

What to Charge

**Pricing Strategies for
Freelancers and Consultants**

Second Edition

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Laurie Lewis



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Pricing Strategies for Freelancers and Consultants
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Foreword to the 2nd Edition

A lot has changed in the 10 years since I wrote the 1st edition of *What to Charge: Pricing Strategies for Freelancers and Consultants*. Back then, many homes still did not have computers. Even the most sophisticated computer users rarely made purchases online, and the term “social networking” had not yet been invented. Everyone sensed that computers would change the way we live and do business, but exactly what the changes would be was pure speculation. As the 21st century dawned, it looked as though computers would lead the way to an ever-burgeoning economy, just as the Industrial Revolution had transformed earning possibilities in an earlier era.

When the early dot-com bubble burst, the entrepreneurs who had led the start-up businesses chalked up their failures to learning experience and forged ahead with new ideas. Their spirit was contagious, and more and more daring souls left the security of steady employment to begin their own freelance and consulting ventures. International borders evaporated as Joe Startup in Tampa did business in Tokyo without ever leaving his home. Money flowed freely.

It all came to a screeching halt in 2008. First one business sector and then another caved in the grip of recession. Massive layoffs became daily headlines. Many of the unemployed, unable to find new jobs or discouraged by the brutality of the workplace, decided to join the ranks of the self-employed. Meanwhile, as their

clients tightened their belts, decided they could do without certain work they used to send to consultants, or closed their doors, entrepreneurs who had established their own businesses years earlier sometimes wondered whether they could stay afloat.

Certain things have not changed. Whether new to self-employment or old hands, freelancers and consultants need to find business, figure out what to charge for their work, and complete their assignments. Finding work may be more difficult in the face of increased competition and shrinking client pools and budgets. But ways to successfully calculate fees remain essentially unchanged. I'm pleased to report that the basic approaches I wrote about 10 years ago in *What to Charge: Pricing Strategies for Freelancers and Consultants* have stood the test of the global recession. Although specific fees may have decreased in some cases because those who hire freelancers have smaller budgets or choose less experienced personnel willing to work for any price, the techniques in this book for setting and evaluating fees are as solid today as they were a decade ago. Freelancers still should use their resources to determine fair rates, keep records that help them set lucrative fees, evaluate their pricing experiences, and use methods of pricing that will lead to greater profits.

Whether you have been a freelancer or consultant for several decades, as I have, or you joined the ranks of the self-employed recently, you will find that the techniques in *What to Charge* will help your business thrive. Use this book as a guide to fee setting, and you will be prepared for wherever the economic environment heads in the short term as well as in the long run.

Laurie Lewis

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Introduction

The Big Dilemma

When Quentin was laid off in a company downsizing, he decided to strike out on his own and become a consulting engineer. Two years later, he grossed \$23,000 more than he had earned in his last year on staff. What's more, he did it without working weekends, which had become a habit at the company. The next year, when business slacked off because of an economic recession, Quentin's income slipped. Nonetheless, he still earned more than enough to pay his bills and was the envy of friends who had lost their jobs and were unable to find new staff positions.

Quentin was glad he had started his own business when he did, before the recession hit and the pool of start-up consultants swelled, because it took him a while to learn the ropes, especially regarding pricing. Initially, whenever a potential client inquired about his fee, he'd hem and haw and finally sputter out a figure. He found himself always worrying that the rate he quoted would be so high that he'd lose the job or so low that he'd live to regret it. Indeed, once he did commit himself to a project at a

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ridiculously low rate for the effort involved, and he vowed never again to back himself into a corner like that.

And he didn't, because he learned from his mistakes and made some smart moves that transformed his business from one that was just muddling along. For example:

- Quentin made an effort to *find out the going rate* for different types of work. He spoke with colleagues in the field (some people might call them “the competition”) and honed his skills at interviewing potential clients so he could identify their budgetary constraints before becoming too involved.
- He experimented with *different methods of pricing*. Sometimes he charged an hourly fee, but other times he set a per diem rate. He arranged a retainer with a steady client. After the disastrous job for the too-low fee, he learned to calculate project rates so that the work would be profitable.
- He changed his *method of record keeping*. Instead of just noting the hours he worked each day, Quentin began to log his time by the tasks that he performed. When he needed to calculate a realistic project rate or per diem fee, he was able to use task logs from previous assignments to come up with a figure that reflected the anticipated work.
- Quentin became a *tough negotiator*. He learned never to quote a price until he carefully thought through a job. Before talking money with a client, he figured out exactly what he wanted and needed to earn, how low he was willing to go, and what concessions he expected from the client if he couldn't get top dollar.

