recruitment approach was intended to provide insights from executives with direct experience considering or implementing alternative approaches to pricing engineering services.

A total of 19 one-on-one interviews were conducted from late May through early June 2026. Interviews were conducted virtually and lasted approximately 45 minutes. The discussions followed an interview protocol organized around the three primary areas of the study: the current use of value-based pricing, the current state of AI adoption, and the potential impact of AI on value-based pricing.

Participants were assured that their interviews would remain confidential and that no findings would be attributed directly to either the individual participant or their firm. Following completion of the interviews, the findings were reviewed and analyzed to identify recurring themes, differences in perspectives, and other notable insights. The qualitative findings were also used to inform development of the quantitative industry survey.

Following the executive interviews, a quantitative survey was developed to assess the study topics across a broader group of ACEC member firm leaders. The survey incorporated findings from both the literature review and qualitative interviews and was designed to quantify and further examine patterns identified during the earlier phases of the research.

The survey addressed the same three primary areas explored during the interviews: the current use of value-based pricing, the current state of AI adoption, and the potential impact of AI on value-based pricing. Where appropriate, topics explored through open-ended questions during the qualitative interviews were translated into structured survey questions to allow for quantitative analysis.

The survey was fielded among ACEC member firm leaders from July 7 through July 22, 2026. Invitations were sent by email to 10,656 firm leaders. Of these invitations, 3,058 were returned as undeliverable, resulting in 7,598 successfully delivered invitations. Firm leaders who had not completed the survey received up to three reminder emails during the fielding period.

A total of 488 firm leaders responded to the survey, representing a 6.4% response rate among successfully delivered invitations. Because multiple firm leaders from the same ACEC member firm could receive an invitation and participate, the survey results represent responses from individual firm leaders rather than 488 unique firms.

Survey responses were analyzed at the respondent level and were not weighted. The quantitative findings were used to assess the prevalence of practices and perspectives identified during the qualitative research and to examine differences across relevant firm and market characteristics.

Implementation Pathway Development

The input from the literature review, surveys, and multi-industry interviews was the basis for developing the implementation pathways. The summarized responses were analyzed for specific patterns that could be summarized into specific implementation pathway recommendations. These pathways build on the Value Ladder and the key questions that need to be answered to progress up the ladder. Through answering the questions and selecting an appropriate pathway, engineering firms can enhance the opportunity to introduce value-based pricing.

Recommendations Report and Presentation

The final step in the research effort was the development of the implementation recommendations summarized in this report as well as the accompanying presentation materials. The report and presentation are a collaboration between ACEC Research Institute and Dr. Chinowsky, focused on the practical implementation in firms of all sizes.

Transparency Statement

AI-assisted tools were used to support qualitative analysis of this report. All research decisions, interpretations, conclusions, recommendations, and final editorial content reflect the independent judgment and responsibility of the author.



INDUSTRY SCAN

As detailed in the methodology overview, the industry scan included both an interview phase and a survey phase. The literature review provided the starting point for the interview phase.

Interviews

The value-based pricing interview element included 19 interviews with senior executives. This included 6 small (1-50 FTE) firms, 4 medium (51-200 FTE) firms, 2 large (201-500 FTE) firms, and 7 very large (501+ FTE) firms. This provided a good representation across different size firms as well as level of specialization. The interview results provided insights into the early thinking from executives on the role that AI is playing in industry disruption as well as the opportunity to expand value-based pricing. The summary of these insights is presented below based on the order in which the three primary topics were addressed.

VALUE-BASED PRICING

The consensus from the participants was that value-based pricing is broadly defined within their organizations as lump-sum pricing. The focus is more on a contract mechanism to get flexibility in billing rather than an effort to increase rates to reflect value creation. Within this contract-focused approach, firms attempt to raise billing rates by raising multipliers in the lump-sum proposals. However, acceptance of this form of contracting is agency and location specific. The factors influencing the acceptance of lump-sum contracting vary depending on client and project type.

A key factor that influences the acceptance of lump-sum contracting is the level of specialization required for the project. The more specialized the service, the more likely lump-sum is possible. This can also be influenced by the relative size of the specialty. Smaller specializations such as sewer line inspection tend to be a small part of larger projects so price becomes less of an issue in comparison to the larger contracts. A second factor that can influence acceptance is the criticality of the service. Critical services such as dam inspection are more likely to be accepted as lump-sum. Finally, trust becomes a factor in larger projects. Participants emphasized that lump-sum can only come into play when there is an established trust relationship between the firm and the client.

The use of lump-sum is addressing an alternative delivery approach. However, while success is occurring in getting lump-sum contracting accepted, it does not appear equal success is being achieved in increasing rates to reflect and capture value. This illustrates how engineering is not seeing the increase in hourly rates that adjacent consulting fields are achieving. Several potential factors include:

■ **Trust** – There is still an underlying belief in some agencies that the public is being taken advantage of, and it is the role of the procurement officer to ensure only “appropriate” margins are achieved.

■ **Value of Knowledge** – The knowledge of consultants is still not perceived as unique. It is replaceable with similar firms. General engineering discipline knowledge is considered a commodity. Clients with backgrounds in engineering also doubt the extra value being brought by firms.

■ **Private vs. Public Clients** – Private clients place higher value on firm knowledge as time is money and getting the project done is the focus. Consultants are a small piece of the project, so a small amount of extra fee is worth it to not be delayed. Public projects do not generally have the same time pressure so there is more time to focus on fees.

ROLE OF AI

There is no consensus on the role that AI is playing in the engineering industry. There is a continuum of opinions about the current and future role of AI in engineering and pricing. Overall, most firms are still in the exploration phase. They emphasize wanting to be “Fast Followers”. They don’t want to be left behind, but they don’t want to be on the leading edge where failures take place. The difference in perspectives is specifically seen in opinions about how AI may change the engineering industry. Some firms think that AI is no different than any other technology. It will provide some efficiency but will not fundamentally change the core engineering tasks. Others believe this is a fundamental change in the industry. They are actively experimenting with AI agents. They believe that the additional capability and efficiency will be a competitive advantage.

While there is disagreement on the level of integration that can be achieved in core engineering, there is strong agreement that AI is changing marketing and proposal writing. Most firms are already implementing AI in these areas. These tasks are repetitive and most of the task is reformatting and recombining existing information. This is an efficiency focus. In general, firms that emphasized efficiency gains appeared more bullish on AI.

Overall, there is agreement that AI is not currently mature enough to have a significant impact on core engineering tasks. At this point, they continue to explore where AI may fit in the core engineering business. There is also a concern about the cost of software licenses over the long term as licenses are currently being charged to overhead. The general result highlighted that many key questions remain in terms of the role of AI. The questions include:

Does AI produce more output that just requires additional QA/QC?

Are proposals starting to look the same to clients?

When does liability for the firm and public safety become a concern?

Will technology fees be required to recoup investment?

What internal guidelines are required?

AI IN VALUE-BASED PRICING

The final topic in the interview protocol focused on the potential impact of AI on enabling value-based pricing. From this perspective, there is a divide in thinking between short-term efficiency and long-term value pricing opportunities. In the short-term, the focus on AI impact is on efficiency. This is reflected in the focus on using AI in proposal development. Additionally, it is the driver behind the movement to use AI to consolidate firm knowledge and information for ease of use in solution development. This is less about capturing value and more focused on remaining competitive.

For long-term impact, participants are split over whether they believe AI will impact core engineering tasks. Few thought that AI would lead to better client solutions. However, some believe it may lead to more alternatives being explored. Larger firms are being more aggressive in allowing employees to explore this potential impact but have not yet seen how the technology will significantly change core engineering. They do however believe that AI will likely start replacing entry-level tasks. In contrast, smaller firms are being more aggressive in experimenting on a narrow set of tasks. These firms appear more enthusiastic about the potential for creating value and subsequently introduce value pricing. These firms also have a stronger belief that software companies such as Autodesk will incorporate AI into their product offerings. This is creating a greater emphasis on a wait-and-see approach.

BOTTOM LINE SO FAR

Overall, the interviews provided a base set of assertions that required survey validation and a set of questions that required further investigation. Key among these are:

Is it true that AI is being tested and explored by firms of all sizes?

Is it true that AI is being actively employed more for competitiveness as an efficiency tool in proposal development than for creating and capturing value?

Is it only a small percentage of firms that are testing AI in core engineering functions?

How can firms recoup their AI investment? This is limiting who is investing and how much is being invested at this point.

