I went from charging $50 per hour to $200 per hour for same amount of work.

- Adam C.

QUADRUPLE YOUR RATES

Ultimate Guide To Raising Your Freelance Rates

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Table of Contents

Chapter 1: Conflict of Interest

I was browsing the Internet the other day, and came across a user by the name of "freelanzer1." You see, he was in a bit of a crisis. A self-proclaimed "senior web-developer with gobs of X, Y, Z experience," he was being demolished by Fiverr.com (where people do odd jobs for $5) and "Indians."

Before I tell you more about freelanzer1, we should be able to see what fear has possessed him. It's a fear that I've felt, that every freelancer I know has felt — and that most professionals I know have felt too.

The fear is that a globalized society will lead to a literal race to the bottom. Developers in developing country A start charging $Z, so developers in developing country B charge $X, and developers in first-world countries are out of work.

Sound familiar?

It's the Wal-Mart problem, or more appropriately, a cost-plus pricing concern. I

don't want to dive too far into the philosophy of pricing just yet, but it's important to realize off the bat that fear is a very potent force in this business. And fear often leads the best of us into doing some pretty ridiculous things — like charging a lot less than we're worth. Especially in a recession.

So back to freelanzer1.

After talking to him about his problems, he tells me more information about him. His rate is $50 an hour. He came to this price because he "always does his best," and because he "produces readable code," uses a "minimalist MVC framework," and "avoids spaghetti code at all costs."

He doesn't know it, but he's confusing personal vanity with value.

Consider this: You want to buy a new shiny red sports car. You're in your 40s, your hair is thinning, and you want to look *awesome* in a new sports car. So you pull up to the car dealership in your beat-up Toyota Camry and flag down

someone in sales. She walks you around the lot, and then begins to reel off her sales pitch: "Our factories are LEED certified, our workers are given more time off than legally required, we use an innovative manufacturing process that none of the other major car companies use, and best of all, this car is lighter than most due to an absence of heavy metals."

There's a conflict of interest. You want to impress girls twenty years your junior; she wants to tell you about the features of the car and the manufacturing processes that her company employs.

This is why freelanzer1 can't find work.

Chapter 2: Clients' Wants

Your clients are not you, nor do they share the same worldview as you. They don't hire you because you're creative, nor do they hire you because you hold fast to object-oriented design practices. Even when an art director or CTO is hiring you, your technical capacity isn't why they hire (or don't hire) you.

We've all heard stories about the smooth talkers who climb the company ladder and are full of hot air. And I know you *despise* them. But we can't let our pride get in the way of learning what it is they're doing to go home with bigger paychecks than the rest of us.

Clients want us to make them more money than they spent on us.

That's it.

The men in suits usually understand this; we oftentimes don't.

We are hired for much the same reason that you might buy stock in a company: we're an investment vessel for someone else.

When a client asks for a website, they rarely are wanting a nicely designed interface that is SEO-friendly. They've probably done a little homework, and might even approach you waxing about search engine optimization and HTML5, but that's not what they want.

If a restaurant approaches you to set up a Wordpress site, what they want is more customers. If a mortgage company wants a new logo, they're insecure about how professional they look. And if a startup comes to you to help develop their next-generation social platform, they want you to help them become the next big thing.

The end goal of our services has nothing to do with technology or our craft. And that's intentional. Just like the majority of us don't care how a doctor goes about healing a loved one — we just want our loved one healthy — our clients don't care about the technology or experience behind what you do.

Chapter 3: Segmenting Your Client

Client personalities are about as diverse as the projects we bid on. It's important to realize this, because your offer will need to vary based on how your client perceives value.

It would be impossible to list out all the personas for the clients you're likely to come across, but they can be segmented into two major camps.

THE PRAGMATIC:

These are people who understand that you're being hired to fulfill some sort of business need. If you're referred to as a "vendor," you've likely been hired by a pragmatic organization.

They are focused on the *quantitative:* how many visitors, conversion rates, number of sales, budget burn down. They talk in specifics.

Ultimately, these are the people I prefer to work with, because I'm able to clearly communicate value propositions, and the line is never blurred between my profession and friendship.

We'll soon look into what I call the Economic Factor. It's a way of setting expectations and delivering results that are in line with business objectives. Not surprisingly, the Pragmatic Client will resonate best when the emphasis of your offer is directly tied to their bottom line.

THE DREAMER:

I recently had a client who wanted a startup the same way a teenage kid might want to be a rock star one day. The Dreamer talks in non-specifics and waves their hands a lot.

The Dreamer might be harder to work with — they might have no concept of "code complete," and will ask for endless revisions and tweaks. They think they know what they need, but they can't fully put it together. This is where you step in and deliver the good news: you will be their trusted confidante, the midwife of their ideas, and you'll deliver something that will cause their business to bloom.

Experience means a lot to the Dreamer: the experience of sitting around and mocking up

logos, or the thrill of getting a status update from you. Communication, even when there's not much to say, is important to them. Your value offering will largely depend on your being responsive and available.

Chapter 4: Trapped in the Middle of a Project Pitch

A few months back, I was sitting in on a meeting with the regional manager of a major American nonprofit. This nonprofit has thousands of retail stores selling consignment clothing and items, and the stores are stocked from tax-deductible donations. Their southeastern Virginia website was outdated, and they had called me in along with another consultant.

The client began to talk about how his organization was rebranding itself to appeal to the middle class, specifically the suburban women. The old website has "lots of words," something he doesn't like. It also wasn't showing up on Google Maps, which he thought was making it impossible for people to find his storefronts.

The other consultant spoke first. "We could set you up with a custom SharePoint install, and you'd be able to create as many pages as you needed to and upload photos and videos. It would even allow you to have a photo gallery and a CRM for your own use."

The consultant responded with how we're taught to respond: a technical proposal, based on features we know how to sell.

I was up. "Bob, tell me more about your website." Again, it was wordy. And there were a lot of pages. Pages about the history of the organization, leadership, management, an event calendar, and — yes — even a photo gallery.

"Bob, if your website were an employee, what would its job description be?"

Entertained, he smiled and replied that he wanted to get more suburban women to drop off their families' used stuff to his retail stores.

"OK, so how is your current website getting suburbanites to drop off their stuff with you?"

"It's not."

Through a dialogue — a conversation between him and me — we put together a plan that was more than three times the cost of the SharePoint proposal, but was focused *exclusively* on the business needs of his organization.

Guess who Bob liked better?

So what can we learn from this example? How can my proposal, which was 3x more on paper than my rival's, outmatch the other?

Let's talk about pricing theory.

Chapter 5: Pricing

COST-PLUS

The majority of businesses price using a method known as "cost- plus." The theory is simple: calculate how much a widget costs to build or buy wholesale, tack on some profit, and slap a price tag on it.

You probably price like this, and almost all of your competition does also. But you have no overhead, no cost of production — right? It's just your time at stake.

Wrong.

Think about how the majority of freelancers come up with their rate. If you Google "freelance rate calculator," the results are all pretty similar. Here's one from FreelanceSwitch.com.

Plug in your monthly expenses, and then add on how much profit or savings you want. Cost-plus.

This is why so many freelancers charge $50 an hour. Full time, that's $100,000 a year, and a six-

figure income in most parts of the world is pretty damn good.

MARKET RATES

A market rate has nothing to do with the living requirements of the freelancer, and everything to do with artificial geographic or industry constraints.

Because we assume most decisions are primarily influenced by cost, and that a unit of labor for me is the same as for you, it's in our best interest to better our competition by pricing ourselves lower.

There are many parts of the world where the cost of lunch at a food truck in Manhattan can feed and house a family of four for an entire day, so to a relatively well off freelancer in North America or Europe, market rates start to get *very* frightening when we consider our foreign competition.

While it is true that cost is the central consideration for a lot of clients, it's most

influential when comparing equals. An hour for you is an hour for me, and you charge $50 for that hour — I charge $10. And we both are just Ruby developers. Nobody in his or her right mind would hire you when expressed like that.

VALUE DRIVEN

This is the approach I favor, and it's the approach that will help you significantly increase your income.

The reason we are hired is to satisfy our clients. This doesn't mean just having a good relationship with them; it means helping make their business better off tomorrow than it was yesterday.

Value driven pricing is all about quantifying the surplus of success that we create for our customers.

This is easier said than done, for a few obvious reasons. First, your clients likely are successful — or at least have been — and successful people tend to realize that it's not a good idea to be

perfectly frank about how much they're willing to pay for a product or service. Additionally, new clients have no idea what you're worth to them. They aren't capable of seeing the future, and unlike with a car on a lot, they can't touch or test-drive your product yet.

Because value driven is rooted in pricing yourself based on the amount of value you deliver to a client, it has nothing to do with restrictive theories like cost-plus or market based.

