

# BUSTING MYTHS:

## The simple truth behind pricing Agile projects

A guide for digital agencies wanting to price Agile projects with confidence



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## Pricing with confidence

For digital agencies pricing is about confidence. Confidence that you can deliver sufficient value to your clients, while earning a reasonable margin.

We are often asked by our digital agency partners how to price with confidence when delivering using an Agile approach, given a perceived 'vagueness' in Agile, in what you get at the end or when you might get it.

In this guide, I outline the SilverStripe approach to Agile pricing for digital projects, and how you (and your clients) can get past the idea that Agile practices mean throwing caution to the wind, to scope and price with greater confidence.

# Dispelling persistent myths

First let's dispel the two common misconceptions that surround pricing Agile projects. Tackle them head on with your clients and you will be free to proceed with confidence – totally myth free!



## Myth 1: Providing a budget indicator means the client will pay too much

Clients worry 'If I tell you my budget, you will make it cost that much'. Agile project success requires honesty and great communication, so you need to dispel this with a client.

Your job is to convince your client that either they are prepared to spend a budget on achieving the outcomes, or they are not. When designing solutions, it's important to understand the financial constraints. It's possible to design simple solutions with minimal functionality to achieve the same outcome, or richer functionality with better extendability options for future states if there was more budget to spend on that feature.

Financial scope is a necessary constraint, not free rein to charge the client what you want.

*"No matter how much time a really good business analyst can spend up front, there is no certainty, only the perception of it..."*

## Myth 2: Defining everything up front creates certainty

Another common client misconception is to think by defining everything up front down to the lowest level, they will get absolute certainty on budget and time. This is a myth, but is why waterfall projects remain popular with some organisations.

Clients with this mindset need to understand that change happens. No matter how much time a really good business analyst can spend up front, there is no certainty, only the perception of it, and they should accept this and manage accordingly, rather than being in denial.

Equally, digital agencies need a pragmatic view of what is important, and not gold plate less important features. When asked 'how much does this feature cost?', it is tempting to design the perfect solution, as developers all love to build amazing things with no financial constraints. This means that often the estimate comes back at \$X when the client really only had \$Y (a much smaller amount but attached to big dreams).

Understanding how much value the client will get from each idea will help you form the best solution for the outcomes. As an extreme example, I once had a 150-page spec document delivered to me for a website footer – this is not money well spent, and I told them so!

# Shifting your focus: delivering outcomes not outputs

Decision makers at your client's organisation will always want to know 'How do I know what we will get delivered for our investment? And when?'

The answer in an Agile context is easier than you think, if we keep in mind the outcomes, not the outputs. Shift your own, and your client's focus, from being too focused on the line-by-line delivery of a specification document to effective outcomes for users where the business is getting the best value for money.

How can you think about Agile projects in this way?



*“At the core of the triangle is the one area you shouldn't compromise: **quality.**”*

## The golden triangle

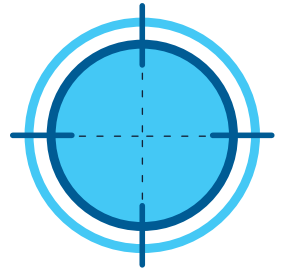
The 'golden triangle' is a good way to conceptualise the types of projects you can scope and price confidently.

At the core of the triangle is the one area you shouldn't compromise: **quality**. This needs to remain high, as the long-tail cost of maintenance and rework makes projects miserable for everyone if quality is not the cornerstone of development and user experience, let alone the impact on your agency brand of poor quality. The only exceptions to this would be prototypes or short lived deliverables (that will be turned off/never used again after a short period).

Let's assume that quality is non-negotiable in any of these common project scenarios.

# Three common scenarios

There are three scenarios for pricing Agile projects, reliant on whether a client prioritises Scope, Cost or Time. It's important to have a conversation well before the project starts, establishing where the client priority lies. This will drive how you approach scoping and pricing of an Agile project, so it's key to establish as early as possible. If they see everything as a priority, perhaps tactfully remind them that this means nothing really is!



## Scenario One: Scope is the most important priority

**Pricing approach in this scenario: Scope defines Time, which equals Costs**

The client asks for an estimate for their new project. They specify that their priority is Scope, then Time, and Cost is least important.

