Freelance Pricing Handbook

By Glenn Stovall

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About The Author

Glenn Stovall is an internet software consultant currently residing in Athens, GA. Glenn has worked for companies of all shapes and sizes, from blooming startups to ivy league universities. Before freelancing, Glenn was a manager as a digital agency, and worked with remote teams that stretched from Atlanta to Bangkok.

In 2012, Glenn started **Concordant Solutions**, A small consulting company composed of himself and a small rotating cast. Concordant Solutions is designed to help companies make the most out of all this fast moving internet and mobile stuff to help grow and streamline their business.

Glenn found so much more freedom, happiness, and financial security it going out on his own he takes time to help others do the same, including writing books like the one you're reading right now.

glennstovall.com

@GSto

Freelance Pricing Handbook

Introduction

The Most Frequent Question I Hear From Aspiring Freelancers:

How Much Should I Charge?

Are you not sure how much to charge your clients? You may also not be sure how to bill your clients. Should you charge them by the hour? Maybe you should bill them a flat rate instead. It's a difficult question, and it's one that has a huge effect on not only your bottom line, but how you run your business.

Do you need to track your time? It depends on if you are charging based on time. Pricing affects wether or not you are focusing on effort expended or on results generated. Working for clients while charging to little means a lot of hours spent working instead of doing something more enjoyable, while resenting the work you are doing, whereas charging more means you are more motivated to do your best, and have to spend less time working to make the same amount. Billing more upfront might cost you some sales, but it will improve your cash flow.

The question "How much should I charge?" is a simple question with a complex answer. An answer that will ripple though your life as a freelancer, both personally and professionally.

My goal is to answer that question in the proceeding chapters. I'll talk about setting and justifying rates, how to bill your clients, identifying the value in your work, and provide strategy for how to position your rate and your services.

How to Use This Book

This book is designed to be acted on, not just read. Each chapter will have action steps for you to take at the end. Take some time and work through these exercises. These exercises aren't throw away homework or something you are doing for practice; they are designed to give you something you can take away and apply to your freelance business **today**. I kept this book short so you could work through it quickly. I can't tell you a number to charge, you need to take a look at your services, your business, your potential clients, and figure it out for yourself.

Chapter 1: Finding Your Rate

The first thing we are going to do in this book is calculate your **base hourly rate**. This doesn't have to (and probably shouldn't) be the rate you charge clients, but it will be a jumping off point to find that number. Below are some techniques you can use to calculate this rate.

Method 1: Salary-based Pricing

This is the simplest technique. Look at the salary you would make if you did what you are doing as a freelancer if you worked a full time job doing the work in your area. The way you would figure up your effective hourly rate as a salaried employee would be to divide that number by 2,000. Instead, we are going to divide it by 1,000. The reason for the difference:

- You are self employed and carry a heavier tax burden (this may vary if you live outside the US).
- You won't be billing for all of your hours. You will have overhead that you have to work. Most full-time freelancers only bill between 20 - 30 hours a week.
- You are responsible for your own benefits and expenses
- You are taking on more risk as a freelancer. You don't have a steady salary, and that risk is factored into the price.
- You are providing more flexibility to your clients compared to a full time employee. That flexibility should come with a price.

If you are a developer that currently makes a $60,000 salary and want to start freelancing, you should have a base hourly rate of $60.00. If you are *really* good at what you do, I would divide by 500 instead, which would be a rate of $120.00/hour. (And probably have had a higher salary… maybe that's why you are taking the leap?)

Method 2: Cost-plus Pricing

Cost plus pricing is the way that many manufactured products are priced. You figure out how much it would cost to make something, then add in some profit, and then charge that. For freelancing, instead of looking at the cost of production, you are going to look at your cost of living. For example, let's say it costs you $3,000 a month to live and keep your business going. You plan on getting in

25 billable hours a week, or 100 hours a month. That means that the cost of an hour to you is $30. You could set your hourly rate to $60, and make enough money to cover your expenses, taxes, and still make a profit.