And we can use this to our advantage by charging a premium on our time that directly aligns with the amount of value we're delivering to our clients. No one is cheated, our client is better off than they were, and you're making more money than ever before.

Next we'll look at how your rate reflects on you, and then dive further into the psychology of pricing.

Price as a Mirror

Let's look at a product for an example. When this product was available for pre-order, it was first available for $29. Afterward, it was priced at $39. Here's a thought experiment: At which price point do you think the conversion rate for purchases was highest?

That's right, at $39.

Most of us are afraid — that's right, *afraid* — to charge. Which is why we retreat to pegging our rates to whatever our friends charge, or to a little above what we need to survive. It's easier to rationalize and justify.

But like any business, we have a product: the value we deliver to our clients. The medium may be different (designs, code, words), but the medium doesn't matter.

A higher price, especially if a prospect is familiar with the price for your competition, isn't a repellent. In fact, it's more of a curiosity to most clients I've met. They immediately start

wondering, "Why is he so much more expensive than that other guy I talked to?"

This is the part where you go in for the kill (or more benignly, the sale), but we still have plenty more to talk about with pricing first.

BMW, Starbucks, and St. Regis are premium companies when contrasted with Kia, Dunkin' Donuts, and Motel 6. They all offer really the same thing: a way to get from A to B, caffeine, or a place to stay overnight.

But there are experiential differences that allow a large enough segment of consumers to buy from them instead of their cheaper offering. That's obvious, and everyone knows that the suite at a St. Regis might as well be in a different universe from what you'd get at the truck stop hotel.

But we aren't selling to consumers; we're selling to businesses. Therefore we have a second factor in the mix: the economic factor. It's the responsibility of a business to factor in money saved or money made towards the value

received from a transaction. Most freelancers understand the "money saved" bit, but bypass the experiential factor and the moneymaking possibilities in how a client perceives the value they produce.

THE EXPERIENTIAL FACTOR

When judging the value of a transaction between a freelancer and client, the **experience of the project** is inarguably the most important, longest lasting component of the received value. It's where we get referrals; repeat business, and internal satisfaction.

The experience begins the first time you come in contact with a new client. Being responsive and driven by a principled approach to business is something that a savvy client will always respect. I can't begin to count the number of times a lead has been in shock because I replied to their contact form submission within an hour.

And the more you come across as a seasoned freelance professional who has a clear plan of action, rather than being swayed whichever way

the wind blows, the more respect your client will immediately have for you. And more client respect equals more money in your pocket.

THE ECONOMIC FACTOR

Because we aren't paid in smiles, but in cold, hard cash, it's just as important to help our clients make more money than they spent on us. The **economic fallout of a project** refers to the increasing or decreasing effect a completed project has on the client's business.

A simple example might be an online store that hired you to redesign their template. Presumably, it was already making some money, and you were hired with the intent of increasing the revenue produced.

While it's impossible to accurately gauge how your redesign will affect sales, it doesn't hurt to do a little speculation. And by explaining how they're being hurt financially by *not* implementing your suggestions, you can highlight a loss — even if the client is currently profitable.

The delivery of experiential and economic value shouldn't be in an estimate document, or found solely within a project proposal. Ample conversation around their business, their needs, and your abilities as a solutions provider is what enables you to charge the premium rate you deserve.

Project Transaction Structures

Now that we've looked at the psychology behind pricing, let's explore how freelancers typically structure a transaction between themselves and a client. As you reflect on each transaction structure, think about what we just learned — how price reflects on us and how clients come to price and value decisions — and try to identify the strengths and weaknesses of each approach.

HOURLY

By far the most common pricing structure. This is also known as "time and materials." You work an hour, you get paid $X.

DAILY OR WEEKLY

Quite a few freelancers and consultancies that I'm aware of are moving away from hourly towards a day rate or week rate. This is usually easier to manage because tracking time diligently is no longer as important. In short, the client is *buying* a day or week of your time with the assumption that you'll be completely focused on their project during that time period.

FIXED FEE

A fixed bid project means that the freelancer and client will agree on a scope of work to be done, and set a price for that. Most clients initially favor fixed bid, because there's little risk on their end. They can budget a project, just like you might budget the price of a new kitchen remodel, before the project starts.

There are many reasons why — to the client — this structure seems best. In the next chapter, we'll look at client budgets, but the simple answer is that they'll pay $X, and get Y.

Unless the estimate is perfectly accurate and the scope never changes, there is a huge amount of risk for you in fixed bid pricing. (Fear not, however: At the end of this book I'll talk about when you want to use flat fees.)

Chances are, you *assumed* a lot of things when preparing an estimate. Another equally long book could be dedicated solely to the art of the estimate (I recommend *Agile Estimating and Planning*.) But these assumptions will often lead us to oversimplify a feature, and then spend a large amount of time getting it to be in line with the client's expectations. Conversely, the client likely doesn't have a clear understanding of exactly what they ordered, and thus will ask for a number of revisions — with each revision taking more of your time and thus cutting further into your profit. Highly subjective requirements, like design, are most susceptible to this.

However, the client is also at risk with fixed bid. Especially when you're working with a smart freelancer. Seasoned freelancers know from

experience and frustration that endless series of revisions or scope modifications hurt their income. Therefore they'll be more resistant to change and learn to live by the phrase every client dreads to hear: "This is out of scope."

As a project evolves, it's often advantageous to the business to change scope. And as a premium freelancer charging a premium rate for our services, we want to over-deliver on value. When we're locked into a scope of work, this isn't always possible.

FIXED FEATURE

I know of one company (8th Light) that charges a fixed price for a particular feature. I encourage you to read their reasoning for this approach over at their blog:

"Because of this, clients do not have any obligation to manage personnel or hours, they get to focus on software features. Clients also know from the start exactly how much each feature will cost, regardless of the labor that goes into making it."

This is a more manageable approach to fixed bid. As the scope and timeline of a project grows, without a way to stay on top of it we're likely to lose track of how long it will take.

VALUE BASED

Not to be confused with a Value Driven pricing strategy, this is a type of project where a cost isn't determined upfront. Upon the completion of a project, the client will pay you what they think the project is worth. While this structure highlights the need to take into account the value received by the client, it's very one-sided. It also only takes into account the final product — the work delivered — and excludes your guidance in steering towards this goal.

I would advise that no one ever agree to this structure, unless you're building a website for your mom.

EQUITY OR DEFERRED

We can't skip over the "Craigslist ad" structure — that is, where an entrepreneur short on funds

is trying to recruit you to do a lot of work for them, and you'll be repaid either in equity or in some sort of deferred payment.

Clients employ this tactic when they don't have any money, and all the risk falls squarely on you, the freelancer.

I would avoid this structure unless you're able to convince your mortgage backer to accept some of the equity you've received towards your monthly payment.

PARTIAL EQUITY

Lastly, there's middle ground between a cash structure (hourly/ daily/week or project) and equity. A client might be willing to get you to lower your fees in exchange for a small amount of equity. I used to sort of like this approach — after all, I'd be vested in the company and the client would be comfortable knowing that I had a reason to really care about the success of the company.

Ultimately, however, you're risking the time

you've invested in the hope that your client is a good salesman and will make your stock ultimately worthwhile. It also tends to require the involvement of an attorney.

Chapter 6: Clients Budget

A client determines a project budget in one of two ways. The first is based on constraints: their bank account has $X, their department's annual budget is $Y, their tolerance of risk for this new project is $Z. This is what I called a Constrained budget. We'll soon learn how Constrained budgets are most complementary for our premium pricing.

The second type of budget is Arbitrary. A client might have hired a freelancer in the past and is basing their new budget loosely off that experience. Or they've asked their friends, searched the Internet, waded through Quora, or any number of different ways to research what the "going rate" of a project of their caliber should be.

You need to make sure that you can quickly determine both what their budget is (and if they're resisting, what range they're expecting to pay) and how they arrived at this budget.

Usually, most project pitches come to us with a budget and scope in mind. This presumes that

the client has determined the value of their project already ("these features are worth $X to me").

Quantifying Value

Remember that there are two ways that we deliver value to a client: Experientially and Economically. Until now, we've assumed that our value is the work we produce, and the fact that clients often approach us with a budget and scope in hand is testament to the fact that, consciously, our clients also subscribe to this line of thinking.

It's time to divorce scope from budget, and arrive at why we're really hired: to save the client money or make the client money. In short, to increase profit.

Now a defined list of features or requirements becomes unnecessary. The requirement is to deliver a better experience to our clients — by being responsive, offering whatever business advice we can, and by suggesting direction — and to provide an economic benefit, i.e.,

producing the right product for our clients that drives the most sales or economic benefit.

In order to begin to quantify the value we deliver for our clients, we need to first understand the economic potential we're able to deliver. And the way to do this is through a thorough conversation focused on why you're being hired in the first place.