Where is value creation occurring and how might this lead to value pricing opportunities?

Industry Survey

The value-based pricing survey provided a cross-sectional perspective on the current use of value-based pricing, the adoption of AI, and the current thinking on the future role of AI in pricing. As detailed in the methodology, the survey was distributed to ACEC members. The survey was distributed in Qualtrics with an introduction detailing the scope of the research effort. Respondents were given two weeks to respond to the survey to keep to the project schedule. Responses were then grouped using SPSS and Excel to facilitate the quantitative analysis detailed below.

The survey response included 488 firm leaders representing a distribution in geography, size, and market sector. As Table 1 indicates, respondents from smaller firms tended to classify themselves as local, statewide, and regional while respondents from larger firms indicated they were regional, national, or international. In terms of specialty, respondent firms that earned more than 40% of their revenue in a single sector were classified in that sector. Respondent firms that did not earn greater than 40% in any area, or earned equal percentages in only two sectors, were classified as General. As shown, Transportation was the largest sector represented, followed by General firms and Water/Wastewater firms.

TABLE 1
Breakdown of Respondents Based on Size and Market Sector

	Local	Statewide	Regional	National	International	TOTAL
FIRM SIZE (FTE)						
1-25	18	31	31	12	2	94
26-50	14	17	24	4	2	61
51-200	4	27	76	19	4	130
201-500	0	3	23	18	4	48
501+	0	0	36	71	48	155
Total	36	78	190	124	60	488
SECTOR						
Transportation	13	43	62	46	25	189
General	8	14	36	23	12	93
Water/Wastewater	3	7	34	11	5	60
Commercial	1	5	18	9	5	38
Energy	0	1	9	8	1	19
Industrial	1	0	8	6	5	20
Technology	0	0	1	6	1	8
Housing	7	5	4	4	2	22
Other	3	3	18	11	4	39
Total	36	78	190	124	60	488

FINDINGS – THE STATE OF VALUE PRICING

The first result of note from the value-based pricing survey is that the industry primarily uses lump-sum, fixed-price contracting to achieve higher rates. As shown in Table 2, over 50% of respondents across the size spectrum use lump sum to implement what they see as value pricing. An important distinction emerging from the research is that engineering firms often use the terms value pricing and lump-sum pricing interchangeably. However, the two are not synonymous. Lump sum describes how the client is charged, while value-based pricing describes how the price is determined. A lump-sum fee derived primarily from estimated labor and internal cost remains fundamentally cost-based. True value-based pricing begins with the economic or strategic value of the outcome to the client. Going forward in this report, the focus is on achieving value-based pricing whether it is in the form of lump-sum or another implementation.

TABLE 2
How Value Pricing Is Implemented in Firms, by Firm Size

	1-25 (FTE)	26-50 (FTE)	51-200 (FTE)	201-500 (FTE)	501+ (FTE)
Lump-sum (fixed-price)	53%	56%	65%	62%	55%
Value-based pricing (Higher negotiated fee)	20%	19%	18%	23%	26%
Other	23%	14%	14%	14%	16%
None at this time	4%	11%	3%	1%	3%

Building on the focus of value-based pricing, Table 3 shows that respondents from most sectors agree that value-based pricing is implemented primarily on an ad-hoc, case-by-case basis depending on the project. However, in terms of firm size, respondents from large and very large firms indicate that over 30% have it as standard practice in some departments.

TABLE 3**Where Is Value-Based Pricing Currently Used in the Firm**

	Transportation	General	Water/ Wastewater	Commercial	Energy	Industrial	Technology	Housing	Other	Average
Fully adopted firm-wide	10%	9%	7%	32%	0%	16%	13%	25%	24%	15%
Standard practice in specific departments/ practice groups only	23%	28%	24%	19%	18%	5%	38%	15%	22%	21%
Ad-hoc / case-by-case basis depending on the project	44%	43%	49%	32%	76%	37%	13%	45%	30%	41%
Currently piloting/ testing with a small subset of clients	3%	3%	4%	3%	6%	16%	13%	0%	3%	6%
Researching/ exploring potential use, but not yet implemented	20%	16%	16%	14%	0%	26%	25%	15%	22%	17%

In terms of the amount of revenue derived from value pricing over the last 12 months, small and medium firms have a greater percentage of their revenue derived from value pricing (1-25: 47%, 26-50: 52%, 51-200: 38%, 201-500: 35%, 501+: 31%). From a sector perspective, Commercial (67%) and Housing (63%) are the sectors with the greatest value pricing revenue generation. Transportation (30%), Energy (29%), and Industrial (29%) have the lowest revenue percentage. This result reflects each respondent's perspective on what value pricing is to their firm. This result may also be reflective of the respondents taking the survey. The overall industry numbers may differ as there may be bias in that the respondents answering the survey may be from firms that have a higher-than-average amount of revenue being derived from value pricing.

In terms of opportunities to utilize value-based pricing, policy within individual agencies or developers dictates these opportunities. This is reflected in 36% of respondents saying that agency policy is the biggest reason for resistance to implementing value-based pricing. These policies prevent value pricing from being considered. This policy challenge is further reflected in responses to the question of where respondents believe they have the greatest opportunity to use value-based pricing. As shown in Table 4, state or federal agencies receive the lowest score with private developers receiving the highest score. The policy challenge is an opportunity for education and advocacy at both the national and local levels.

TABLE 4

Respondents' Perspective on Where the Opportunity Is to Use Value-Based Pricing

	1 None	2 Little	3 Moderate	4 A Lot	5 Great Deal					
	Transportation	General	Water/ Wastewater	Commercial	Energy	Industrial	Technology	Housing	Other	Average
State or federal agencies	2.05	1.98	1.77	1.76	1.82	1.17	1.71	1.81	2.18	1.92
Municipal agencies	2.25	2.15	2.45	1.90	1.82	1.16	1.67	2.38	2.22	2.14
Private developers	3.15	3.11	2.90	3.34	3.44	2.28	3.20	3.71	2.88	3.10
Regional or national industry owners	2.57	2.87	2.68	3.21	2.80	2.50	2.80	3.06	2.83	2.75
Local industry owners	2.58	2.81	2.44	3.14	2.87	2.80	2.00	3.13	2.92	2.71
Other	2.50	2.50	1.86	2.00	3.67	1.33	4.00	1.67	2.25	2.35

Key Observation

The interchangeable use of value pricing and lump-sum contracting may be influencing the introduction of value pricing. The push to allow lump-sum contracting does not necessarily equate to achieving value-based pricing. Policies may be changed to allow lump-sum contracting, but that does not necessarily include allowing a break from hourly rates as a basis for fees. Value-based pricing enhances the ability to develop innovative solutions as it promotes effectiveness in solutions rather than efficiency of process.

If the opportunity to propose value-based pricing exists, several considerations go into a firm's calculations behind its value-based pricing. As shown in Table 5, internal cost and client willingness to pay are key factors. The significant emphasis on internal cost and client willingness to pay is a key indication of the difficulty in demonstrating value and moving to value-based pricing. Whether it is an internal reluctance to change or an external restriction on implementing value-based pricing, firms may be changing the form of the fee and the contract but may not be fundamentally changing the economic basis on which that fee is established.

TABLE 5
Influences on Setting Final Value-Based Price

	Transportation	General	Water/ Wastewater	Commercial	Energy	Industrial	Technology	Housing	Other	Average
Internal cost & effort	36%	32%	33%	42%	33%	42%	40%	38%	30%	35%
Client willingness-to-pay & budget	26%	28%	30%	25%	28%	25%	28%	33%	32%	28%
Market competition & alternative options	17%	19%	16%	19%	18%	16%	15%	12%	20%	17%
Risk plus degree of difficulty	19%	20%	20%	9%	21%	17%	14%	17%	17%	18%
Other	2%	2%	1%	5%	0%	1%	3%	0%	0%	1%

If the firms are in fact able to move forward on a decision to pursue a value-based pricing approach, firms need to persuade a client of the value that is being brought to the project. As an indicator of how respondents view the value they are bringing to a project, the survey asked respondents for their definition of value. As shown in Table 6, the definition of value varies among respondents with all five options receiving relatively equal responses. While further investigation is required to fully understand this finding, the initial interpretation is that value can vary depending on the client and project. The industry brings value in multiple ways that favorably impact a project. In those instances where value is recognized and policy permits, they may have the opportunity to implement value-based pricing.