- Repeatedly, Quentin *retrospectively analyzed his pricing decisions* at the end of a job. He calculated how much he could have earned if he had charged on a different basis. At the end of the year, he tallied his earnings from each client and examined them side by side. This process enabled him to weed out low-profit situations and raise his rates.

The time-tested strategies that made Quentin's business a financial success are described in detail in this book. The goal of *What to Charge* is to give you, the self-employed professional, techniques to take the guesswork out of pricing.

About the Rates in This Book

If you're looking for a list of rates to charge for particular services, you'll not find it here. Although fee schedules may sometimes be useful starting points, they quickly become out of date and are not very practical in the long run. Fees can vary tremendously—even for the same work—depending on the type of client you are serving, where you do business, and the special talents you bring to the job. If you really want to find fee schedules, search the Internet to identify organizations in your specific field and see if they post typical rates.

This book offers something far more valuable than rate lists: it presents strategies to make your rates fair for the jobs you undertake and to help your business thrive. The methods described in this book are tried and true. They've made me a successful freelance writer and editor, made Quentin richer than any staff job could, and will help you maximize your earnings, too.

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Even though the focus is on strategies, a book about pricing must of necessity cite some fees. The rates in the examples here are by no means intended to be the amounts you should charge; they are for illustrative purposes only. The fees given are not the highest ones for a particular type of work, or even the average. They simply are fees that one businessperson charges one client.

An example might state that somebody charges \$50 an hour for a particular service. If you are a freelance proofreader working in the publishing industry, this rate will seem extraordinarily high. If you offer management consulting services to top executives at Fortune 500 companies, the identical charge will seem pathetically low. Every field has a range of typical rates, which may vary greatly even within a particular specialty. You'll learn in this book how to determine the appropriate range for the services you provide.

Who Will Find This Book Useful ---

I assume that most readers are professional freelancers and consultants who offer services rather than products. The typical reader probably is a sole proprietor who runs a company of one from a home-based office. If you have employees, make or sell products, or work in a different location from where you live, you also will find these strategies useful. When determining your final charges, though, be sure to allow for your overhead: wages, supplies, inventory, shipping, rent, and so on.

As Juliet told Romeo, "That which we call a rose by any other name would smell as sweet." I have used several names to refer to the sweet ranks of entrepreneurs: freelancer, consultant, independent contractor, self-employed professional. No matter what

label you prefer, this book is for you if you run your own service-oriented business.

Regardless of the nature of the business, all consultants face the same dilemma: what to charge. Even freelancers who have been in the game for years still worry from time to time about their rates. The question *How much should I charge?* may take various forms, depending on the specific situation:

- Am I asking enough for the job?
- Will I lose the job if I ask for more?
- Should I charge by the hour? Assess a flat project fee? Use some other method?
- Can I charge a particular client top dollar, since I know the corporate pockets are deep?
- If I charge a small nonprofit operation less than my usual rate, will I set a bad precedent?
- How often can I raise my rates? By how much?

Answers to these and many other questions that bother newcomers and old pros alike will be found in the following pages. So read on!

Who Am I to Tell You What to Charge?

Like you, I am a self-employed freelance professional, an independent contractor who runs a consulting business, specializing in medical editing and writing. I've been in business for more than 25 years, and everything I share here I learned in the trenches of self-employment. I still worry from time to time that I might be asking too much for a job or charging too little. But what to charge

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has become much less of a dilemma since I have learned to apply the techniques described in this book.

I have shared these strategies in workshops and presentations with fellow freelance writers, editors, and proofreaders, as well as with broader audiences of self-employed professionals. Feedback from them and from readers of the 1st edition of *What to Charge* has been overwhelmingly positive:

- “You’ve taken the mystery out of pricing!”
- “I wish I had this book when I started freelancing.”
- “Since I started keeping work logs the way you suggest, I don’t panic when I have to give an estimate for a complicated job.”
- “By saying ‘no’ the right way to a client who is not offering enough, I sometimes get the job at a rate that works out well for me. I’m happy, and so is the client.”
- “I never used to analyze my earnings after completing a job. It doesn’t take long, and it sure provides insights. I feel confident raising my rates based on these analyses.”
- “This book should be classified as inspirational literature. Whenever my inner boss balks at a price I think is fair, I run to your book for confidence that I’m doing it the right way.”

My own experience, the comments of freelancers who have attended my workshops and presentations or read my book, and conversations with consultants in a variety of fields have convinced me that these strategies work. I am certain that if you apply these principles to your own pricing decisions, what to charge will no longer seem like a major dilemma.