Let's take a closer look at the restaurant owner who approached us for a website. The majority of freelancers will immediately start focusing on their craft and technicalities of a website: Are we going to put a Google Map on the home page? What sort of CMS will let the client update their weekly specials? How long will this take to build? Pinks or blues?

In order to command a premium cost, a freelancer needs to move beyond the commodity of our craft.

Recall my conversation with the regional manager of the non- profit. The thrust of the conversation was non-technical; my intention

was to determine what I could do to increase their traction with suburban women.

The first question we ask should be: "Why is the website you have now insufficient?" This will immediately boost your Experiential currency, because you're moving the conversation in a direction that the business owner understands. For most, the technicalities of your craft tend to be intimidating, and can erect a wall of separation between you and your clients.

"My friend owns a bakery, and they've setup some online ads and had a new, fancy website built. I want to do the same."

You've now graduated from being a freelancer to being a trusted consultant.

You now know they don't need a website. They need customers — specifically, they want all the benefits that their bakery-owning friend is currently enjoying.

EXPERIENTIAL VALUE

The client in this example is embarrassed. They

want to be more like their bakery-owning friend, who is reaping the rewards of the Internet. They don't want to be left in the Stone Age.

You'll gain experiential karma by appealing to their ego: "We're in this together, and soon you'll be bragging to your friend about the results you're getting online."

Features? Irrelevant. Colors? Nonessential. Getting results equal to or better than those of their friend? Everything.

I'm not advocating dishonesty. If you aren't capable of producing the results the restaurant owner needs, admit it. But if you are capable, the way for you to enjoy a premium rate is to capitalize on the egos of your clients.

ECONOMIC VALUE

Your first step is to determine how this client quantifies economic value. Number of walk-ins, number of sales, word of mouth referrals, Yelp reviews — all of these contribute towards increasing the revenue for the restaurant.

As we saw earlier, this is a competition between the client and their friend. To satisfy the economic needs of the client, you'll need to also identify and quantify the results that the friend is getting. This will give you an idea of metrics you need to measure and the outcomes you need to go after.

Your plan should be simple: The client's sales are suffering, and dwarfed by their friend's bakery. We know that the friend is leveraging a lot of Internet marketing to boost the bakery's financials. We want to try to get to the same outcome (a revenue boost, especially when compared to the bakery) using whatever's best for the restaurant.

This is your economic advantage, and this is how you'll win this contract.

Your Offer

Premium projects are won over conversations, not line items on an estimate. By now, you should have been able to identify a few things:

SEGMENTATION

Who is your prospective client? Are they Pragmatic or a Dreamer? What kind of business do they run? Are they somebody you want to work with?

VALUE OUTLOOK

Given what you know about the client as a person and their business, what values will they be most receptive to? What Experiential Factors can you use to win this contract at a premium rate? What Economic Factors can you wield?

POTENTIAL

Do you have the capacity, both motivationally and technically, to deliver a premium project to this client? What are the impediments to success? Does this project have no hope, regardless of how well you do, at making any money or economically or experientially improving the client and their business? And can you influence the direction of the project if it's likely to fail?

I use the word "offer" to encapsulate everything from initial business discussions with a potential client to a legally binding proposal document.

Putting together your offer begins immediately with delivering experiential value and confidence. It means being direct and asking the questions you need to accurately put together an offer:

Why do you want this built?

What are the economic implications of it not being built?

What is the economic potential of a successful completion?

What research went into determining the necessity of this project?

Why aren't you able to do this either yourself or internally?

What, if any, are the time constraints of this project? And why?

How, and when, will you be able to determine

the success of this project?

This list is by no means exhaustive, but it's a good starting point. Ultimately, you need to convince the client to break down any barriers and open up to you about the business case behind their project. Winning their confidence early on — and conveying that you're taking an interest in the cause and effects of their project — will be something they probably aren't used to.

This is how you begin putting together an offer that's likely be accepted, and priced at a high rate.

Once you've exhausted the preliminary, business-centric questions, it's time to put together a strategy — or what I like to call a roadmap.

A roadmap is simply a list of things that need to be done, and in an order that is both technically correct (i.e., a user profile page probably depends on some sort of registration system) and, most importantly, ordered with the tasks

that are of the most immediate value to the business up front.

Your goal should be to disconnect any relationship between a specific budget and a set scope of work, in favor of figuring out the business motivations behind the list of initial requirements a client brought to you.

Once a roadmap has been put together, it's time to estimate complexity. My rule of thumb is to estimate liberally, especially when you're working with a Dreamer. Ensure that your roadmap is always seen as a work in progress, a nebulous outline that demonstrates your ability to chart out the future success of your client's business.

The first time you price out a project at a premium rate is always a bit intimidating. Just seeing large numbers that dwarf your previous estimates can cause you to second-guess yourself, and tempt you to shrink your rate back down to something that you think will definitely win you the contract.

In a later chapter, we'll discuss what to do when your prospective clients push back. For now, however, don't be afraid to charge what you know you're worth. After all, you're committing to tangibly improve their business and have the right roadmap to do it.

Right after you've sent over a document outlining your roadmap — I recommend some sort of collaborative editing app, like Google Docs, Hackpad, or whatever works for you — you want to encourage your clients to rip into your roadmap, and to deprioritize or delete whatever doesn't align with their business goals, especially when money is tight.

The real shift between the traditional, proposal-based approach and this is that you're letting the client put together the project plan.

Think about this for a second.

You probably used to estimate by throwing over a set of line items and a total cost. From the perspective of some clients, you took what they said, went into your office and pulled a number

out of the air and attached it to a proposal.

The strategic change here is that you're basically saying: Here's everything you and I have figured out could be a part of this project. I've prioritized it to net the maximum return for your investment. Next, I figured out what each part of this project would cost, and now I need you to fit this within your budget and refine this further (if necessary) to align with your business goals.

Your offer is a long but thorough conversation. And your client will do just about anything to work with you and get the results you've talked about — even if your rate is twice everyone else's, because the benchmark is no longer your commoditized technical abilities.

Chapter 7: Case Study: John Livingston

WHAT DID YOU DO BEFORE FREELANCING? AND WHAT CONVINCED YOU GO OUT ON YOUR OWN? Freelancing is probably one of the first areas of work that I got into. I have an interesting history — I'm 25 years old, but have been involved in programming since I was about 12, when I taught myself Perl and CGI. I got into PHP and Web programming during my first year of high school, just when PHP had hit 4.0 and there weren't any great alternatives like there are today (Rails, Node.js, etc.) — Perl and PHP dominated the web.

Anyways, fast-forward and I'm 16 years old. My parents told me that I had to get a job and start paying for my own things, so I got a job at Target making $7 an hour. I wanted to buy a car and I knew that I couldn't afford it making $280 a week, so I decided to figure out how I could make money from my (poor) programming skills.

I started hustling online. I made a portfolio and began using the job forums on

WebHostingTalk.com. I got a couple of sweet gigs and learned how to hone my message so it stood out and looked more professional than the other people submitting offers. I remember one of my first jobs — it was for building an add-on to an existing piece of software. I decided to ask for...FIFTY dollars an hour. This was huge for me — I was 16 and figured I had nothing to loose. My hands were shaking when I told them my rate was 50 bucks an hour — I was sure they'd say,"NO! Are you kidding!? FIFTY?! You must be crazy."

I couldn't have been more wrong — it was no big deal, and looking back, they were most likely ready to pay triple that.

HOW DID YOU GET YOUR FIRST FEW CLIENTS? Almost all of my clients were remote/found online until I was in college. I supported myself on freelance income throughout high school, college, and beyond. Most of my clients came from either Craigslist, WebHostingTalk.com, or just by networking with people. After I built up a small client pool,

almost all of my new work came via referral, which was awesome and completely passive.

WHAT TYPES OF CLIENTS DO YOU PREFER WORKING WITH? I only prefer working with small companies — for me, it's important to work directly with the decision-makers and not have to deal with 14 layers of management. You also get paid faster (but run the risk of not getting paid at all — catch-22!)

HOW DO YOU COMMUNICATE VALUE WITH YOUR CLIENTS? One of the most valuable skills that I have is my ability to sell myself and demonstrate tangible value. In any conversation — whether it's with a potential client, employee, or just a friend — I always demonstrate and display my passion, positive attitude, and ability to think outside of the box. The most important value that you can communicate to your clients is passion and vision — you need to get them to buy into your mission first.

I think it's also important to communicate value

passively. What I mean is, besides the direct conversation with your clients, it's important to build things that they can "find" when they research you. Having an active blog and Twitter account are just two examples — it allows your clients to discover your personality and work on their own. Notice that I said ACTIVE blog. No one wants to read shit you wrote in 2007.

