Practical Advice for Starting & Scaling
Your Creative Freelance Business

# GOOD
# WORK!

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# Weigh the costs: hourly rate versus project fees.

Ask any two creatives whether they charge by the hour or by the project and you'll get two different answers. There are good arguments to be made on either side, so how you charge for your work is really up to you. There are pros and cons to each, and if you're like me, a mix of the two options might work best.

## The case for charging by the project

Charging by the project generally makes things easier—you know how much time you can budget and what you can bill for it, and the client knows what they'll be paying. No surprises. It also allows you to charge more. When you're giving a project quote, you can take into consideration the size of the client (corporations have more money than small businesses) and the overall value of the project to them (what will the client make as a result of your work). It's a lot easier to say that a project will cost $X,XXX to complete than to explain how many hours something will take you and why, and a project rate allows you to increase the fee if it's a genuinely valuable project. Most clients seemingly only care about the bottom line anyway. A client who will make a million dollars as a result of your work should pay more for it, regardless of how long it actually takes to complete.

Another benefit to charging by the project is that the more you do something over time, you'll get better at it. Which usually means you'll get faster at it. Or you'll at least do it with fewer mistakes or a lot more know-how. If you're working hourly, the less time you work and the less money you make (unless you raise your rates exponentially, but still). Your experience should make you more valuable—not less profitable.

You also might be leaving money on the table if you go with an hourly rate. On a recent book project, I asked the client if they had a budget in mind, and they did. They had a grant amount that needed to be spent, and the figure was a lot higher than I would have charged had I gone hourly.

A potential downside to project fees? Estimating. Figuring out how long it'll take you to complete a project can be difficult, especially if it's a new type of work that you haven't done before or the deliverables are vague or unclear. When I'm giving a project quote, I start by figuring out how long I think it will take me (or a contractor) to do the work, and then I include some extra buffer in case I'm underestimating the time. If I do end up underestimating

how long something will take, then I have two options: take the loss on the project and learn my lesson or talk to the client and ask for more money (see more on that below).

This happens to Evelyn Ott, a tattoo artist at Soul Canvas Ink, all the time. "I charge based on the size, hours, and the complexity of the flash. Some are quite difficult to achieve, while others come really easily. Sometimes I can determine this by looking at the client's sample, but sometimes I only realize how difficult or simple it is when in the middle of the session. I can't always nail the right price based on a sample—sometimes it's more of a task than I thought. It's very hard to tell a client you underestimated the price because you didn't know how much of a job the tattoo would be. Some agree to give you a bit more, but others stick to the initial price, and I have to just let it go. It's really difficult. It takes real mastery to look at a piece of art and know just how much effort it will take to draw on skin."

## The case for charging by the hour

Hourly fees can be great if the project is small or vague. I do a lot of work with shopping malls, and most of the projects are small and have a quick turnaround. In any given month I might do five projects for a single shopping center, and each of those projects has smaller subtasks that need to be done. With thirty chopping centers on my roster, that can add up to a lot of small projects each month. If I had to estimate each of those in advance, I'd spend more time doing paperwork than I would actually doing the job. So going hourly with those particular clients works really well. Most of the projects are similar in scope, so the client knows roughly what to expect in terms of cost, and we have a good level of trust. Over time, I've gotten much faster at completing some of those, so I charge the same amount over time to align with client expectations, and I make more money.

Pricing hourly might also work well in situations where a project has changed in scope. When I'm estimating a project, I include a set number of design rounds, along with a note that any revisions above and beyond those will be billed hourly at $XXX rate. The client is incentivized to keep the project within scope, and I can charge extra if needed.

Another option for hourly pricing that I've encountered lately is to switch to hourly pricing when a project stalls. This works particularly well on a larger, longer-term project like a website. One of my colleagues frequently had web projects stall because clients weren't ready with content or were taking months to make decisions and provide feedback, all of which delayed project payments and derailed project schedules. Her solution? Set milestone payment dates for project fees, with the final payment due on a specific calendar date. If the project stalls, the payment is still due on the originally targeted

date, and the project moves to an hourly-fee basis when the client is ready. I haven't tried this myself yet, but I know of several other people who have and are loving the results.