Method 3: Competitor-based Pricing

If you know of similar freelancers in your area, look at what they are charging. This can give you a good idea of what the competition looks like and where you can set your pricing. If they don't make this information, take them out to coffee, tell them you interested in freelancing, and just ask. Freelancers are much more forth coming than other professions.

Don't automatically decide that you have to go lower than them just because you are new. If you can provide an equal amount of value, then charge the same rate. If you think you can outperform them, consider charging more. If you know freelancers that charge $100/hr for design services, then they have done some market research for you and proven to you that the market will support those rates. Thanks other freelancer!

Apply What You've Learned

Calculate Your Salary Based Rate

If you currently have a full time job, you can use that. If not, use a service such as glass door to look up jobs in your area, or ask one of your friends in a similar field if you think they would be willing to share that information. If you can't do any of these, just make an educated guess.

Calculate Your Cost-Plus Rate

Write up a budget of your monthly expenses if you don't already have one. If you do, be sure to include expenses that you may incur as a freelancer, such as software and office space.

Calculate Your Competitor Based-Rate

Some freelancers post their rates on their site, you can use this for information. If not, you could reach out to some freelancers in your area and ask them what they charge. Don't use sites like Elance or Odesk to do this. These kinds of marketplaces cause a race to the bottom, and you'll often find freelancers across the world charging less than minimum wage, and we don't want to be one of those freelancers.

Decide on a Base Hourly Rate

This should be a rate that you are comfortable charging. It shouldn't be so high you don't feel you can justify it, but not so low that you can not work happily for that rate.

Chapter 2: Billing Structures

There are several ways you can structure how you bill clients for your services. Most people seem to think that the only two ways you can charge as a free-lancer: by the hour or by the project (also called “flat rate billing). Both of these are fine under certain circumstances, But they aren’t the only way to structure how you bill clients. In this chapter I am going to show you a few more options, along with the pros and cons of these different structures.

Hourly Billing

Hourly billing simply means billing the client for the hours worked. You can send the client an estimate of hours, but your final invoice will reflect the total hours worked.

Benefits of Hourly Billing

Hourly billing has the lowest risk. You'll get paid for the hours you work, guaranteed. It's also the most flexible. If more work comes up or you underestimated how long a task would take, you will still be compensated for your time.

Downsides of Hourly Billing

The relationship between you and your client should be a partnership. When you bill hourly, you are giving yourself a financial incentive to *maximize* your involvement in a project, while giving the client an incentive to *minimize* your involvement. Forming agreements based on being adversarial is not the right way to start off a client relationship.

Hourly billing will also put the focus on the input of your work, when the conversation should focus on the output. If you design a logo for a client, it doesn't matter if it took you 1 hour, 10 hours, or 100 hours. What matters is that the client got what they needed.

When Hourly Billing Is Appropriate

- **When you are just starting out**, and you aren't sure how long projects will take (**Pro-tip:** Longer than you think), then hourly billing is a good way to get your feet wet without getting yourself into trouble.
- **Small engagements.** Examples would be 1-off coaching/consulting meetings, emergencies and maintenance.

Daily and Weekly Billing

I grouped these two together since in practice they are identical except for the length of time covered.

Daily billing is similar to hourly billing, you are simply increasing the amount of time billed. This is a common technique for photographers and videographers who have to be on site for a day.

You may be asking “What’s in a day? Does it mean 8 hours?” no it doesn't. A day is whatever you sell to your client. For example, a photographer may charge $800/day, and that includes post production work. A developer may charge $800/day and that means he is available by phone or email 9am - 5pm, and spends 5 hours of that day coding.

Weekly billing falls somewhere between billing based on time and billing based on project. Typically, weekly billing is like working on a series of flat rate projects, that all take about one week to complete.

One benefit that it has over hourly billing is that it is more consistent. It also abstracts away how the work gets done, and your clients can be focused on what you produce instead of how long you spend producing it.

Benefits of Daily & Weekly Billing

Daily and weekly billing give you more flexibility than a flat rate, and less focus on time worked compared to hourly billing. In some ways, daily & weekly billing is the best of both worlds.

Downsides of Daily & Weekly Billing

These strategies come with downsides from both worlds as well. While they take *some* of the focus away from time worked, it doesn't take away all of it. Also, if you blow an estimate while weekly billing, it can wreck your schedule.