HOW DO YOU THINK YOUR CLIENTS CORRELATE YOUR PRICE WITH THE VALUE THEY RECEIVE? There are lots of different ways to show value when you're working with a client. "Having the best code" or other ambiguous metrics aren't going to work for you. Reliable, fast, constant communication. Delivering on time. Working FAST. Like "WOW" fast — finishing something in a day that you told them would be ready next week. Under-promise, over-deliver. Always. Include a feature that you said "wouldn't be ready in time," even if you knew it would be.

Strangely enough, I believe that raising your rates is one way to increase perceived value.

Freelancing is very similar to dating — no one wants to go out with the desperate, needy kid that nobody else wants. Having a higher rate gives people the impression that you're in high demand because you provide value.

WHAT RATE DID YOU START OUT AT? AND WHAT'S THE HIGHEST YOU'VE CHARGED? When I first started freelancing, charging $50/hour seemed scary. Today, I regularly ask for between $500 and 1000/hour, depending on how interesting and exciting the project seems. The crazy part? Most clients don't even flinch. They know I work fast and don't bullshit their time away.

DO YOU EVER NEGOTIATE YOUR RATE WITH CLIENTS? One of the rules I live by is that everything — EVERYTHING — is negotiable. To a mid-size company, the difference between, say, $250/hr and $500/hr is completely irrelevant. They're earning millions in revenue, and in the end it doesn't really matter what they pay you as long as they know the work is going to get done well. You're not

doing anyone a favor by cheapening yourself.

ANY ADVICE FOR FREELANCERS WHO WANT TO RAISE THEIR RATES? Stop thinking and do it. Like, today. It's as simple as doubling a number on a piece of paper.

Chapter 8: Case Study: Eric Davis

Eric Davis is the owner of Little Stream Software, a software company that helps new entrepreneurs build a successful software business. He is also one of the founders of "Ruby Freelancers," a weekly podcast.

WHAT DID YOU DO BEFORE FREELANCING? AND WHAT CONVINCED YOU GO OUT ON YOUR OWN?

I was a software developer for a small software company in California. My wife and I moved out of the state and I wasn't able to work remotely for them. So I took $900 I got from selling my car and used that to start doing freelance software development. I made a deal with my wife: If I couldn't earn an additional $900 in two months then I'd go out and look for a job. I ended up getting my first client in a month and have been in business since.

HOW DID YOU GET YOUR FIRST FEW CLIENTS?

Basically word of mouth and referrals.

I spent a lot of time on forums, mailing lists, and

blogs trying to be helpful. I ended up emailing with a few people and they knew some people who were looking for developers.

I'm still working with one of these clients, 5 years later.

WHAT TYPES OF CLIENTS DO YOU PREFER WORKING WITH? I've worked with a variety of clients: new tech startups, local small businesses, large universities, and state and federal governments.

My favorite types of clients are the ones who understand the value I deliver and are able to make fast decisions when an opportunity presents itself. Not hasty decisions, but fast decisions. This is more a reflection of the specific person I work with than the business type; even large bureaucracies can move quickly with the right person in charge.

HOW DO YOU COMMUNICATE VALUE WITH YOUR CLIENTS?

There are two ways.

1. A lot of my previous work is open source and available to be reviewed by them or a third party. This lets them see that I know my stuff and am an expert in a specific domain (proof of my technical experience).
2. I try to start working with them on a small, quick project. My goal is to establish a pattern of working so I can get them results quickly. This builds up a level of trust between us that we use to take on larger and larger projects.

HOW DO YOU THINK YOUR CLIENTS CORRELATE YOUR PRICE WITH THE VALUE THEY RECEIVE? Since the majority of my work is done to automate manual processes, they tend to look at the amount of time they will save by hiring me to automate it for them.

For example, paying me to automate a report that their employees have to compile and create by hand could save that employee 4 hours per

week. Over a year that is 208 hours saved at the total cost of the employee to the business.

WHAT RATE DID YOU START OUT AT? AND WHAT'S THE HIGHEST YOU'VE CHARGED? I think I started out at $35 per hour. This was a complete guess based on my previous salary as an employee.

The highest I've gone was $200/hour for a rush project. I know for a fact that the client was very happy to pay that, too, as I was able to save them many times that cost.

DO YOU EVER NEGOTIATE YOUR RATE WITH CLIENTS? I'm not very negotiable with my rates. Long-term clients who I have a relationship with will typically be grandfathered in at my previous rate.

Usually if a client is trying to negotiate my rates it is to reduce the cost of the project. In that case I work with them to reduce the scope and value of the project, e.g., change a 100 hour project to an 80 hour project.

ANY ADVICE FOR FREELANCERS WHO WANT TO RAISE THEIR RATES? Take a hard look at what value you produce for a client. If you can't do that, then you're only selling commodity work and are fighting with every other freelancer out there.

All freelancers need to learn more about business. Not just how to run their freelance business, but also how larger businesses work: How they value projects, how they calculate ROI, when they make investments, etc. The better you are at communicating with a business in their language, the more they will trust you, and the more work you'll get.

Chapter 9: Case Study: Tim Connor

WHAT DID YOU DO BEFORE FREELANCING? AND WHAT CONVINCED YOU GO OUT ON YOUR OWN? Almost from the very start I was a contract developer (after my first 6 month gig working for a tech department of my university library), so there was almost no convincing involved. Maybe growing up with a parent who ran their own small business made a more entrepreneurial approach seem to make sense.

HOW DID YOU GET YOUR FIRST FEW CLIENTS? I got a contract gig through a staffing company. Then I picked up some additional projects through friends and family. I pulled in a friend in to help with one of them, who then became my business partner. Then I was chatting with a teammate on the ski lift about what we respectively did, and his company became one of my main clients, responsible for 3/4 of the work that my first consultancy pulled in.

This time around, with Cloud City Development (I've since restarted consulting after a break to

just be an engineer for a couple years), I've been around long enough that it's just been word of mouth and referrals — stay in touch with your community and always let everyone know what you do and that you are looking for projects.

WHAT TYPES OF CLIENTS DO YOU PREFER WORKING WITH? Nonprofits, investment banks, small businesses, startups (both funded and bootstrapping), pretty much every type of org under the sun. There isn't really a type I prefer; all of them have their trade-offs and the individual client matters more than the type. Obviously, seriously cash-strapped clients and those outside of tech, who aren't used to the rates, sometimes have a bit more trouble.

HOW DO YOU COMMUNICATE VALUE WITH YOUR CLIENTS? Portfolio experience, recommendations/referrals, confidence due to knowing what I am talking about, free advice about their field or type of project, anecdotes about similar experiences. If you are confident in

what you know and can back it up, most people will be able to tell — you will always have some that want to call references and see more projects exactly like theirs, but explaining how the tech is the same even if the field isn't helps.

HOW DO YOU THINK YOUR CLIENTS CORRELATE YOUR PRICE WITH THE VALUE THEY RECEIVE?

Hmm, if they thought they were getting too great of a deal I'd not be charging enough. I do have a personal issue about making everyone happy, so at times I've killed myself trying to make sure I've done everything I can, which doesn't always actually help.

More important is just managing expectations well ahead of time, making sure people know what they will be getting and delivering on that.

WHAT RATE DID YOU START OUT AT? AND WHAT'S THE HIGHEST YOU'VE

CHARGED? $18/hr to start. $1000/hr if you count a fixed bid contract I cautiously overbid (after telling the client they'd really be better off paying hourly, but they insisted). Discounting that, $350/hr.

DO YOU EVER NEGOTIATE YOUR RATE WITH CLIENTS? Generally not; either you are worth what you are charging, or you aren't and you have been overcharging. If you budge on your rate, then that's not really your rate, and they won't appreciate your time at its full value, and any referrals they send your way may not be expecting full-rate either. Obviously, I'm imperfect and I have negotiated before, but I try to stick with it. Occasionally, I'll bump down a little, but I always regret it, as I never think it's been the final thing that sealed a deal.

This is slightly different for subcontracting, where the rate may actually factor more into whom I pick to work with. Even then, as long as someone is charging within what is reasonable for their experience, I just factor that into the rate I bill through to the client. Higher rates

mean fewer, higher-end projects, typically. You'll lose some, but if you are priced right it'll work out.

Personally, I have tried demand pricing and adjusting my rate based on my availability, the type of work involved, how much I wanted to do it, etc., but don't budge from the rate I tell a client, and make sure not to go down below my base rate. For instance, the $350/hr is usually for more consultant/advisor type roles; few are going to pay that for active development. If I have a bit of time open for a development project I may take one on for $250/ hr.

Over time, though, those sort of complexities stop making sense and you realize it's easier to have a current rate that you know you are worth, and thus don't shy away from. Clients will be able to tell that you are serious about that being your rate. Worst case, you lose the problematic clients that wouldn't be able to pay anyways.