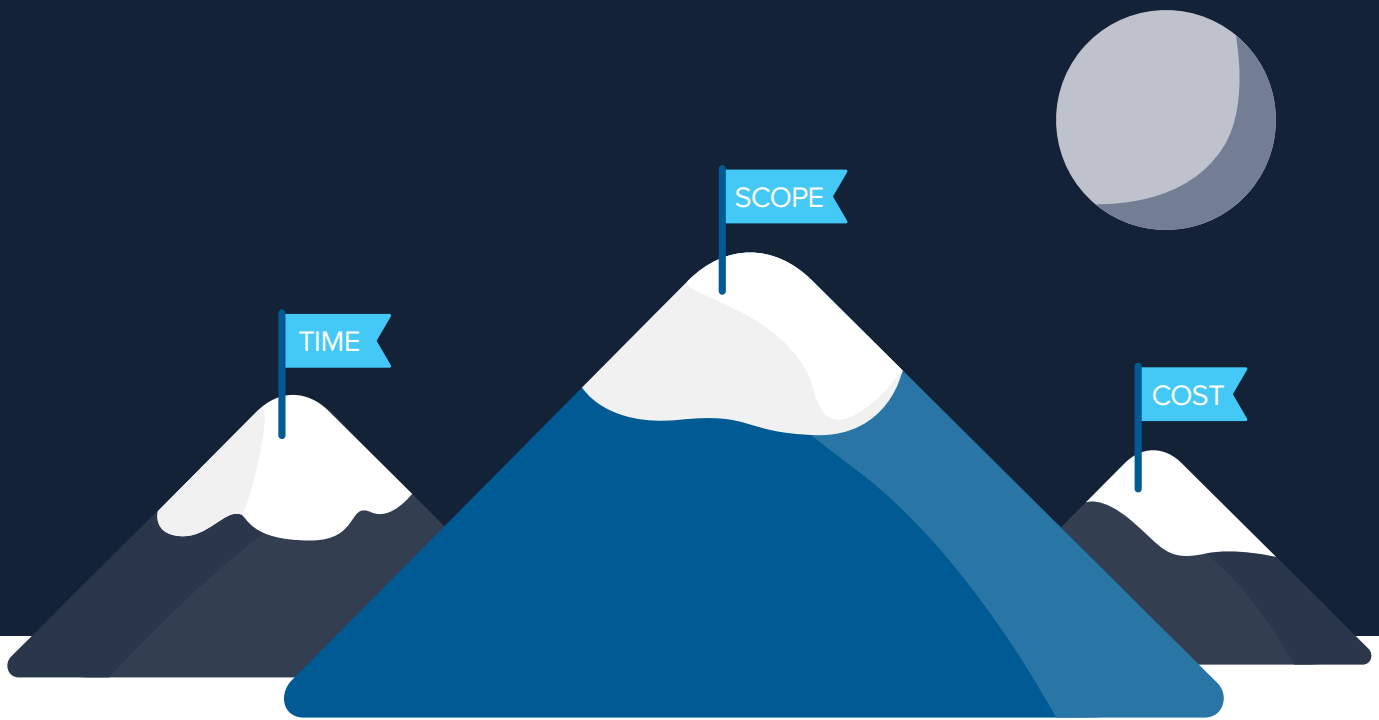
This typically means they want features that will add customer value, and would rather not compromise on rich functionality. The Product Owner would be very aware of what their users want, have no firm deadlines (or timelines are decided based on how long things may take to build), and be willing to adjust scope to ensure the features are what the users are needing without having to go back to the business for more cash.

This does not mean they have limitless funds of course, as every project has an expected return on investment (ROI), beyond which it will become impractical to proceed, but is a good marker of what to keep in mind while estimating and designing the solution.

If scope is the priority, you look at the outcomes the client wants to achieve, what are the most important for users, and map a solution that prioritises these. It means you can focus on which features need the richer functionality, both for end users and internal staff who use the application on a regular basis. Specific low level functionality comes from the solution design, although the main focus should always be on achieving the outcomes, to give the development team most flexibility to do their best work.

Once you have a good idea of the proposed feature set and the solution design, develop a high level estimate of how long it may take to design, build, test and deliver each feature end to end. This helps Product Owners see if the cost of each proposed feature is worth spending to achieve the ROI.





You can then map out these features across ‘development sprints’, to estimate how many sprints the project may need.

As each sprint is a fixed amount of time (full time people on the team x 40 hours x hourly rate x weeks = Sprint \$), you can come up with a dollar amount.

During the process, you should gather any constraints for each of the features, the amount of unknowns and risks, or maybe design the solution to go to market quickly to get feedback as soon as possible – this could potentially change the remaining scope.

At this stage you would look at the sprint range and see if you needed to add a further sprint or two to account for these parameters. Discuss this openly with the client, as they may choose more or fewer sprints, based on the risk to their organisation, other internal constraints they may have, or to have more room for unknown but useful features that may come up.

Now you have a high level scope, high level cost and how many sprints (and therefore how much time) will be needed to deliver the project. If the client is happy with this high level approach, take this to the team who would be doing the work and have them break this down further into smaller stories to get a more solid view on how it would be built. This also validates the high level ideas, and may end up changing things (something you have missed, the project is more/less complex than thought) before locking the project in with a Statement of Work (SoW).

Once the team and the client are in agreement, the SoW is then prepared and signed, and the project can begin. Once it has begun, the priority calls that are made can be focused to the scope being the most important thing, so that functionality and usability remains high.



## Scenario Two: Time is the most important priority

Pricing approach in this scenario: Time defines Costs, which means Scope is flexible

The client asks for an estimate for their new project. They specify that their priority is Time, then Scope, with Cost being least important.