When Daily & Weekly Billing Is Appropriate

- **Short engagements.** For example, if you have a project you know you can comfortably finish in a week, then just charge a weekly rate for it. If a client is unsure about hiring you, you could offer to help them for a day or a week as a way to sample your services without making a large commitment.
- **Agile projects.** If you are working on a project that is implementing agile practices, than weekly billing can become "by the sprint billing". If the project doesn't have a definite end point, or the client wants flexibility on scope, then weekly billing is effective.

Flat Rate Billing

A.K.A "billing by the project". Flat rate is simple to understand. You will provide X work, and you be paid $Y dollars for it. For larger projects, flat rate usually has milestones. For example, you and the client agree on a half way point, and you receive 50% payment once that point is reached, and then 50% upon completion.

Benefits of Flat Rate Billing

Flat rate billing can be an easier sell to clients. They know exactly what the project is going to cost them, and you know exactly what you are going to make off of the project. The other benefit is that unlike hourly billing, you are rewarded for working more efficiently instead of being punished for it. Flat rate billing removes the amount of effort put into the project from the conversation completely.

Downsides of Flat Rate Billing

Flat rate billing is higher risk for you. If you underestimate how long a project will take, you could end up blowing the deadline and making the client angry, and making less per hour than you would like.

Flat rate billing also leads to inflexible project. Every time a client wants a change, you will have to charge more for that change, and re-negotiate the price of the project. Some projects *need* change in order to be successful, and this gives the client a financial incentive to act against their own best interests.

When Flat Rate Billing Is Appropriate

- **When it is a good deal for you and the client.** If you and the client can find a price that is agreeable for both of you, then I would recommend taking this route.
- **When the project has a clear objective.** If you set a fixed price, set a fixed finish line.

There Isn't a Right Answer

Different projects have different needs. You don't have to decide on a single billing structure. Experiment, decide what works for you and what doesn't, and make decisions on a situational basis.

Apply What You've Learned

Choose an Hourly, Daily, and Weekly Rate

You can use your base hourly rate as a start. Also decide what your daily and weekly rates would be, and remember that you won't be working 8 hours in a day. I still use my base hourly rate when calculating daily and weekly rates. You can track your time for a few weeks to see how many billable hours you usually work and base your rates off of that. For example, I charge a day rate of 5x my hourly rate, and a weekly rate of 20x my hourly rate.

Chapter 3: Value Based Pricing

In chapter 1, we talked about setting your base rate based on comparable salary jobs, your expenses, and your competitors. This is a good place to start, but not a good place to end. You aren't an employee, you aren't your competitors, and you certainly aren't a manufactured commodity. Why should you price yourself like one?

Value Based Pricing takes cost-plus pricing and flips it on it's head. Instead of charging based on the *inputs* of your services (your time, materials, and expenses), value based pricing is about charging based on the *output* of your work (the result the client sees).

Value based pricing is complex, and not for beginners. Entire books have been written on the subject[1]. Here I will provide an overview of the principles.

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[1] If you want to read one, I recommend "Value-Based Fees" by Alan Weisshttp://www.amazon.com/Value-Based-Fees-Charge-Youre-Worth/dp/0470275847

A Value Based Example

Let's say you are selling someone on a website redesign for an online store. You believe that your redesign could increase their conversions by 10% over the next year. Let's then say that this store does $100,000 a year in sales. That means that your work will net them a value of $10,000. Now, economics will tell you that any rational business owner should be willing to buy your services for $9,999 or less with that kind of offer, but it's not quite that simple. There are few other things to consider:

- **The time-value of money.** You are asking for $9,999 now in order to make it back over the course of the year.
- **You can't guarantee results.** There will always be market factors outside of your control. If you customer's rival cuts their prices in half, their revenue might suddenly drop to $0, no matter how hard you work.
- **Your client wants a good deal.** No one wants to risk $9,999 to make $1.

Looking at this example, what if you charged the client $10,000? They would make a 10x return on their investment. Now *that* is a deal that a client would have a hard time saying no to.