ANY ADVICE FOR FREELANCERS WHO

WANT TO RAISE THEIR RATES? Just do it. Do whatever it takes to actually know and believe that is your rate so it will come across matter-of-fact enough to make it reality. Research what the rates are in your market, but if you are senior enough then don't be entirely restricted by those. Also setting yourself up as a small shop can help justify rates you'd feel odd about charging as an "independent." But then that potentially gets into running a business...

Chapter 10: Case Study: Ryan McGeary

WHAT DID YOU DO BEFORE FREELANCING? AND WHAT CONVINCED YOU GO OUT ON YOUR OWN? I worked as a Software Engineer at a few companies. During that time, I dabbled with freelancing and a few businesses on the side before freelancing as a sole source of income, but the first time I was introduced to freelancing was immediately after I was laid off from one of my places of employment in 2003. The company was closing down their Virginia office, and because I declined to move to Seattle, the company explained that they needed to terminate my employment. I was leading some of their professional service contracts at the time. One week after I received my termination and severance paperwork, the company landed a big contract and asked if I would stay on as a full-time employee (reneging my termination and severance). I declined and explained that any relationship moving forward needed to be a contractual one. That turned into my first freelancing gig. I found full-time employment soon after that, and it wasn't until many years

later (2009) that I decided to forego employment altogether, but that first experience and the side gigs along the way left me with the confidence that I could do well on my own.

HOW DID YOU GET YOUR FIRST FEW CLIENTS? All of my initial side gig clients came by way of word of mouth, because I made sure that my friends and family knew that I did work on the side. My first client after I gave up employment, however, was one that I pursued. The client announced the opportunity in an email forum, and I approached him. A few meetings and negotiations later, I ended up with my first substantial client.

WHAT TYPES OF CLIENTS DO YOU PREFER WORKING WITH? Most of my clients are small- to medium-sized companies, including startups. I enjoy working with startups, because they usually coincide with a lot of autonomy and the ability to get things started on the right foot. However, I also enjoy "rescue projects." These kinds of projects usually went bad for one

reason or another, and require someone with the right expertise to come in and remedy some of the underlying issues. I love fixing things, so I thrive in this area.

I no longer negotiate rates, but rescue projects are sometimes easier to close a deal on, because the client is already in a bit of a bind and often needs a resolution quickly.

HOW DO YOU COMMUNICATE VALUE WITH YOUR CLIENTS? Value is always a difficult thing to communicate, because different people and different scenarios measure value in different ways.

My standard pitch not only discusses my technical expertise in software development but also my business expertise, having run several businesses myself. I want the client to feel comfortable with both my technical decisions and decisions that have impact on the business itself. I often explain to clients early on that I'm not there to blindly build software features. I

like to keep a wide- angle view of the business as a whole. Clients should expect me to push back on features and priority assessments when I think time and money could be better spent elsewhere. Sometimes this means less money in my pocket, but I'd rather have a successful client than a failed one.

HOW DO YOU THINK YOUR CLIENTS CORRELATE YOUR PRICE WITH THE VALUE THEY RECEIVE? Unfortunately, in the software space, it's very difficult to measure value, because so many decisions can have long-term effects that aren't realized until many months or years later.

I think the measurement of value depends on the level of experience that the client has with working with software developers and/or other freelancers. If they have a lot of experience in this area, I think they have an easier time of assessing my value. Clients new to the space sometimes have a difficult time getting past the initial sticker shock of a high hourly rate, because they haven't yet had the opportunity to

hire for this kind of work before.

WHAT RATE DID YOU START OUT AT? AND WHAT'S THE HIGHEST YOU'VE CHARGED? I charged $95/hour in 2003 for the gig that started with me being laid off, even though I asked for $120/hour. When I started doing freelancing more full-time in 2009, I asked for $150/hour, but I was negotiated down to $120 and $130/hour. Since then, I no longer negotiate rates, and I currently charge $180/hour.

DO YOU EVER NEGOTIATE YOUR RATE WITH CLIENTS? I never liked negotiating rates. If I ever had multiple clients at the same time, having different rates for each can give you in a perverse incentive to do more work for the client paying slightly more. While I'm not a big fan of working with multiple clients during the same time period, it's a reality of freelancing. It wasn't until I was completely overbooked with clients in late 2010 that I realized that rate negotiation wasn't good for anybody. Since then, my rate became nonnegotiable.

ANY ADVICE FOR FREELANCERS WHO WANT TO RAISE THEIR RATES? Of course, the easiest time to raise your rates is when you're overbooked and have to turn away new leads out of necessity.

When you're overbooked, your confidence level in your own value is high. If you can exude this confidence under less busy circumstances, you can do really well. It wasn't until I legitimately had to start turning away clients that I realized this confidence only made them want to hire me more. I'm not suggesting that you actively overbook yourself or become an arrogant jerk, but keep in mind that it's easier to demand a higher rate when you play a little harder to get.

Also, since 2010, I started to collect a security deposit for all new clients. This is to offset the risks associated with potential new clients, but it consequently serves to help distract from the hourly rate negotiation. Instead, the security deposit becomes the focus of the negotiations, which also happens to be the item that I'm more willing negotiate. The security deposit also adds

a sense of mutual responsibility to a new contract. As a 40-year professional photographer once asked me, "If you don't demand a deposit, how do you expect anyone to take you seriously?"

Chapter 11: Case Study: Brook Riggio

WHAT DID YOU DO BEFORE FREELANCING? AND WHAT CONVINCED YOU GO OUT ON YOUR OWN? [SEP]

I was working in IT for the college I graduated from... Interviewing with LA engineering firms wasn't working out so well, so staying on campus was a half-assed transition into the "real world." I was fiddling around with upgrading Windows machines, but my real interest was in web development, which I had been doing since high school (as free internships, volunteer projects). Moving from LA to Seattle with limited connections in 2004, it kinda felt like I had two options: go work for Microsoft, or go out on my own. I wasn't at all interested in grinding myself into the corporate machine. Thankfully, there was a small web project that my friend's mom was interested in pursuing. She paid $30/hour, and since I was single and doing community living, my expenses were low enough I knew I could make that work and have some time to find other jobs.

The excitement of starting my own thing was

very appealing. I'm so glad my girlfriend at the time (now my wife) was supportive.

HOW DID YOU GET YOUR FIRST FEW CLIENTS? Through my wife's family connections, I found some space in an office (in a law firm's basement) where I could run a server for my first client. Once they saw what I was doing, they started paying me to help with their server. When I saw the horrid MS-Access based contact management system they were using, I proposed that we rewrite it as a web app so they could quite wasting their time fiddling with ugly database forms. Boom: second client.

The attorney I was working for recommended me to one of his clients who were interested in building a web app. Third client.

These three were all I could handle for a number of years. I was pretty regularly turning down additional work, enough so I was able to convince a friend to join me in freelancing.

WHAT TYPES OF CLIENTS DO YOU PREFER WORKING WITH? I've more recently been working for independent non-technical people who want to spin up a side project into a business. My best clients are the ones to whom I can offer lean/agile business consulting as well. This lets me present a better value proposition for them, and justify higher rates. I'm not just coding, I'm consulting on how to run and launch a web business. The training I did with 30x500 gave me a lot of the insight and confidence I needed to do this well.

Independently wealthy individuals with a business-specific project in mind have been the best clients.

I've also launched a training business this year that has led to a handful of client work as well. I'm already positioned as an expert in the minds of my students, so it's pretty easy to state my consulting rates ($150/hour, and increasing) as higher than my training rates (was $95/hour, then $120/hour, now $135/hour).

HOW DO YOU COMMUNICATE VALUE WITH YOUR CLIENTS? With students, value is clear. I've worked with them in pairing situations, so they see my expertise and quick problem solving.

With side projects/startups, I offer complete technical services with a deep understanding of business value, and business guidance.

HOW DO YOU THINK YOUR CLIENTS CORRELATE YOUR PRICE WITH THE VALUE THEY RECEIVE? Similar to what you mentioned, Brennan, I anchor my hourly price against a fixed bid, where I state that I estimate my hours, multiply by my rate, and then double it as a contingency. The hourly work is then a good deal, because the client pays only for the work done, and not my inflated contingency.

Largely, it depends on the project. Greenfield projects often have uncertain potential for my clients. So they either fund it to explore the options, or know they are taking a risk. The riskier the prospects, the more they haggle on

rate, and nitpick on my invoices.

WHAT RATE DID YOU START OUT AT? AND WHAT'S THE HIGHEST YOU'VE CHARGED? I started at $30/hour. I very slowly ticked that up to $75/hour over about 5 years. In the last 1/2 year, I've doubled my rate to a minimum of $150/hour for new projects by only taking new projects that pay more. By making a commitment to never going backwards on my rate, I not only force myself to stay focused on the best clients and learn how to sell to them, I also steadily prove to myself that my value is greater and greater.