TABLE 6
Definitions of Value to the Client

	Transportation	General	Water/ Wastewater	Commercial	Energy	Industrial	Technology	Housing	Other	Average
Cost savings / financial return for the client	17%	19%	20%	18%	23%	23%	23%	13%	21%	19%
Risk reduction / compliance	21%	20%	22%	22%	20%	21%	24%	23%	19%	21%
Speed of delivery / time-to-market	18%	15%	20%	17%	17%	25%	20%	20%	21%	18%
Innovation / innovative solutions	21%	23%	20%	24%	22%	19%	21%	26%	20%	22%
Access to niche expertise / specialized capabilities	22%	22%	18%	18%	18%	12%	13%	19%	19%	20%

Key Observation

Value is being created by industry firms in multiple ways. The opportunity to establish value and then capture value can be different depending on the client and project. A firm should look at the different opportunities at both a project and client relationship level.

Finally, in terms of going forward, the combination of where opportunity exists for value pricing and the value that is brought to clients gives an indication of what types of projects that respondents consider opportunities for using value-based pricing. As shown in Table 7, respondents see different types of opportunities for value-based pricing. Strategic projects, highly complex projects, and highly standardized projects are identified more often, but each type of project provides value pricing opportunities. In this case, the responses should not be read as which projects provide the “best” opportunity for value-based pricing.

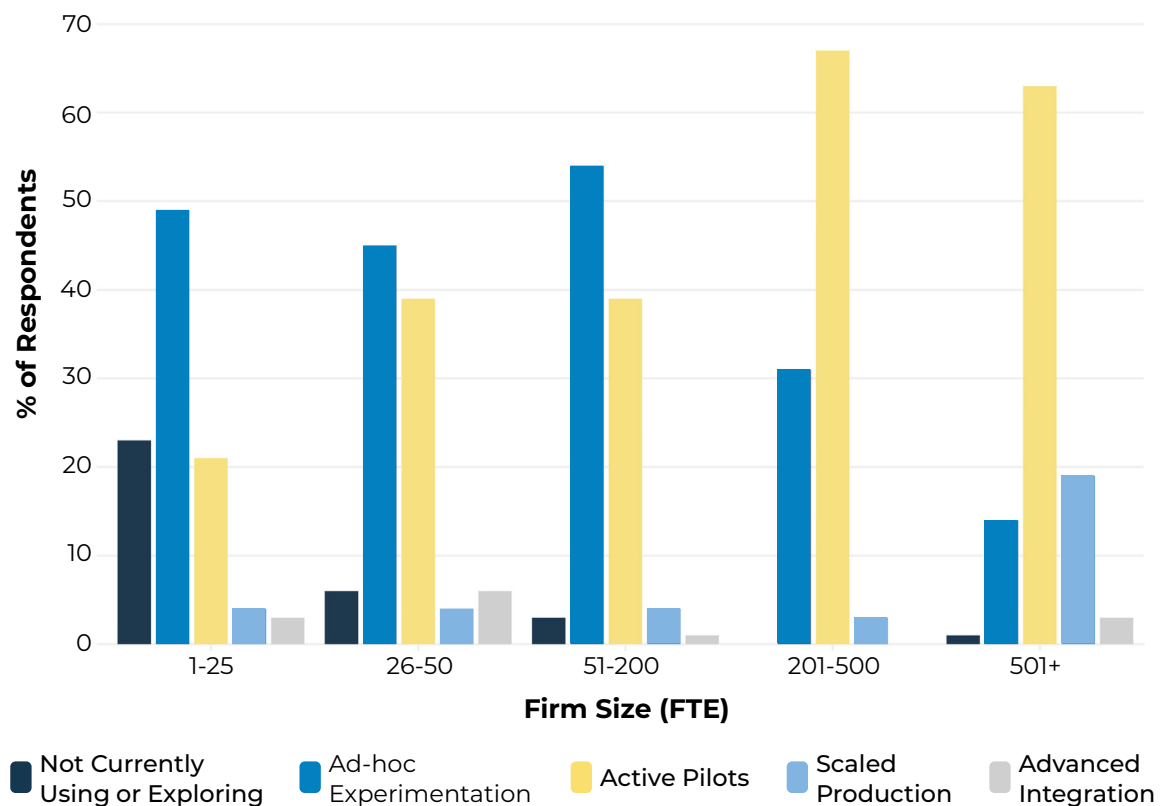
TABLE 7
Types of Projects Where Firms Utilize or Explore Value-Based Pricing Approaches

	1-25 (FTE)	26-50 (FTE)	51-200 (FTE)	201-500 (FTE)	501+ (FTE)	Average
Highly standardized / repeatable projects (predictable scope)	23%	25%	22%	19%	19%	21%
Highly complex / high-impact strategic consulting (high perceived value)	22%	15%	22%	26%	23%	22%
Long-term, ongoing operational support	9%	16%	9%	8%	11%	10%
Urgent / crisis-management projects	17%	20%	19%	19%	17%	18%
Strategic consulting or engineering	23%	21%	24%	22%	26%	24%
Other	3%	1%	1%	3%	3%	2%
None of the Above	3%	2%	2%	2%	1%	2%

FINDINGS – AI IMPLEMENTATION

The overall message from the survey results in terms of AI adoption within engineering is that AI adoption is still in the early stages. Firms are primarily in the exploratory phase of AI adoption (Figure 1). Since this is early in the adoption curve, the impact has been neutral in terms of firm performance. While respondents expect AI discussions with clients to occur in the future, there is currently little change in client expectations around AI use.

FIGURE 1
Implementation Status of AI According to Firm Size



Key Observation

AI adoption remains early and concentrated primarily in experimentation and support functions, even as firms recognize significant longer-term potential. Firms should consider appropriate pathways for their specific implementation of AI.

For those piloting AI, Table 8 shows that firms are predominantly focused on the areas of proposal development (26%) and information synthesis (22%). The latter reflects the focus on leveraging firm knowledge. The drivers for this implementation have a slight emphasis on competitive advantage and margin improvement (Table 9). Two areas of note are the options with the lowest response rating. The first is the low rating given to the influence of client demand which reinforces that clients are not yet pushing for AI. The second is the low emphasis on new business lines or offerings. This is a key focus of adjacent industries where new offerings to existing clients based on AI advances is a core strategy.

TABLE 8
Where AI Is Being Used in Firms

	1-25 (FTE)	26-50 (FTE)	51-200 (FTE)	201-500 (FTE)	501+ (FTE)	Average
Proposal/ Bid Assembly	25%	30%	29%	30%	24%	26%
Project Management	12%	11%	13%	11%	15%	13%
Generative Iteration	11%	10%	10%	13%	13%	12%
Clash Detection / Quality Control	16%	13%	14%	12%	13%	14%
Field Capture / Progress Tracking	8%	6%	6%	6%	13%	9%
Information Synthesis	22%	27%	24%	26%	20%	22%
Other	6%	4%	4%	2%	2%	3%

TABLE 9**The Drivers for AI Investment**

1 Not at all influential	2	3	4	5 Very Influential		
	1-25 (FTE)	26-50 (FTE)	51-200 (FTE)	201-500 (FTE)	501+ (FTE)	Average
Client Demand	1.73	2.16	1.84	2.09	2.54	2.11
Competitive Pressure	2.94	3.32	3.45	3.51	3.81	3.48
Competitive Advantage	2.91	3.33	3.49	3.46	3.92	3.51
Labor/Headcount Constraints	2.73	2.80	3.10	3.23	3.20	3.05
Margin Improvement	3.21	3.52	3.47	3.66	3.70	3.53
Risk Mitigation	3.23	3.23	3.05	2.74	3.47	3.20
Value Creation	2.96	3.36	3.19	3.31	3.86	3.40
New Business Lines and/or Service Offerings	2.00	2.49	2.07	2.26	2.77	2.35

Key Observation

Engineering firms are currently using AI primarily to improve how they perform existing work, while the greater long-term value opportunity may come from using AI to change what they offer clients. The strategic approach to introducing AI in engineering firms may need to be enhanced to consider how both short-term and long-term applications can provide benefits to the firm.

In response to these drivers, respondents indicated that firms are investing in AI technologies where they anticipate the greatest return. Table 10 shows how these firms are investing in AI in terms of implementation. As shown, investment in AI for large firms (200+ FTE) is focused on developing internal proprietary tools. Small and medium firms are focused on using existing resources.