My general rule of thumb is that once you've established the value of a service, your price for that service should be any where from 10% - 30% of that value. Even though you aren't charging based on time, you'll still want to do some back of the napkin calculations to make sure that the amount you decide to charge is a good deal for both you and the client.

The Three Tenants of Value

Making your client more money is the first, and most obvious tenant of value. The other two are **saving time** and **reducing risk**.

Saving Your Client's Time

Time savings are one I find myself talking about often, since I work in software development and love finding ways to automate processes. I've called myself a "Job Destroyer" before. Saving a client (or a client's employees) time can easily be tied to money as well. I doubt a client would willingly share an employee's salary with you, but you can make an educated guess as to the cost of an employee:

1. **Estimate the salary of the employee**. You can just guess, or use a service like Glassdoor to approximate the number. In this example, let's say that an employee has a salary of `$50,000`.
2. **Multiply that number by 2.7.** This is to factor in all of the other costs of that employee. Now we have an employee that costs `$135,000` a year.
3. **Calculate estimated savings.** If we find a way to save an employee two hours of work a week, then over the course of a year that software would provide up to `$9,000` in value. If that same software

could provide the same savings to 10 employees, then that number would be `$90,000`. This is why being able to save time is so valuable to clients.

Reducing Your Client's Risk

Reducing risk is the most abstract of the three, and can be harder to pin an exact number on. Software projects are inherently risky, and anything you can do to reduce that risk is valuable to the client. An example of this in consumer sales is money-back guarantees. By making that guarantee, the product is more valuable since you know that if you are not satisfied you can get your money back.

Other Ways You Provide Value

You are probably providing more value to your clients or employers than you realize. In addition to the three main tenants listed above, here are some other ways you can increase the amount of value you provide to the client, and thus justify a larger fee for your services.

- **Deliver results faster.** A website delivered in a week is more valuable than one delivered in a day. Unlike hourly billing, when billing based on value you get paid *more* for taking up *less* time.
- **Intangible benefits.** Making your client look like a rock star when the project is a success. Increasing morale because employees don't have to do that soul-sucking task you automated. Emotional, abstract benefits like these are example of intangible benefits.

- **Positive externalities.** By freeing up employee time, they can focus on more valuable tasks. With the additional revenue from sales, the client can hire a new employee so they don't have to work 60-hour weeks anymore. Anything that your project indirectly affects can still be directly considered when defining the value of the project.

Even if you aren't practicing value based pricing, knowing how to pin point the value you provide can help you be more persuasive in meetings and proposals.

Apply What You've Learned

Review Past Clients and Jobs for Value. Look at the work you have done in the fast, and try to pin point things you did or work you delivered that provided value. For current freelancers, look at past clients. For people who are employees, look at the value you have provided to your company or your direct supervisor.

Don't underestimate yourself. You have probably delivered more value than you realize. If someone was paying you for what you were doing, **you were providing value to them**.

Chapter 4: Packaging Your Services

The way you bill clients doesn't have to be unique to each client, and it doesn't have to happen just once. Here are some ways you can shrink wrap your services, and have a repeatable offering you can sell clients.

Monthly Retainers

Retainer agreements are standing agreements that you make with clients that are usually paid on a month-to-month basis. There are two kinds of retainer agreements, time based and service based. Time based means that you reserve a certain amount of time of them during that month. For example, you will do 10 hours of work for them if they request it during that month. Service based means that you have a standing agreement of work that will be delivered. If you a copywriter, you may offer to write one article for their blog per week, and set up a retainer based on that scope of work.

A retainer can be something that you have fixed packages for, or it can be something that you negotiate on a client by client basis.

Consultation Meetings

Selling consultation meetings is a way to sell clients on a small service in stead of a large one. While you may sell a client on a project that could take weeks or even months to complete, a consultation meeting is something that you can finish in an hour or a day. Find something that you usually talk to clients about, and make it a stand alone product you can sell. Here are a couple of examples:

- **Revise Express:** Nick Disabato offers a full report and plan on how to run split tests on your site for $600[1]
- **No-fluff Web Site Review:** Joanna Weibe sells a review of your web site for $1,177[2]

Notice how both of these offers come with a report, and come with actionable steps and value that the client can take away from these meetings. Giving your client something besides your time, such as a PDF, makes the consultation feel more like a product.