DO YOU EVER NEGOTIATE YOUR RATE WITH CLIENTS? I tend to be very willing to negotiate, but am weaning myself off of it. Right now, my approach is to tell my clients that "I insist on your complete satisfaction!" Sometimes this means knocking an hour or two off an invoice, or symbolically reducing my rate for a time. My theory is happy clients will lead to better referrals.

ANY ADVICE FOR FREELANCERS WHO WANT TO RAISE THEIR RATES? The biggest obstacle to raising your rate is you. These are the hacks I used to get past my own internal mechanisms that were holding me back from raising rates:

If you mumble and fumble and equivocate with the money part of the conversation with clients, they will (subconsciously, even) detect the opportunity to negotiate you down. Rule 1: State your price confidently.

Never work for less... Every new project should be at a higher rate, even if it is just $5/hour more. This creates a cumulative effect that ratchets up your income, and gives you greater and greater confidence in your own ability. When a potential new client doesn't blink at your new, higher rate, you'll learn to see that you are leaving money on the table. You'll be thinking, "Next time, I can try even higher!" which creates some excitement and anticipation to talk to your next client about money, rather than clammy hands and nervous laughter.

Chapter 12: Case Study: Stephen Ou

Before getting started, I want to let everyone know that I am still a high school student, but I've been freelancing for a few high- end clients for the past 2 years. I want to share my story with you, and hopefully, after reading this case study, you can tell yourself, "If a 17-year-old freelancer can do it, you can do it too!"

WHAT DID YOU DO BEFORE FREELANCING? AND WHAT CONVINCED YOU GO OUT ON YOUR OWN? Before I jumped into the world of freelancing, I was doing all sorts of web projects myself. I had no intention of making money with my projects. I just wanted to experiment with things and master a few programming languages that I would be able to put in use later on. Fortunately, two of my projects went viral on the Internet, and that got a bunch of new people to my personal website, including people who enjoyed my work and wanted to hire me.

HOW DID YOU GET YOUR FIRST FEW CLIENTS? My first two clients found me through one of my hit projects, iTunes Instant.

And then it was all referrals. My first client sent me a quick email and said, "Hey! I really love the iTunes Instant app you made. And our company had an idea of developing a system that deals with iTunes. I think you skill set fits well, interested?"

And of course I accepted the job. Making money wasn't my primary intention. I mainly wanted to get some experience on working with actual businesses and start building a solid portfolio.

WHAT TYPES OF CLIENTS DO YOU PREFER WORKING WITH? Interestingly, 100% of my clients are businesses, and most of them are pretty established. I love working with them because the ground for you to showcase what you can do is maximized. For example, if you are working with a company with 7-figure revenue every month, and your work helps raise their revenue by 1%, that is already a 5-digit increase. If you set your rate based on the values your clients are getting out of your work, you can increase your rate easily. Although I only work with established companies, I do believe

they pay the most.

HOW DO YOU COMMUNICATE VALUE WITH YOUR CLIENTS? Numbers don't lie — I always use numbers to communicate value with clients and they can see it clearly. When I go over an invoice with my clients, I show them how much extra revenue they are generating because of my work. And once they've realized they wouldn't have these revenues without my work, they agree on the price. So I recommend sitting down with your clients, going over some key metrics, and making sure they understand the value of your work.

HOW DO YOU THINK YOUR CLIENTS CORRELATE YOUR PRICE WITH THE VALUE THEY RECEIVE? The client that I just finished working with emailed me: "Stephen, you literally unlocked many revenue sources that we were not able to see before, I really wouldn't mind paying 20% of the extra revenue." On one hand, I am honored to have a client like that, but it really proved that point that value-based rates are the way to go.

WHAT RATE DID YOU START OUT AT? AND WHAT'S THE HIGHEST YOU'VE CHARGED? The first time I put out a price tag, it was $50/hour. I pretty much set that rate because I saw a post (I think it was on FreelanceSwitch) recommending the starting rate to be $50. At the peak, I charged $125 for some specialized work. My public rate is $95/hour.

DO YOU EVER NEGOTIATE YOUR RATE WITH CLIENTS? No. My time is pretty limited because of school. So I have enough client work to keep myself busy every day. When someone emails me wanting a lower rate, I just politely decline the request.

ANY ADVICE FOR FREELANCERS WHO WANT TO RAISE THEIR RATES?

1. Choose the type of clients you work with. Don't race to the bottom. If you don't have any top-end clients, you can either do some side projects that will expose yourself to those companies, or try to contact them

directly if they are looking for freelancers.

2. Keep a great relationship with all of your clients. Referrals are the strongest source of clients you can ever have, and they tend to pay higher too. The reason is simple: because people trust the people they know one hundred times more than strangers. Shoot an email to your previous client every few months, asking how everything's going. And you will be surprised how many times they will reply and say, "Hey, I've got someone looking for a freelancer, and I think you will be a great fit."

Chapter 13: Case Study: Jim Gay

WHAT DID YOU DO BEFORE FREELANCING? AND WHAT CONVINCED YOU GO OUT ON YOUR OWN? I've been freelancing longer than I've been in "the real world." My design company, Saturn Flyer, began as an idea in my typography class in college. Many in the graduating class before me had so much fear about getting a job and openly dreamt about opening their own studio that I decided I would just go ahead and register a business. It was trivially easy.

I had small projects, but nothing that gave me enough hope that I could skip finding a job. Several years of regular jobs as a designer or front-end developer followed graduation, with countless nights and days with too little sleep as I chased my dream of having my own company. I'd sneak away for a 30-minute phone call with a client during the day and struggle to grow my side projects into real money.

I'd gotten married, and along with my wife, who was pursuing a master's degree on the side, decided that if I didn't quit my job I'd never

have enough time to grow my dream. Without more time, I would never be able to find a project big enough to sustain me financially. I needed those daytime hours to research, write emails, meet people, promote myself, and a whole host of other things that I should do but couldn't because I had to be at work. So we decided that after 6 more months of saving and trying to spend as little as possible I would take the plunge into full-time freelancing.

HOW DID YOU GET YOUR FIRST FEW CLIENTS? My first clients came from word of mouth. I didn't realize it, but openly discussing my fear about going out on my own was quietly promoting myself among my friends and family. People were thinking of me and wanted to see me succeed. When the time was ready and I had finally quit my job, they had already thought of the person or project for me. I got connected with someone and just followed up.

WHAT TYPES OF CLIENTS DO YOU PREFER WORKING WITH? I've worked with individuals starting or continuing their

businesses. I've worked with small organizations, and I've worked with what were large organizations too. Small, for me, was a few people. One hundred people was large. The individuals were the toughest. They required so much hand-holding and back-and- forth discussion and would be the ones most concerned about price. Early on, large organizations were lucrative. I could provide speed, quality, and reliability where they had no time to fuss over minor worries. Lately, smaller organizations of 10–40 people or so have been successful clients for me and have paid me the most to fill a gap in their abilities.

WHAT RATE DID YOU START OUT AT? AND WHAT'S THE HIGHEST YOU'VE CHARGED? When I began I was sheepish about asking for $35/hour. Now it's $150/hour.

DO YOU EVER NEGOTIATE YOUR RATE WITH CLIENTS? I've refused to budge on rate in the past, which has lost projects for me. The same clients, however, have come back for future work at the rate I've first quoted.

Early on, I learned a lesson that I'd heard before but finally became reality for me. I was chasing two prospective clients for their work at the same time. I was still working full-time and was trying to get work doing their tiny small-business websites of just a few pages of content. I quoted a flat price of $600 to create a site and both clients scoffed at the cost. Seemingly in coordination, they both refused the price and pointed to website templates they could find online for far less.

At this point I had already had a few lengthy phone conversations helping me understand them and helping them understand how I could help them. Reading these responses in emails showed me what a waste of time it was. "Fine," I thought, "if you want to use a template, go use a damn template. I'm not interested in the work." I wrote this back to them.

ANY ADVICE FOR FREELANCERS WHO WANT TO RAISE THEIR RATES? Never sell yourself on price. There is always someone cheaper. Price is not what is important, believe it

or not. Helping the client with their real needs is the goal and your ability to do so in a way that genuinely makes them happy is likely the real determining factor. When selling, focus on those things, not on price.

Chapter 14: Adopting Your New Outlook

It's time to focus on you.

By now, you should have a pretty solid understanding of what your new value offering will be. Over the next week, we'll work on applying this to your conversations, website, sales meetings, and wherever and however you represent yourself professionally.

It's time to shed the skin of a *technician* and adopt the mantle of a consultant, a problem solver.

The old you was focused on technologies, code, pixels. You were ignorant or blind towards the experiential and economic outcomes that our clients need from us in order to be satisfied.