TABLE 10
Focus on Future AI Investment by Firm Size

	1-25 (FTE)	26-50 (FTE)	51-200 (FTE)	201-500 (FTE)	501+ (FTE)	Average
Hiring external pricing consultants or specialized agencies	2%	4%	4%	5%	4%	4%
Purchasing value pricing or project-scoping software tools	7%	2%	6%	5%	10%	7%
Developing internal proprietary tools or software to automate delivery	17%	33%	24%	40%	47%	34%
Conducting formal client feedback/market research studies on pricing preferences	9%	14%	7%	17%	21%	14%
None of the above (We plan to manage the transition using existing resources)	66%	47%	59%	33%	18%	41%

Key Observation

The approach to implementing AI differs between larger and smaller firms. Large and very large firms are emphasizing the development of internal proprietary tools. Small and Medium firms are taking a more wait-and-see approach and managing the expansion of AI with existing resources.

Finally, an area of note from the respondent data is in response to the question of where the time savings from AI is being reallocated. As shown in Table 11, there is a difference between respondents from smaller and larger firms. As illustrated, respondents from larger firms indicate that they are predominantly reallocating time savings to capacity expansion. They are freeing up staff time to work on additional projects. This raises the business strategy question of whether AI can be used to increase revenue by providing a greater ability to complete more projects. This focus on efficiency as an initial approach to AI could provide immediate returns. This is the “increased quantity leads to increased profits” strategy.

In contrast to the efficiency approach, respondents from small and medium firms are less focused. The respondents indicate that the firms split the time between several areas. A key area is increasing the quality and depth of solutions. The firms are focusing on the ability to enhance solutions and add value through greater access to knowledge and information within and outside the firm. In this mode, the approach is to adopt a strategy of “increasing quality and value leads to greater fees and profits”. Of note in these firms is the focus on increasing quality of life which is a nod to the larger emphasis of this area over the last decade.

TABLE 11

Where Is Time Savings From AI Being Reallocated

	1-25 (FTE)	26-50 (FTE)	51-200 (FTE)	201-500 (FTE)	501+ (FTE)	Average
Capacity Expansion	13%	27%	33%	55%	55%	38%
Quality & Depth	29%	29%	22%	21%	22%	24%
Work-life Balance	19%	9%	13%	0%	5%	9%
Strategic Advisory	2%	7%	4%	0%	4%	4%
Learning and Development	19%	13%	11%	12%	7%	11%
Other	2%	0%	3%	0%	2%	2%
Not Sure	15%	16%	15%	12%	5%	12%

Key Observation

The different approaches to the adoption of AI by the different size firms brings nuance to the idea that fewer project hours automatically translate into lost revenue. Firms may monetize productivity in at least two broad ways:

1

Capture more value per project through changes in pricing, or

2

Use greater productivity to increase project capacity, innovation, and solution outcomes.

This is reflected in the different pathways introduced in the next section.

FINDINGS – AI INFLUENCE ON VALUE-BASED PRICING

Strategically, respondents understand the benefit of AI for efficiency with firms seeing an average of 15% labor savings where AI tools are implemented. Currently, that is focused in the labor-intensive area of bid assembly. However, specialty firms, especially ones using emerging technologies, are also seeing savings in core service areas. Overall, respondents show a slight preference to agree with the need to transition away from traditional billing models with the introduction of AI. However, there is not yet overwhelming agreement on this statement.

The lack of broad agreement is reflected in firms not yet changing their pricing models to reflect the introduction of AI. This may change once firms get past the early stages of AI adoption and identify value that can be captured from the new technology. This value identification and subsequent demonstration could overcome the challenge of changing policy that restricts the use of value pricing in many agencies. This may however require a broader industry-wide shift before some individual firms can pursue value-based pricing.

Continuing along the path of AI adoption and moving to value-based pricing, respondents acknowledge the need to invest in AI technology and new strategies. Currently, respondents indicate that firms are focusing on a broad group of initiatives (Table 12). There is a slight emphasis on up-skilling and training staff to broaden the use of AI and to enhance the ability to articulate the value of AI. However, all areas are in focus for investment.

TABLE 12
Importance of Next Steps to Introducing AI
and Value-Based Pricing

	1 Not at all Important	2 Not Very Important	3 Somewhat Important	4 Important	5 Very Important					
	Transportation	General	Water/ Wastewater	Commercial	Energy	Industrial	Technology	Housing	Other	Average
Sales & Negotiation Training	3.63	3.59	3.84	3.48	3.80	3.25	3.00	2.64	3.52	3.57
Legal & Contract Overhauls	3.58	3.37	3.39	3.52	3.73	3.06	2.75	2.57	3.09	3.40
Accounting & Performance Metrics	3.60	3.35	3.48	3.39	3.67	3.19	4.00	2.86	3.61	3.48
Historical Data Benchmarking	3.37	3.53	3.11	3.39	3.73	3.19	3.75	3.07	3.09	3.34
Tech/AI Integration	3.64	3.69	3.55	3.43	3.80	3.25	3.75	2.93	3.65	3.57
Cross-Training / Up-Skilling Staff	3.78	3.82	3.93	3.65	3.65	3.63	3.50	3.36	3.78	3.79

Key Observation

Respondents recognize that implementing AI is not solely focused on investing in licenses. The successful implementation of AI and the ability to create value that can be captured requires investing in multiple areas from training to business development and accounting metrics.

This investment must be covered in some fashion. Options exist for firms as to how they are going to approach covering investment. As shown in Table 13, respondents indicate that firms are focusing on long-term efficiency to cover cost. This strategy may not fully recover the direct costs of implementation. Thus, in the near-term, increasing overhead multipliers is the option of choice for many firms. This is the same method used for previous generations of technology investments.

TABLE 13

Approaches to Recovering AI Investment

	1-25 (FTE)	26-50 (FTE)	51-200 (FTE)	201-500 (FTE)	501+ (FTE)	Average
Increasing overhead multiplier	26%	26%	24%	29%	26%	26%
Charging for new technology usage (similar to old computer fee)	5%	13%	7%	14%	14%	10%
Charging AI agents as personnel	2%	0%	3%	0%	4%	2%
Focused on long-term efficiency versus immediate payback	34%	39%	46%	43%	44%	42%
Other	3%	0%	3%	2%	3%	3%
None of the above	31%	22%	17%	12%	8%	16%

Finally, the reason that respondents see AI as different to past technologies is the comparative learning to savings curve. Previously, it was seen that moving to a technology such as CAD entailed a significant learning curve before savings would be realized. In contrast, respondents believe that the savings from AI will be realized faster than the learning curve (Table 14). Therefore, it becomes a race to implement AI and be a leader in realizing savings and creating value. This could reflect how adjacent industries are creating and capturing value.

TABLE 14

How Firms See the Difference Between AI and Previous Technologies

	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree						
		Transportation	General	Water/ Wastewater	Commercial	Energy	Industrial	Technology	Housing	Other	Average
CAD/BIM changed the tools professionals used, but AI acts as a direct substitute for professional cognitive labor.		3.03	3.02	2.82	2.57	2.93	2.56	3.00	3.00	3.13	2.94
The time-savings curve of AI is steepening significantly faster than the historical learning curves of CAD or BIM.		3.53	3.59	3.51	3.13	3.79	3.06	3.60	3.29	3.42	3.47
AI tools require far less specialized training to use effectively than CAD or BIM did, speeding up client-side adoption.		3.25	3.08	3.18	2.78	3.64	2.88	3.20	3.36	3.17	3.17
Unlike CAD/BIM, which required firm-wide software deployment, small firms using AI can now compete directly with larger enterprise firms on output capacity.		3.08	3.22	2.98	2.65	3.21	2.63	3.40	3.00	2.83	3.02

Key Observation

It is clear from the current data that respondents realize the potential of AI and are experiencing savings where it is implemented. Going forward, the key to leverage AI in value pricing will be the ability to demonstrate value which can then be captured with clients that accept value pricing.

IMPLEMENTING VALUE-BASED PRICING

The implementation of value-based pricing is not a one-size-fits-all solution. Depending on the client, the size of the firm, the region where a firm operates, and the services provided to clients, the approach to initiating the Value Ladder will differ. The industry interviews and survey identified that engineering firms have been primarily focused on implementing alternative contracting methods to allow for lump-sum pricing. This is different than adopting a value-based pricing strategy. Value-based pricing requires a change in pricing strategy. Engineering firms need to move from a focus on recouping input hours to capturing the economic value to the client of output.