On the flip side, working hourly can be a problem if you take longer than your client is expecting. Sticker shock on an invoice from you is *not* what you want. What to do about that? It depends on the situation. First, figure out why the project is taking longer than you thought.

1. Did you get started without having all of the information you needed?
2. Are you having writer's block or whatever the equivalent creative paralysis is for your work?
3. Did the project scope change?
4. Did you or one of the people on your team have a family emergency or get sick or fry a computer with a coffee spill?
5. Did your planned method of execution not work as expected? Are you having technical or design issues?
6. Did you simply underestimate how long it was going to take to do that particular task?

Be honest and talk with the client about it as soon as you know there's a problem (or even if you suspect there might be one). Explain the issue and figure out what your ask is. Do you need more time? Do you need more money? Are you just giving them a heads up? If you're all on the same page, you can decide together what the best course of action will be. If you're sick and the client can't afford to wait, then maybe someone else finishes the project. If you underestimated the time needed, maybe they'll be willing to at least split the cost difference with you (ideally they'll pay for all of it). You may need to eat the cost and take the loss, especially if the estimating or cost error is yours or if it will save or mend a client relationship. Regardless of the outcome, and even if they aren't thrilled to hear what you have to say, clients will appreciate that you spoke up and aren't just springing the unexpected on them.

## What about retainers?

Depending on the setup, retainer agreements can be a win-win for both you and your clients. The basic premise is that you will be paid for a certain number of hours each month, usually at a slightly lower rate. I've had retainers with several of my clients over the years, and I use them with some of the contractors that work for me too. There's a lot of upside for everyone involved—the client can rest easy knowing that they have your time reserved for their work each month and what they'll be paying for it, and you can feel good about having set income coming in each month.

But retainers can have some downsides too, depending on how they're structured. Here are a few things to consider.

- How long will the agreement last? Do you have an ending or re-up date where you can make changes, or will you just make changes on the fly as you or the client need to adjust?
- What happens if you go over the allotted hours in a month? Do the extra hours roll over to the following month, or do you invoice those at your usual rate? (I typically do the latter.)
- What happens if you have unused time at the end of each month? Do you get paid for that time anyway, do you have to make those up in the following month, or do you have to pay the client a refund the unused time at the end of the year? (I once turned down a really nice retainer for that last reason—there's a reason I became a designer instead of an accountant.)
- Will you be expected to put the retainer client first and prioritize their work over other clients regardless of what's on your plate? Can you say no to a retainer project if you're already booked?
- Can you use a subcontractor to help with the work, or does the work have to be done by you because of an NDA or other legal requirement?
- Does a retainer make sense for this particular client? Is the amount of work you do for them pretty steady each month, or are there lots of ups and downs in workload?

Thinking through these questions can help you negotiate the agreement that works best for you. In the right scenarios, retainers can be a fantastic way to get steady work.

## Always track your time

It should go without saying that if you're working on an hourly basis, you'll need to track your time. I have a colleague who wings it every month and takes a guess at how long she spent doing certain projects, but I don't recommend that. It feels unethical to charge clients for more time than you spent, and conversely you might be guessing wrong and underestimating how long you spend on something.

But even if you are working on a project basis and no one else will ever know how much time you spent on it, track your time. Be as religious as you can about it, within reason. Knowing how long a given project will take you gives you the ability to estimate more accurately and give ballpark ranges to clients that make sense. It makes estimating much faster and easier, and you'll be less likely to lose money.

What time tracker should you use? There are lots of options—everything from an online paid service (I use Harvest) to using a timer and an excel spreadsheet. The right one is whatever one you'll actually use.

# TAKE THE
## *Next Step*

### GOOD

☐ Make a list of your current clients/projects and see if there are any that might benefit from a change to hourly or project billing.

### BETTER

☐ When a new prospect comes in, ask them if they prefer hourly or project pricing. If you estimate by the project, add in an hourly rate for any work above and beyond your agreement.

### BEST

☐ Losing money on a current project? Figure out why and decide on a fix that works best for you. Can you get more money or cut services, or do you need to eat the cost and learn a lesson from it? Make a note for the next time this type of project comes in and estimate accordingly.