Your rate will go up because you're freeing yourself from being an interchangeable commodity that can be easily replaced. Instead, you're the client's advisor and right-hand guy or gal. Once you're in that circle of trust, money becomes less of an issue.

This week will be more doing and less

reading. Here's what we'll be covering in the next week:

- We'll determine your new rate, based on the lifestyle you want to live.
- We'll look at your sales site, and redo it. I know redoing a website isn't a quick and easy task, but I'm mainly concerned with you making some changes that will deliver immediate wins (copy modifications, your headline, a simple call-to- action).
- We'll talk about your sales strategy.
- We'll look into tactics you can use when a client tries to negotiate a lower rate.
- We'll look into ways you can deliver more value and command a higher rate with your current clients.
- We'll talk about ways that you can continually increase the value you deliver and the rate you charge.
- And finally, we'll put together a five-year plan tailored to your personal and professional goals.

Chapter 15: Your New Income

This is the part you've been waiting for. The science and research found on every page so far is just a means to this end. It's time to plan your new income.

Most of us are conditioned to think that our income is largely out of our control. That we operate within a fixed range depending on a lot of factors: geography, education, technical credentials. There are websites that exist solely for the purpose of letting users input a career type and output a minimum and maximum income.

You now know that you aren't selling only on your technical merits, so we have no reason to care about salary guides or industry trends.

OK, with that out of the way, how do you figure out your new income?

YOUR WORKLOAD

Many of us freelance full time. Some moonlight. Others just don't have the volume of business yet to sustain a full schedule.

If you work fewer hours, or your client hires you for just a few hours a week or month, you will charge *much* higher per hour than those of us doing full-time, long-term work.

TOMORROW'S WORKLOAD

You're not a wage slave any longer, so stop acting like one! You didn't become a freelancer to replace a 40-hour-a-week job with a 40-hour-a-week contract.

When we calculate your rate, we'll ensure that you're able to take the personal time you need to cool off the machinery of your mind — as often as you need to.

THE GOLDEN FORMULA

You can take the easy path and double your current rate. But who's to say that 2x your current rate is really what you want?

Here's the formula I like:

How much money do you need per week to live, eat out as often as you'd like, and buy

what you want?

MoneyPerWeek: _____

How many weeks a year do you want to travel or relax?

WeeksOff: _____

How many hours do you want to work a week?

HoursPerWeek: _____

- Multiply your MoneyPerWeek by 52 (i.e., $2,500 * 52 = $130,000) ⌷SEP⌷

- Multiply the result by 1.5 to compensate for taxes, savings, etc. (i.e, = $130,000 * 1.5 = $195,000) ⌷SEP⌷

- Subtract WeeksOff from 52 (i.e. 52 - 5 = 47) ⌷SEP⌷

- Multiply the value by HoursPerWeek (i.e. 47 * 30 = 1,410) ⌷SEP⌷

- Divide the result by the total of of #2 (i.e. $195,000 / 1,410 = $138) ⌈L⌉⌊SEP⌋

Now you have a rate based on the lifestyle you want to live. It's **your** rate, not the rate of other freelancers in the area. Not the rate AIGA says you should be charging. It's tied to your dreams and desires.

If you prefer charging by the day or week, it's pretty simple to modify the above formula.

Caution: This formula can result in rates that even Bill Clinton couldn't justify. My dad is a professional gambler and he always told me, "Pigs get slaughtered." Be reasonable.

Chapter 16: Your Marketing Website

I could write a book on just this subject. Most websites are horrible, *horrible,* at being the salesmen that they're supposed to be.

The majority of sites are commissioned because whomever paid for them wanted to make money off of it (this should sound annoyingly repetitive by now). But graphic and web designers have obsessed over things that really don't matter, and aesthetics has trumped practicality.

Use this mistake to your advantage, and let's put together a new marketing site for your business.

COPY FIRST

Almost every designer uses, or has used, *lorem ipsum* at some point in their career. This decision puts artistry above message, and once we're ready to write our copy, forces us to constrain what we want to say into a predefined area.

The words you write are everything. Words help clients see that you can sympathize with

their pain points, and have something you can offer as a solution.

Anytime I'm working on a new website, I open up Pages. Forget Photoshop or anything visual — my focus is exclusively on the message. Later, design will play the role of a supporting actor, cast to verify and reinforce the overall message.

Instead of writing about where you went to school, what your hobbies are, and a list of services, put yourself into the shoes of a potential client.

The client has a problem. To go back to our example, while the friend's bakery is reaping the rewards of a successful Internet marketing campaign, the client's business is floundering.

The client is also impatient, and is probably looking at your website along with all of your competitors' websites. They're about to be overwhelmed with empty platitudes and biographies of people they really don't care about. They just want their sales increased.

Identify with their pains. If you provide Wordpress sites for brick- and-mortars, you aren't selling your ability to set up Wordpress — you're selling your capacity to increase sales.

GET THEM TO DO SOMETHING

The best-converting websites are structured in a pretty similar format. A headline, sub-headline, supporting image, maybe a bulleted list or two, and most importantly, **a call to action**.

Don't make contacting you painful, and don't put your information buried in the footer somewhere. If you do, you're going to lose out on a lot of prospects.

Pull up a few of your favorite websites from web developers or designers you know. Chances are, there's a discreet link in the top right that reads "Contact."

Is there a phone number prominently displayed? Is there a large area on every page encouraging people to email or call? Are the call to actions reinforced by testimonials or other

trust symbols?

If not, these websites are losing sales.

EDUCATE EARLY

One of the surest ways to win a contract over your competition is to establish yourself as an authority in your field.

A tactic that works surprisingly well is to offer a white paper or guide in exchange for an email address on your website. This will not only build up your mailing list, which is one of the most underutilized ways of getting people to keep your business at the forefront of their mind, but it will also make the sales process *much* better.

Let's say your specialty is ExpressionEngine. You already know that the technology used is a means to an end, but that doesn't mean you need to drop it altogether. You could put together a free guide titled "10 Ways To Blow Away Your Competition Using ExpressionEngine," and naturally, it would

revolve around the way you run your business. The goal is to establish your business as the benchmark against which others are compared, and also help erode any trust barriers a potential client might have erected.

TIPS THAT GET YOU MORE SOLID LEADS

- Have a short headline that promises something: "I build websites that increase sales" (this is a lame headline, but hopefully this makes sense). ⌶

- People skim instead of read. Work hard to build a captivating headline, and make your content digestible: steer clear of long-winded paragraphs, and bold and italicize phrases that will attract the reader and encourage them to read the surrounding text as well. ⌶

- Include a catalog of problems you've been approached with, and what business value you delivered to solve them. Don't just have a gallery of screenshots that link elsewhere.

- Put your rate on the home page (or if you do fixed price, an average project cost). Seriously. It will weed out cheap clients, and intrigue everyone else. Check out Thunderbolt Labs for an example of this done right.

- Make contacting you as painless as possible. Set up a Grasshopper number if you don't want to give out your cell. **Even though you might never think about randomly calling a company you find online, real people do.**

- Your biography should be personable. However, keep in mind that only a small percentage of people actually care who you are, so focus on this question: What makes you someone who can be trusted with someone else's business?

- On your services page, it's fine to list out your trade skills, but be sure to augment

each technical offering with how and why it will positively affect the client's business.

Chapter 17: The New Sale Strategy

My #1 contributing factor towards closing high-rate deals is that I never act like there's any doubt about whether I'll get the contract or not. Confidence can go a long, long way.

My focus is on conversing with the client about why they're looking to build this project, and trying to weed out the *actual* motivations behind their decision. I then start verbally pitching some ideas and experiments that we could try that would get us closer to that goal.

I'm not focused on closing a deal, costs, or timelines.

In order to get us to this goal, I'll ask the client if they've given any thought or research into ways they'd like to get there. Even if they have, I stress that this is an open-ended roadmap that we're going to start thinking about. The road there, and the rigidity of that path, isn't very important.

Once we've figured out a roadmap of steps that will take us to the point we're aiming for, I let the client know that I need to think over the

project and think about how long it would take to achieve everything we just discussed.

My method of estimating involves thinking about how long a particular item might take, given all the information I have at hand. The more uncertain I am about my understanding of that item (either I wasn't given enough information or the client really has no idea what they want), the more I inflate that estimate.

CLOSING THE DEAL

Now it's time to present your client with your initial roadmap. Your proposal should be focused on the economic value you plan on delivering, and buttressed by the experiential benefits that working with you includes. You'll want to have a section on what it's like to work with you, and include your rate, the estimated time and cost, and any requirements you might have (i.e., responding to questions within 24 hours, etc.)

The roadmap, or list of things that will take you to that end goal, isn't what's important.

However, your client will review that roadmap and focus heavily on the proposed budget. It's unavoidable. You need to put the ball in their court, and let them know that if the budget is higher than they thought, it's up to them to trim down the scope until the budget is agreeable with their bank account.