This section introduces three components based in the research findings to implementing a shift in pricing models from input-based to output-based. First, there is the Value Ladder Framework. As presented, the Framework takes firms through the four steps to achieving value-based pricing. For each step, there are critical questions that must be answered before a firm is ready to move to the next step. The questions are relevant for firms of all sizes and in all sectors. They are designed to have firms focus on creating a value proposition that reflects the core elements of the services offered.

The second element builds on the value identified in the Value Ladder by identifying how this value can be demonstrated to clients in a quantitative manner. The demonstration of economic value to the client is key to capturing the value being delivered by the firm. This section provides potential ways in which this value can be demonstrated. It advocates a firm-driven approach to developing metrics. These may be based on traditional measures of time, cost, and quality, or they may introduce new perspectives on economic value. The key is that firms need to define how economic value is enhanced with their participation in a given project.

The final element to value pricing implementation is the selection of a value implementation pathway that is appropriate to the services and clients of a specific firm. The pathways can be adopted in parallel with the ladder framework to reinforce and guide the answers to the framework questions, or a pathway can be chosen following a firm answering the ladder and metric questions. The pathways reflect both the industry scan that identified value pricing opportunities and the experiences of adjacent industries in achieving value pricing. A firm may choose to follow a single pathway or select segments of multiple pathways to create a custom path that reflects their specific circumstance.

The Value Ladder

Although opportunities may differ, the implementation approach to value pricing remains consistent. As stated at the beginning of this effort, the Value Ladder begins with value creation by a firm. The firm must demonstrate the value to the client (Value Demonstration). If the value can be demonstrated, then value can be captured through a value-based pricing strategy. For some firms, this may be a change in business development approaches while for others this could require the demonstration of new services.

Before ascending the Value Ladder, it is valuable to revisit the difference between value-based pricing and contract pricing mechanisms. Value-based pricing sets fees based on the value the firm brings to a client. Value-based pricing can ultimately be implemented through different contract mechanisms depending on the client, project, and type of value being created. These might include a premium fixed fee, milestone-based pricing, advisory or subscription arrangements, incentive components, shared savings, or other approaches. In each case, it is the fee being captured that determines if it is value pricing, not the contract mechanism.

The following steps walk a firm through the process of achieving value pricing. As illustrated, value pricing requires a solid foundation in understanding what value a firm is bringing to a client or project. This value proposition can be the most difficult step in the process. While every firm brings value to a project, making that value clear enough to articulate it, demonstrate it, and then price for it is more challenging. The questions associated with each step are intended to make this process easier by guiding a firm through the process. The goal being that the firm can apply the created value to a specific project and be appropriately compensated for it.

VALUE CREATION

Arguably the most difficult step in achieving value-based pricing is to clearly identify how a firm brings value to the client. This value creation can focus on a broad range of issues from project initiation to project management to project implementation. This is where each firm has the opportunity to define value as they see appropriate for their sector and particular clients. The key is to determine what is being offered that would not otherwise be covered in a typical project. For example, bringing a project in on schedule is an expected projected outcome. However, providing unique capabilities to bring a project in ahead of schedule could be of value to the client.

As stated, value creation is not a one-size-fits-all proposition. Each firm can define and create value through a lens that is specific to their operating circumstance. From this perspective, firms should consider value creation from as broad a perspective as possible. Value can be created through many mechanisms. The introduction of AI may enhance and support these opportunities, but AI does not define value creation opportunities. Examples of value creation opportunities include:

- Developing greater specialization and unique expertise
- Building strategic advisory relationships
- Providing risk reduction to clients and the public

- Introducing speed and certainty to project outcomes
- Developing long-term client relationships
- Enhancing business development to demonstrate value creation
- Moving from a supplier relationship to a trusted advisor role

As the firm moves through the Value Ladder, it should keep this broad perspective of value at the forefront to maximize value creation opportunities.

A second piece of the value creation exercise is to answer the question of what value being created might a client may be willing to pay for. An honest answer to this question will aid in preventing efforts that have little chance of success in terms of compensation. As stated in the beginning of the report, the public and private context is key to considering the feasibility of introducing value pricing. The ability and/or willingness to accept value pricing must be a key consideration to approaching value creation and capture.

The key question for the value creation step is answering the following questions:

Q1

What does the firm offer that provides **ADDITIONAL** value to a client on a specific project, program, or planning effort?

Q2

Will this specific client find the identified value to be above what could be considered standard as part of a proposed project or program effort?

Q3

What portion of the value being created is the client willing to pay for?

VALUE DEMONSTRATION

The demonstration of value can be a difficult step if the value being created is for a specific element in a specific project. It is essentially a bespoke solution. In other cases, the value being created is transferable to many projects either with the same client or among many clients. The challenge for the firm in each case is to determine how to demonstrate potential value without fully implementing the solution. For repeated applications, the firm can use previous examples to demonstrate examples of how the value is being added to a project. For new or bespoke applications, the firm will need to create a simulation of the benefit or a model of the solution to illustrate how the new approach brings quantitative advantages.

The questions for achieving value demonstration are as follows:

Q4

- A.** If the value being demonstrated has been generalized from multiple projects, which previous implementations should be used as a demonstration?
or
- B.** If the value created is unique to a current project, how can a segment of the benefit be modeled or simulated to provide a quantifiable benefit?

Q5

How can the opportunity to demonstrate value be applied to the specific scenario with the specific client?

VALUE CAPTURE:

The third step in the Value Ladder presents firms with the challenge of determining how much of the value created can be captured through billing. This will be very specific to different agencies and geographies. The goal is maximizing value capture by leveraging the value demonstrated in step 2. This will be easier to achieve if the firm can assign quantifiable savings or benefits to the created value elements. In this case, the firm can approach capture through a percentage of the benefits achieved or similar calculation. If the firm cannot assign quantifiable benefits, then the capture will need to emphasize long-term advantages of a partnership or enhanced solution.

The questions to answer in the value capture step emphasize determining what type of value capture is appropriate.

Q6

Is it more appropriate to capture the value through a quantitative or qualitative approach for this specific instance?

Q7

Is there a policy in place that needs to be acknowledged that may influence the value capture calculation being developed?

Q8

Is a new or enhanced business development strategy required to support the identified opportunity for value capture?

VALUE-BASED PRICING

The goal of the Value Ladder is to achieve value-based pricing. As detailed throughout this research, value-based pricing puts in place fees that reflect value to the client rather than predetermined hourly rates. At this point in the ladder, the firm should have a clear perspective on what value is being offered, how the value should be demonstrated, and what elements of the value should be captured. Now, the value needs to be compensated. Ideally, the value demonstration opened the door to value-based pricing. However, the firm may still have some additional “value selling” to complete before a client allows the value-based pricing to go forward. The final step in the ladder focuses on completing this effort and putting in place the value-based pricing approach.

The final questions to implement value-based pricing are as follows:

Q9

Are there any additional policies or guidelines that need to be addressed before proceeding to value-based pricing?

Q10

Does the firm have an identified basis for the price being put forward to the client (either comparable rates or comparable total cost)?

Q11

Has the firm decided on a response if the value-based pricing is rejected or countered by the client?

Key Consideration

An important note on adopting a value creation strategy is to consider the context in which the pathway is implemented. As noted in the industry scan, public and private sector clients differ significantly in the ability to introduce value-based pricing. As such, differing approaches may be necessary.

Private-sector Strategy

Firms may be able to experiment more directly with new services, differentiated offerings, client-specific value propositions, and alternative pricing arrangements.

Public-sector Strategy

The opportunity may require a longer-term combination of client education, demonstration projects, procurement innovation, contracting flexibility, and potentially industry-level advocacy.

Value Ladder

Value Pricing

A pricing model that compensates project partners based on the value they create, not the cost to deliver their services

Value Capture

The ability of a firm to capture revenue and profit from the value it created

Value Demonstration

The interactions with customers that aims at convincing customers to buy a firm's value propositions

Value Creation

The difference between how much a customer values a product and what they're willing to pay for it



Implementation Pathways

Enhanced Deliverables

What opportunity is there to provide solutions that exceed traditional deliverables?

Specialization

What specific expertise can the firm bring to the project that aligns with that client's success?

New Services

What new services can be developed that add value to a specific client?

Data-Focused Partnership

What information could be used to enhance for planning and budgeting is being overlooked by the local agency (strategic partner)?

