



3 Key Reasons

*The principle of “**supply & demand**”
does not apply to professional services*



The law of supply and demand doesn't apply to the pricing of professional services

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It's a foundation principle of economics: Supply and demand determine price. Oversupply will reduce prices. Increased demand will increase prices.

However, this fundamental principle – that drives most of the world's economy – doesn't apply to professional services!

That's because, unlike tangible products - where costs and market trends often dictate pricing, professional services revolve around intangibles: expertise, experience, and perceived value.

Finding the right price point in this equation can be a delicate balancing act that requires strategy, confidence, and trust - both in your own worth and in the judgment of your clients.

3 reasons why the principle of supply and demand does not apply to professional services

Professional services are not products!

Unlike physical products, professional services are highly tailored to individual client needs. A lawyer doesn't provide the same service to every client, nor does a consultant deliver identical solutions to every company.

This customization means there isn't a uniform "product" to drive price competition based on supply and demand.

Instead, prices should reflect the provider's expertise, reputation, and the perceived value against the requested services of the customer (also known as 'value-based' pricing).

Relationships, expertise and trust matter the most!

In professional services: [relationships, expertise and trust are King of the Hill.](#)

Clients choose providers based on the relationship they have with them and their ability to solve specific problems - not just because they offer the lowest price.

This relationship-expertise-trust dynamic breaks the traditional supply-demand curve because scarcity is tied to skill and reputation rather than sheer numbers.

Perceived value drives price

The value a client derives from their professional services provider is subjective (Value is in the eye of the beholder!).

Any advice that saves a company several million dollars is going to be worth far more than the time spent delivering it – that's why their competition lawyer, safety advisor, accountant and tax agent are on speed dial!

This value-driven pricing provides professional services firms with a discount from the straightforward mechanics of supply and demand.

Conclusion

The relatively unique characteristics of professional services - customization, expertise, value perception, and trust - mean that their pricing and availability are influenced by factors far beyond supply and demand.

Understand this nuance and you'll start a journey you cannot turn back from.

If this sounds like something you would like to know more about, reach out to us about our: ['Acquire - Retain – Grow' program.](#)