*“...more people doesn't always mean a faster delivery – nine women does not mean a baby in one month.”*

This usually means there is a looming deadline i.e. ‘This must go live on the 15th or else we all get fired!’. By defining a firm deadline, it literally defines the cost. As before, each sprint is a fixed amount of time (full time people on the team x 40 hours x hourly rate x weeks = Sprint \$), so you can come up with a dollar amount, based on how much time you have. This could be flexible, if the client wanted to add more teams to deliver more scope, but more

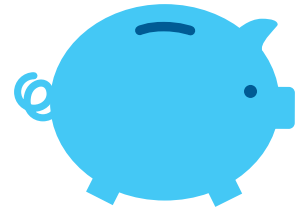
people doesn't always mean a faster delivery (i.e. nine women does not mean a baby in one month).

You then need to look into the scope as to what is a must have, what is flexible so far as functionality, and what could potentially be dropped if time ran out. The agreed priority is key, and the Product Owner must control this to make sure a cohesive solution is created, even though time is of the essence. They have to be able to make the calls to ensure the timeframe is met, as the team will be relying on them to make sure the quality is not compromised by cramming too many features into the timeframe.

A good approach is to build a ‘first pass’ of all priority functionality, to ensure you can deliver the outcome in the timeframe and then do a second pass of richer functionality if there is time.



# 3



## Scenario Three: Cost is the most important priority

**Pricing approach in this scenario: Costs defines Time, which means Scope is flexible**

The client asks for an estimate for their new project. They specify that their priority is Cost, then Time with Scope being least important.

This is very similar to Scenario Two, as budgets define how much time can be spent for the team assigned (how many sprints can be mapped into the budget).

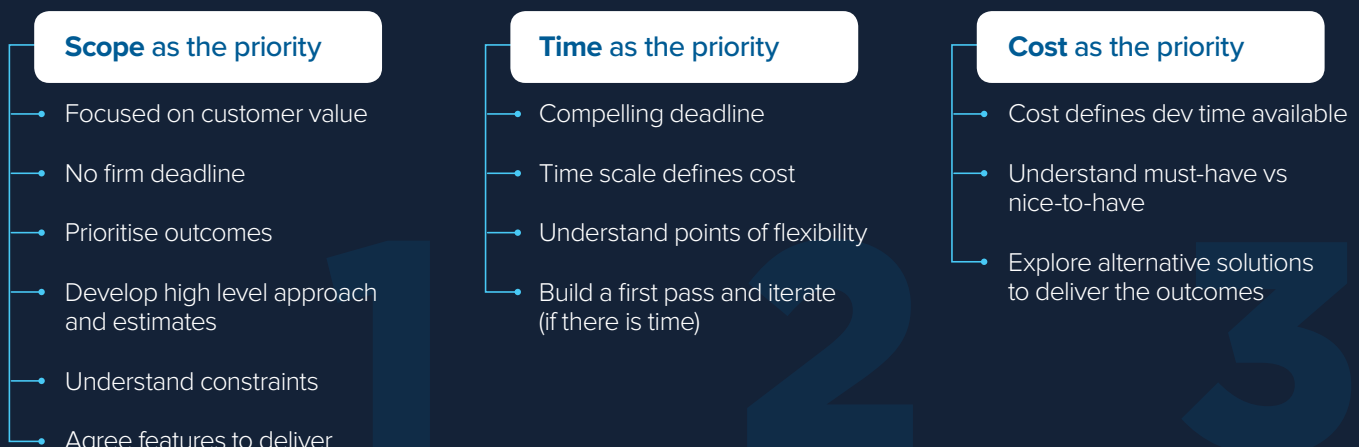
If the budget is the defining constraint, the Product Owner again has to clearly define scope as to what is a must have, what is flexible so far as functionality,

and what could potentially be dropped if budget ran out. They cannot afford to become blinded by how cool functionality could be and concentrate instead on achieving the outcomes for the ROI.

If the scope looks like it will need more time (and therefore more budget on it than the potential ROI), you may choose to remove it completely, simplify it, or come up with a different solution to achieve the same outcome within budget.

## Pricing scenarios for your Agile projects

### A CHEAT SHEET



## Go forth and price with confidence

The most successful projects I have been involved in are when both clients and digital agencies have open communication about what's important; they all understand the goal of the project and the success parameters. They are involved in the solution from its inception till the end and they care about the result for the users (and operations teams that manage the solution).

Clients who understand that it's not all about features and that rework and hygiene factors are part of projects and must be completed as well, will ultimately get a much better outcome.

Digital agencies who understand that clients have only so much money and are relying on you to do your best work for them, with hopefully no surprises, will mean they get the flexibility and trust to deliver well with a great solution.

This mutual understanding promotes confidence and trust and maximises the ability of both parties to get value. It's also what drives the growth of great digital agencies.

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### Next steps

Want to grow your digital agency and win larger clients? Get in touch today.

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