The Value Ladder and Implementation Pathways can be used either sequentially or in parallel depending on a firm's circumstance.

Measuring and Demonstrating Client Value

Introducing value-based pricing requires firms to demonstrate economic value to clients. Traditionally, this value is tied to the traditional metrics of time, cost, and quality. However, economic value should be thought of in a broader context of saving or enhancing client resources. The key point being that value can be demonstrated based on a quantitative measurement tied to client resources. While the traditional metrics of time, cost, and quality will likely remain as talking points, firms can demonstrate value by putting forward measurable benchmarks that reflect resource benefits. The overall requirement being to answer the questions of “What is changing for the client as a result of our participation, and what is that change worth?”

Following are a set of measurement approaches to answer this foundational question. In response to the industry scan, these approaches capture the need for firms to tailor value creation metrics to individual client and project types. Firms should adapt an approach to best capture their value creation. As the vignettes demonstrate, firms are opening discussions with clients about alternative pricing based on their ability to generate and measure value. Once again, AI has opened a window into questioning how to measure value. Professional services firms can use this opportunity to define value creation in measurable terms and capture the value based on quantitative metrics.

ECONOMIC VALUE TO THE CLIENT

Metric Evaluation: The percentage of client resource reduction or enhancement

Economic value for a client depends on the context of a specific project. Economic value can include avoided capital expenditures, reduced lifecycle or operating costs, accelerated revenue or time-to-market, increased asset life, reduced maintenance expense, avoided regulatory costs, increased asset capacity, or reduced financial exposure from risk. As introduced previously, the concept of reducing client sacrifice is a key to value pricing. Reducing a client's resource commitment reduces the level of sacrifice expected of the client. As such, the initial metric approach is to define a metric that captures a firm's value creation in terms of a specific reduction in client resource expenditure.

Research Finding:

Quantitative measurements are possible on projects where specific measurements can be developed in conjunction with the client. The greater the focus can be placed on specific client resource expenditures, the greater the opportunity to introduce value pricing based on the savings.

A water client was regularly updating treatment plants. The updating required replacing pipes as well as updating equipment. The piping reviews took the client valuable time as each proposed replacement required client approval. The engineering firm, utilizing an AI-based QA/QC agent, reduced the review process as the AI agent documented its detailed review process. The result being a savings in critical client staff time required for the project. The firm shared the monetary benefit with the client.

A housing developer requires site engineering that identifies potential risks and makes utility placement as easy as possible. Effective drainage solutions are required to avoid individual property additions. A specialty firm that focuses on site development has focused on solution completeness to reduce the effort required by the client after plan submission. Specifically, solutions anticipate potential planning commission questions, project expansion potential, and long-term environmental impacts. This has resulted in faster approvals from the planning department and reduced inquiries from the client to answer incomplete analysis. The developers have in turn increased the amount of work going to the firm as well as recognizing the value of the saved time with increased fees.

A specialty firm used AI agents to assist in the summarization of past projects in response to RFPs. The summaries were concise and responded closely to the requirements of the RFP. The development of the experience section took less time and was more to the point than previously compiled by the marketing team alone. The RFP response made an impact with the client as it saved review time while also providing specific detail relevant to the proposed project. The result being a stronger relationship with the owner as the elimination of sales material that was extraneous to the program requirements saved critical review time and resources.

A specialty firm focused on pavement condition evaluation uses proprietary technology based on drone technology to evaluate large areas of roads. The technology produces detailed reports that identify roadways that should be prioritized for maintenance budgets. The reports generated by the new technology are succinct and easily interpreted by the client. With hundreds of miles of road to maintain, concise reports that highlight immediate needs while also enhancing knowledge of the entire system improves the ability of the client to respond to both immediate and long-term needs. The client in turn is recommending the firm to neighboring jurisdictions. The client is also willing to pay higher rates that reflect the value being delivered by the new technology and the new services.

SCHEDULE REDUCTION

Metric Evaluation: The percentage reduction in schedule versus expected schedule.

Schedule reduction is a specific economic value that builds on the traditional schedule metric. However, new technology advances are opening an opportunity to demonstrate client value specifically detailing how schedules are reduced through the application of new technology. Initial pilot studies are finding that AI reduces effort around labor-intensive activities such as proposal writing, research, project administration, and project delivery. Recent publications are estimating a 30%-40% reduction in time and effort in these tasks.³⁰ As each of these are key components of an overall project, it will be expected that a reduction in schedule is achievable versus previous projects of a similar nature. Rather than view this as a threat to fees, firms can reframe this as a value to the client by identifying schedule savings prior to project commencement.

Research Finding:

A quantitative measurement of schedule savings was found in the industry scan where firms using value pricing during the last 12 months realized a schedule savings in 42% of projects with an average savings of 6.4%. These schedule savings can gain value in specific situations such as utility work where multiple constituencies are pushing for rapid project completion.

A mid-size firm specializes in the design and upgrading of water treatment plants. They have developed internal processes leveraging new technology that allow for efficient design and minimal rework during the construction phase. In one case in the southeast, the rapid completion of a plant was required due to a number of external constituencies creating pressure on the utility. Specifically, several communities were at risk of water quality dropping below required quality levels. The pressure to update the treatment plant provided an avenue to quantitatively value the early completion benefit to the authority. The firm was able to price their work as a reflection of the value the client was receiving for early project completion.

A large firm has a specialty division that works with wastewater authorities. A key issue for these authorities is potential leaks that result in fines from state and federal oversight agencies. To offset this potential, the clients need regular reviews of the sewer system to ensure the system remains without leaks. The firm has introduced new technology to build an efficient leak detection service. The technology allows the firm to capture current conditions for rapid reporting as well as to develop a conditions database that allows for rapid comparisons for each client over time. The efficient process has provided reductions in schedule that are rewarded by the clients with higher fees that reflect the value of reduced schedule.

30 "AI Automation Professional Services: The 5-System Deployment Map," AiiACo, July 3, 2026. https://blog.aiiaco.com/ai-automation-professional-services-deployment-map/?utm_source=copilot.com

DELIVERABLE COMPLETENESS

Metric Evaluation: The percentage reduction in requests for information or clarification.

Project completeness has been a project management topic for decades. In everything from software development to highway design, the concept of meeting the complete set of requirements is a core project management concept. However, in many project deliverables there are areas where the client requires clarification or further information on the proposed solution. In this approach to a value metric, economic value is introduced into project workflow through project solutions that reduce the need for information requests and solution clarifications. The reduction in information cycles is measurable such as through the number of RFIs generated, or the number of days lost due to inquiries, or the number of hours saved by client staff in pursuing clarifications. In each case, client economic value is increased through a specific reduction in resource expenditures.

Research Finding:

The evidence from adjacent industries is demonstrating that reducing the need for clarification cycles is building greater trust between the client and the firm. The client is having to sacrifice fewer resources to achieve the deliverable that supports final project implementation.

A small firm focused on site engineering for both development and transportation has developed a relationship with the regional offices where trust has been established over several projects. The trust has translated to the firm clearly understanding what the client requires for a successful development effort. This translates to the firm having the capacity to deliver solutions that have a minimum of ambiguous components. This is directly adding value for clients as it reduces the number of hours that client staff members need to expend on non-scheduled tasks. This has in turn increased trust between the client and the firm which is enabling opportunities to explore value pricing on specific projects.

A large firm that does work in renewable energy is working with a client that has parking lots in a location that is very amenable to solar energy generation. The firm is working with the client to develop covered areas with solar panels attached to the roof structures. The firm is working collaboratively with the client on a multi-year payback calculation where both the client and the firm share in the project profitability as a reflection of the value being brought to the client. The comprehensiveness of the proposal and preliminary designs are reducing the information request cycles resulting in reduced staff time for the client. Additionally, the depth of the proposal is generating new ideas for enhancing client revenue in what are traditionally non-revenue generating project elements.

SUMMARY OF MEASUREMENT OPPORTUNITIES AND KEY QUESTIONS

The approaches to measuring and demonstrating value presented here are a starting point for firms to examine their value capture strategies. They provide both an opportunity to build on traditional metrics as well as introduce firm-driven measurements. Firms should use these as starting points to develop measurements that reflect individual client and project types.