Not to intentionally sell my *other* product to you, but Planscope is a pretty good tool for doing this. A customer (Andy of FoxSoft) tipped me off to this. He enters his hourly rate, enters in the scope of the project, and then invites the prospective client in.

The client's then free to prioritize or remove tasks until it fits squarely within a budget they're comfortable with.

Finally, once your client has reviewed your proposal wholesale or has trimmed the scope to fit their budget, it's time to close the deal.

"When you're ready to move ahead, I'll require a two-week deposit so I can pencil your project into my calendar."

And that's it.

Below I've outlined an outline of how I've gone about my sales process — from making a connection, to getting a lead, to setting up a consultation that allows me to put together a roadmap for a prospective client.

THE NETWORKING CIRCUIT

Networking doesn't just mean cocktail parties sponsored by your local chamber of commerce.

Networking is really just any conversation you have with someone who might be in the market — now or later — to hire you. Plant seeds for your business wherever you go.

When I was building up my list of business contacts, I went to a ton of meetups and drinkups for small-business owners. Initially I began with saying that I did "web development," which is a lot like saying to a future homeowner that you cut wood or run copper wires for a living. The best way to build business relationships that, in turn, convert to

premium contracts is to do a lot of listening and asking. Learn about people's businesses. What struggles do they face? Are they happy with their sales? What have they tried in the past to grow their business — and what worked and didn't work?

As you take a proactive interest in the financial health of other people's businesses, you'll be amazed to find out how many people you talk to open up with the nitty-gritty details and dirty laundry of their companies. This will also set the stage for points in the future when they might reach out to you for help. "I remember you mentioning that you were struggling with X; is that still a problem?" is a sure way to basically win the heart and mind of any potential client.

BEING CONTACTED VIA YOUR WEBSITE

Your website is an actionable extension of your business card. As we saw earlier, a great sales website will have a call to action that encourages visitors to reach out to you. Organic traffic,

referrals, inbound links, paid ads, or someone typing in your website address after meeting you at a cocktail party are all different avenues for getting traffic.

My website has received a few hundred requests over the years. There's no one formula or structure that these emails have, but I know for a fact that quickly responding — even if it's just an "I just wanted to let you know I got your email, I'm out at the moment but will get back to you soon!" — is *monumentally* better than taking your time. Clients have literally told me that other companies they emailed took days or even weeks to get back to them. In the world of sales, no one is more interested in your product than when they reach out to you asking for more information.

After receiving an inquiry, I immediately want to qualify the lead. I want to know:

- Can they afford me?
- How quickly are they looking to act?
- Is this person my client, or a proxy?

- Will this person sign the checks for invoice payments?
- Have they built custom software in the past?

My email might look something like:

"Hi Steve!

Thanks for reaching out. I'd love to talk to you about <X Project> and try to see if there's a good fit between our two companies.

Can I get you to answer a few questions for me so I can learn a bit more about this project before we schedule a phone consultation?

1) *Tell me a little about why you're looking to start this project? And what business goals do you have in mind after you successfully execute this?*
2) *Do you have a budget you've set aside for this project? And is it over $XX,XXX?*
3) *When are you looking to get started on this project?*
4) *Are you the owner of this project? And should we plan on inviting other members of your team to the initial consult?*

5)Is this a new type of project for your company, or have you done it before?

Next steps would be to pencil in a time where we can meet and go over your business and ways I could help this project fulfill your business goals.

Thank you!

Satish Gaire"

You'll notice I'm repeating "business" throughout. And I haven't even mentioned Ruby, Rails, or anything else I specialize in.

A lot of inquiries are feelers, and the lead might not have any immediate needs but be trying to sense what a project of this size might cost or entail. Try not to spend too much time on these feelers, but leave a *great* impression. Oftentimes, months down the line, they do come back, ready to begin.

YOUR CONSULTATION

After pre-qualifying a lead, you'll want to schedule a phone or in- person meeting.

During this meeting, it's vital to come armed with confidence and an air of certitude about winning their contract. People can sense nervousness and ambivalence, so by projecting that you're a seasoned business veteran helping another businessperson better their business, you'll stand leagues above your competition.

Remember, the person sitting across from you has one goal in mind: to minimize costs and maximize returns.

Your strategy will be to talk with your prospective client about what their business looks like today and why it suffers without Project X, and then to paint a rosy picture of tomorrow after

Project X is delivered. The more you focus on the end goals rather than the road getting there (the software or designs), the more you'll start to immediately differentiate yourself from your competition.

- Research the potential client. What kind of business do they have? Are they just starting

out or established? What kind of company culture and attitudes do they have? What kind of clothing will they expect you to be wearing?

- Armed with the information you have for their project, what kind of roadmap ideas can you bring up that will show the client that you care about the ROI of this project?

- Shift the conversation away from you being a commodity (a developer, a designer) towards you being a business consultant.

- Try to extract the essence of *why* they're commissioning this project, and tailor your discussion around that.

- What steps do they think need to be taken to achieve their business goals? Question them when a feature is brought up that you think won't help them achieve that goal. You will earn a *ridiculous* amount of respect if you're able to not reactively say "yes" to every item proposed, and instead work with the potential client to put together a roadmap that's best suited for the results they're

looking to achieve.

Negotiation

I don't want to come off as a naïve freelancer who thinks anyone and everyone reading this book can charge whatever they want. They can't. I'm fairly positive the effort put in to finding a client willing to pay me $1,000 an hour would be in vain.

However.

99% of us are not charging what we can and should be charging. Fear grips us, or we doubt our own worth. I think a lot of this has to do with the fact that we aren't always privy to the success we bring our clients.

You will get new clients who will want to get you to price yourself lower. Current clients will almost always resist a substantial rate increase.

RESISTANCE

If you're charging $50 an hour now, and raise your rates to $100 an hour, and your clients balk

— you're still on top as long as you charge $51+.

An extra dollar an hour, over the span of a year, translates to $2,000 in additional income for most of us. That's a big deal.

But before you let fear take you over and price based on what your client wants to pay you, think about this: If you turn this client down (cheap clients are hard to work with, and not just financially), the next prospect might work at your new rate. And you might end up hurting your income long-term if you work on a project for a significantly lower rate. So tread carefully.

I was terrified to tell my clients that my costs were going up. It's easier for new clients — they typically have no frame of reference. But you can't blame your clients for resisting. How would you feel if your cable company called you up and said starting next month you'd be paying twice as much?

In order to justify an increase in rates, there needs to be an increase in the value that you deliver to your clients. *However*, this doesn't

mean that there needs to be a direct, linear relationship between a higher rate and higher received value. Nor does it mean twice as much work or effort.

The biggest mistake freelancers make is to equate amount of effort with dollars gained.

WHY YOU SHOULD (PROBABLY) NEVER NEGOTIATE

Negotiation is a form of bartering, and is usually done by savvy clients who realize you are usually one person, and that your rates aren't tied to any sort of manufacturing or commodity overhead.

Holding tight and not negotiating will almost always never cost you a project. Though we tend to tell ourselves that a refusal to budge *will* cost us this project, and we'd rather make a little less money than nothing at all.

You're confident. You realize the value that you're delivering through your offering. And you realize the surplus that you'll create for

your clients' businesses.

Don't negotiate lower — ever. When you're willing to back off on your rate, they might think you'll be lax about payment terms and the scope of the project or the amount it will cost. Make it clear that your clients can fire you if they don't feel you're worth the cost. This reassures even the most stubborn clients. Remember: You're a business, not just the "web guy."

Your Five Year Plan

You became a freelancer because you wanted to be your own boss and command your own destiny.

What do you want to be doing five years from now?

I started freelancing five years ago, and knew that I didn't want to consult for other people for the rest of my adult life. I knew I wanted to build something for myself that would pay my bills, so training freelancers and this book are

helping to get me there.

But what do *you* want to do?

My real reason for wanting you to raise your rates isn't to milk as much money from your clients as possible so you and they can, in turn, become ridiculously well-off. I want you to raise your rates so you can spend the time you need building equity in the things that are important.

Every hour you spend contracting is one less hour you have with your significant other or family.

Every week you're contracting is a week you could be vacationing with friends and family.

Every day you contract for less than you're worth is a day you're burning money.

The work you do — though gratifying and tangibly helping businesses grow — is just a means to an end. I wasted years being consumed with my work. We need money to live, so by doubling your rate, you can effectively cut in half the amount of work you

need to do in order to maintain the same standard of living.

There are tons of books that will tell you how to make the most of your free time. The purpose of *this* book is to help you get that free time to begin with.

I've put together a worksheet on the next page. Take some time to think about what's really important to you. I hope that you will put what you've learned here to work and have more time to devote to meaningful things as a result.