Proposed Metric	Key Question	Evaluation
Economic Value to the Client	What is changing for client expenditures as a result of our participation?	The percentage of client resource reduction or enhancement
Schedule Reduction	Is the proposed solution providing an opportunity for the client project to be completed faster than required?	The percentage reduction in schedule versus expected schedule
Deliverable Completeness	Has the project deliverable reduced the number of requests for clarification versus historical averages?	The percentage reduction in requests for information or clarification

The Implementation Pathways

The Implementation Pathways can be used either sequentially after the Value Ladder and measurement questions are answered, or they can be used in parallel to assist a firm in identifying specific value elements for a client strategy. The Implementation Pathways spotlight four approaches to implementing value-based pricing based on a firm's specific circumstance. A firm may employ a single pathway or employ parts of several of these approaches in developing a value pricing strategy. Either strategy is appropriate. The key is to select the pathway components that best fit with the individual firm strategy in the context in which it operates.

ENHANCED DELIVERABLES

Focal Clients	Public, Private
Investment Required	Low-Moderate
Key Question	What opportunity is there to provide solutions that exceed traditional deliverables?

The first approach to value-based pricing is to focus on the enhanced deliverables that a client may receive when working with the firm. In this approach, the firm is emphasizing that AI provides a value opportunity by integrating knowledge across the firm to enhance client solutions. This includes information and knowledge that may have been overlooked or minimized in previous solutions. It may also include information from external sources that was previously unavailable to the team. The result from this greater universe of information and knowledge sources is a client solution that is enhanced in terms of meeting both traditional and emerging issues.

An example of this opportunity in a common engineering project is the design or enhancement of drainage systems. A firm working with a client who has flooding concerns and needs to enhance localized drainage solutions may traditionally focus on precipitation and runoff as the driving constraints. However, the addition of AI-based analysis may expose that development patterns in the area are likely changing runoff patterns and will be a growing concern over the next five years. This will result in greater drainage demands due to landscaping and topographical changes. The solution put forward that anticipates both the traditional and emerging drivers will ultimately save the client budget by minimizing future upgrades. This is an example of creating value through an enhanced solution.

Similar cases for solution enhancement exist from preliminary to detailed design. In the preliminary phase, the firm can generate additional exploratory solutions based on AI identified drivers. These may include previous project implementations, emerging social and political scenarios, and changing regulatory concerns among other items. In each case, the preliminary alternatives extend beyond a traditional set of constraints. Similarly, in detailed design, the

generated solutions may be checked against emerging issues on an ongoing basis during the design process. Potential changes in environmental conditions, or changes in traffic patterns could be incorporated as part of the decision process and detailed to the client as the project progresses. This provides the client with a greater sense of trust as the firm is recommending both current and future impacts on client operations.

The focus on AI as a solution enhancer is a key element in introducing this value creation approach. Using AI, together with other emerging technologies the firm can make the argument that it is bringing greater value to the solution process. It is providing a solution that goes beyond the project specifications. However, the time required to generate these enhanced solutions will not impact the schedule. The project schedule is not delayed. In fact, the solution may be easier to construct resulting in schedule savings. The challenge for the firm is to alter its business development pitch to include the ability to deliver enhanced solutions. The pitch needs to include solution enhancement as more than an add-on. It needs to be integrated into the core of the pitch. The firm stays responsive to the client RFP but brings its additional capabilities into the proposal as core elements of the firm capacity and process.

VALUE CREATION

Development of client solutions that exceed traditional delivery expectations.

VALUE DEMONSTRATION

Focus on measurable project outcome demonstrating additional value.

VALUE CAPTURE

Determine additional component to specifically focus on value capture.

VALUE PRICING

Separate out specific solution component that added value and price accordingly.

SPECIALIZATION OR DIFFERENTIATION

Focal Clients	Public, Private
Investment Required	Moderate
Key Question	What specific expertise can the firm bring to the project that aligns with that client's success?

The challenge for consulting firms in all industries, both historically and on a continuing basis, is differentiation. Large product firms establish names based on distinct product lines. In turn, these lines develop customer loyalty. Whether it is an automobile brand or a cereal brand, consumers develop strong loyalty based on real or imagined differentiation to the brand. Developing this same level of loyalty with a services firm is difficult. Answering the question of what differentiates the firm from the competition is a question that challenges business development managers in firms of all sizes and in all sectors.

This challenge is highlighted here as the second approach to value-based pricing, specialization or differentiation. This specialization can be in one or more of several areas including providing a unique service, providing a unique delivery capability, or being in a unique situational positioning. The first of these options, providing a unique service, has the greatest opportunity for specialization. The key here is the concept of service. Service can include a specialty such as automated sewer or power line inspection, or significant sector experience in a particular location, or depth of expertise in an emerging sector. In each case, the key is to position the firm so that the client views the firm as essential to its own success.

An example of this comes from the management consulting field where both large and boutique firms have positioned themselves as key partners to their client's success. Whether it is a large firm such as McKinsey & Company or a local boutique firm, clients are willing to pay higher rates as they believe the value to the business outweighs the fee to the firms. The challenge for engineering consultants is to position themselves to be seen as similarly key to the client's future success.

The second area of potential specialization is having a unique delivery capability. This is the one that is likely to be the most familiar to engineering firms. This specialization highlights an aspect of the firm that differentiates its delivery capability. This could be expertise, risk capacity, financing ability, or connections to suppliers that reduce delays. In each case, the differentiation is the ability to bring something extra to the delivery process.

The third area of potential specialization is having unique situational positioning. This option emphasizes differentiation through geographic proximity to a project or a similar situational advantage that a firm can bring. This can be unique connections within the community that allow projects to address social concerns more effectively. It can also be a unique expertise that is likely to make a difference in the project solution. In each case, it is emphasizing a unique circumstance for this project that provides differentiation.

Translating these areas of specialization to value pricing is where the differentiation question goes a step further. Specifically, to introduce value-based pricing based on differentiation or specialization, the firm needs to answer the question,

What specific expertise can the firm bring to the project that aligns with that client's success?

The more specific the answer is to this question, the more likely the client is to allow for value pricing. The firm needs to demonstrate why they are specifically needed. This may seem like standard marketing and business development. However, it goes a step further. Defining differentiation or specialization requires the technical staff to give input beyond experience. It requires every individual associated with the exercise to focus on the specific question of why the firm is different in relation to meeting client goals. How to become a partner to the client is the key framing of this value pricing approach.

VALUE CREATION

Identification of specific project element that is a specialization or differentiation from project competition.

VALUE DEMONSTRATION

Develop business development strategy that emphasizes the unique capability of the firm being as specific as possible in the differentiation.

VALUE CAPTURE

Encourage client to accept a value-based pricing option that reflects the additional value being brought through specialization.

VALUE PRICING

Put in place a pricing strategy that reflects the value gained by the client within the constraints of the discussions during the value capture process.

NEW SERVICES

Focal Clients	Private
Investment Required	Moderate-High
Key Question	What new services can be developed that add value to a specific client?

The third approach to value pricing is engaging a client with new services. In this context, services is meant to encompass a broad spectrum of potential options. As listed in value creation, value creation can encompass services ranging from strategic advisory services to risk reduction strategies to long-term partnerships. This may entail introducing the new service to a client that they are not currently advertising or procuring to receive. This is where value creation merges into strategic decision making. A firm needs to identify a new service or services that could be viable over several years.

This focus on introducing new services is where a large focus of adjacent consulting industries is currently being placed. While the introduction of AI is sparking new service ideas, new services do not need to be dependent on AI. For example, developing a strategic advisory relationship may include AI insights as one component, the strategic advisory role is significantly broader than AI insights. Adjacent industries are demonstrating that new technology is generating the opportunity to offer new services that were previously not considered or were not financially feasible with traditional tools. For example, law firms are using AI to evaluate contracts to determine how they might be tightened in areas such as employment law. Similarly, accounting firms are using AI to find patterns of income and expenditures to direct clients to opportunities for greater savings. However, AI is supporting the application of firm expertise, not replacing the firm capabilities.

The data from the industry scan shows that engineering firms are placing the least technology investment emphasis on supporting new service opportunities. The new services pathway challenges engineering firms to change this trend and examine how current staff, potentially with the support of AI, can introduce a new service of value to clients.

Examples of these new service opportunities include a more robust scheduling capability that identifies potential risk areas. The analysis could include likelihoods of schedule or budget delays based on historic precedent. Another example is optimizing supplier deliveries during the construction process. By analyzing price trends and supplier location, the firm could reduce construction costs by reducing delays in deliveries or by identifying alternative suppliers. In these examples, the firm is using information about supplier alternatives to support real-time decision-making to avoid schedule delays.

In each of these examples, the firm is creating value by leveraging firm knowledge with the support of new data access opportunities. This does not require a large capital investment. Rather, it focuses on strategically prioritizing where a new service would be valued by the client who then would be willing to pay a greater fee for that service. These opportunities exist at the project, program, and strategic levels.

VALUE CREATION

Development of a new service to fill a known or unknown need by the client.

VALUE DEMONSTRATION

Develop business development strategy that emphasizes the new service and the benefits to the client while minimizing client resources required to implement.

VALUE CAPTURE

Develop a pricing scheme that reflects what current management consulting firms are receiving in the region to demonstrate that a new service is developing a strategic partnership.

VALUE PRICING

Put in place a pricing strategy that reflects the value gained by the client within the constraints of the discussions during the value capture process.

DATA-FOCUSED PARTNERSHIP

Focal Clients	Public and Private
Investment Required	High
Key Question	What information could be used to enhance for planning and budgeting is being overlooked by the local agency (strategic partner)?

The final approach to introducing value-based pricing, creating data-focused partnerships, is receiving significant attention from adjacent industries as well as the overall AI community. AI at its core is the ability to analyze data for patterns that match queries. Learning is the ability for the systems to reorder links between data to provide answers that better respond to user queries. These actions require large amounts of data to enhance accuracy.

The opportunity for engineering firms is to build a data-focused partnership with clients that leverages data to provide answers or solutions to client challenges. For example, a firm that receives the last five years of water usage and flood data from a client could advise a partner on where drainage improvements might be needed. This could be enhanced further by combining this data with seasonal weather forecasts to see if precipitation patterns might be changing. As this partnership grows over time, the one-time recommendations could shift to advising on the prioritization of maintenance schedules. In this manner, the firm is focusing on a strategic partnership rather than a reactive proposal response mode.

An additional example of the data-focused partnership is the opportunity to analyze patterns such as maintenance and engineering expenditures versus demographics. In these analyses, the engineering firm can look at emerging needs for maintenance expenditures or investment based on changing or overlooked demographics. Items such as enhancing public facilities to reduce extreme heat scenarios or building better public transit shelters to assist transit riders, are examples of where large data sets with AI analysis can provide valuable insights to local planners.

The key to these types of emerging relationships is the value that clients place on partnerships versus suppliers. The traditional relationship where local agencies view engineering firms as interchangeable or possibly as limited technical advisors falls short of the agency entrusting the firm to access data required for long-term partnerships. The opportunity now exists to change this relationship by demonstrating the value of a new analytic capacity. The challenge for the firm is to look at the strategic opportunities specific to a potential partner.

The strategic question for the firm to ask is:

What information could be used to enhance for planning and budgeting is being overlooked by the local agency (strategic partner)?

And

How can this gap be filled by the firm utilizing emerging technology?

Answering these questions can open the door to partnerships with the client which leads to introducing value-based pricing.

VALUE CREATION

Implementation of a data-focused, AI-centered solution to address a previously known or unknown problem for the client.

VALUE DEMONSTRATION

Demonstrate value on a limited dataset that can be scaled up to full implementation.

VALUE CAPTURE

Develop a pricing scheme that emphasizes long-term partnership versus one-time project fee.

VALUE PRICING

Put in place a value pricing approach that emphasizes savings or returns that the client is obtaining through implementation of the partnership.

Summary

In summary, the Value Ladder, value demonstration, and implementation pathways introduce a structured approach to implementing value-based pricing. The three elements focus on how firms can differentiate themselves from competitors and demonstrate economic value for the client. The industry scan and review of adjacent industries emphasize that strategically moving forward in this changing time requires reframing what value means to clients.

The Value Ladder assists firms in developing an approach to value pricing that begins with clear articulation of the value being created. Once that is articulated, firms can move through demonstrating the value through quantitative measurements and then capturing the appropriate fee through value-based pricing. This can be applied to any of the pathway approaches and in any implementation scenario. The key for firms is being able to clearly articulate the value being created for the client and why it is worth value-based pricing.

This value then needs to be strategically applied in an implementation pathway. However, it is up to firms to select an appropriate pathway, by analyzing their capabilities from a perspective of what can be done in addition to what is currently offered. As detailed, this can range from rethinking delivery to repositioning capabilities to introducing new services. The reason this is important is that introducing value-based pricing is not limited to the largest or most dominant firms. Rather, as shown repeatedly by adjacent industries, any firm can leverage new work processes to offer new or enhanced services. The challenge is identifying what clients might need and then implementing a business development approach that capitalizes on unique abilities to meet that need.





CONCLUSION

In summary, the value-based pricing research effort identified a window of opportunity that is now open for engineering firms to strategically increase value-based pricing. The engineering industry has begun experimenting with alternative pricing arrangements, but it has not yet broadly transitioned to true value-based pricing. Many firms remain anchored to labor cost even when they describe their approach as value pricing. AI makes this issue increasingly important because the relationship between labor hours and client value may weaken as technology improves productivity and enhances solutions.

While the introduction of AI technologies is prompting strategic pricing discussion, AI is only a driver of this discussion. The use of AI does not provide economic value to the client by itself. Rather, firms need to specifically identify and demonstrate the economic value to the client that they bring to a project. Firms can leverage the AI-introduction window to achieve this objective. The opportunity exists to enhance differentiation, build on existing firm knowledge, and build partnerships with new and existing clients. The Value Ladder, measurement capture, and implementation pathways provide a framework to scaffold the strategic discussions required to implement a value creation strategy.

However, the research also identified the need for engineering firms to change perspectives on measuring economic value to the client. Adjacent industries such as management consultants and financial consultants are focusing on new services that provide measurable economic value to existing clients. Examples include building data-focused client advisories, enhancing solutions by leveraging the ability to synthesize internal and external knowledge, and using AI to reduce client resource requirements by enhancing solution completeness. The challenge for engineering firms is how to follow these examples.

While AI is the motivation for this study, AI is at the beginning of the adoption phase in engineering. The questions remain as to where AI is most appropriately applied to match the early successes in adjacent industries as well as how the investment in AI is going to be recouped. In terms of the former, the application of AI in engineering is appropriately emphasizing manual tasks including proposal development and information synthesis. Although the hype around AI is the ability to design, AI is not yet ready to take over core design activities. However, it is reasonable to explore how AI can assist in generating solutions that better answer a client's concerns or needs.

The challenge for engineering firms to achieve this application is how to recoup the investment required to implement AI at scale. Currently, there is no clear agreement on how to recoup investments. This is likely to slow the adoption of AI within engineering until firms can demonstrate to clients the value of the technology. This is where engineering differs from adjacent industries. The research identified that adjacent industries have been able to demonstrate value from AI at a faster rate than engineering firms. They have been able to use AI solutions to enhance their client relationships. Specifically, they have used AI adoption to reinforce the perception that few consultants can provide their level of services that directly impact the business bottom line.

Engineering is not always perceived in this manner, especially by public clients. It is perceived that there are many engineering firms that provide the same service. This makes it difficult for engineering firms to demand higher fees. Additionally, existing policies are reducing the opportunity to implement an alternative pricing model.

In response, engineering firms need to focus their perspective on what economic value they bring to a client. The Value Ladder framework is designed to assist firms in identifying value, demonstrating value, and then capturing that value through value-based pricing. In particular, metrics to demonstrate value are key to the introduction of value pricing. As such, several approaches to measuring and demonstrating economic value are provided as starting points. Finally, based on adjacent industry experience as well as the findings within the engineering respondents, four specific pathways are presented to enhance value-based pricing opportunities:

- Enhance deliverables by leveraging firm knowledge to address a greater range of client concerns
- Establish clear specialization or differentiation that separates the firm from competitors
- Establish new services based on a broader set of potential client relationships
- Build a data-focused partnership with clients to develop proactive solutions

These options may differ between public and private clients and in different sectors. They will also take time to up-skill staff to implement the strategic solution. However, these are opportunities to leverage the opening that AI is presenting to consulting-based industries. AI may or may not be at the center of a new value pricing strategy. However, AI is presenting an opportunity to strategically discuss new pricing relationships with clients. Specifically, firms have an opportunity to answer the question of what economic value the firms are bringing to the client. The Value Ladder framework, measurement development process, and implementation pathways are steps to answering these questions in a specific client and project context.

THANK YOU TO OUR CONTRIBUTORS

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