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1 https://draft.nu/revise/express/

2 http://copyhackers.com/product/formal-website-copy-review-with-joanna-wiebe/

A benefit to these types of meetings is that they can also help you sell your other services. A client may be nervous about buying 8 weeks of your time, but they may feel better about only buying a single day. If your productized services are smaller than your usual engagements, they can be used as a tool to build client trust, and can act as a funnel that drives clients to purchase your larger, more expensive services. How many people do you think hire Nick to run their split testing campaigns, or Joanna to re-write the copy on their website?

Productized Consulting

If you find yourself doing the same kind of work and providing the same kind of value to many different people, you should consider productizing your service.

What is a "**productized consulting**"? Think of it as shrink wrapping your services into a package that can easily be sold and re-sold. A productized service is a fixed scope, fixed price project that you can do again and again.

The issue with selling services is that there is a low ceiling. There are a finite number of hours in a month, and you can only work so many of those before your productivity, health, and sanity begin to suffer. By creating productized services, you can bolster the offerings you make to clients while finding a way to scale up your business even further.

For example, instead of saying, "I build WordPress themes at a rate of $50 an hour." You would instead say "I build WordPress themes with 10 pages, 2 rounds of revisions and a two week turnaround for $2,000." The benefit to this is that clients know what they are getting upfront, and it saves you time in the sales process.

Here is a great example of a packaged service called Impress. They sell a polished, single page website with a two week turnaround for $7,500[3]. The landing page can give you some ideas on how to sell such a service.

Apply What You've Learned

Write a Monthly Retainer Brief

Think about some of the clients you have worked for in the past (if you are just getting started, think about the type of clients you would like to work for in the future), and write up a brief about the kind of retainer you would sell them on.

Think of some Productized Services You Could Offer

Brainstorm some ideas on how you can take services you are currently offering, and come up with a way to create a packaged product or consultation meeting product out of them. It could be something cheap, like a one hour meeting, or a larger project like the Impress project mentioned above.

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3 http://doyouimpress.com/

Chapter 5: Pricing Strategy

We've covered a lot so far. There are probably a lot more ways to price your services than you originally thought (many people think the only option is charging $X/hour). So now its time to look at all of these options, and look at how to structure them into contractual agreements with clients.

Good Faith Deposits

A **good faith deposit** is a deposit that is made at the beginning of the sale that shows that the buyer intends on completing the deal. A simpler way to put would be to just call it "money up front." There are a few reasons to ask for a good faith deposit:

- **You ensure the client is both willing and able to pay you.** A deposit up front gives you a chance to hammer any issues with payment early.

- **You make sure the client is serious.** Clients may drag their feet on responding to your calls and emails, but if they have already invested money then they will take it more seriously. The psychological difference between a service a client has not invested in and a service they have spent even $1.00 on is huge.
- **You have some protection.** Sometimes people get buyer's remorse, or change their minds, and back out of projects even after they have signed a contract and put a deposit down. In that case, you need some compensation to make up for all of the time you had put into the sale and project up until this point.
- **You have better cash flow.** Getting paid sooner is always better than getting paid later.

The Up-Front Discount: Pay Clients To Improve Your Cash Flow

Speaking of getting paid sooner rather than later, why not make paying you sooner a benefit for your client? You can offer a 5-10% discount to clients if they pay 100% of the project upfront. This helps put money in your pocket sooner, and can help your clients save a bit of cash.

An alternative to this, is too just always start by asking 100% up front. This way, when the client wants to haggle with you (more on that in a second) you will have something you can budge on besides money.

Milestone Structures… Including One You Should Never Use.

For large projects, The client may not want to pay the total balance upfront. for those project usually you agree upon **milestones**, which are agreed upon points when additional payments will be made. Common sequences of milestones are 50-50, 50-25-25, 40-30-30, and 25-25-25-25.

I would recommend basing your milestones on time rather than completion of work. Your client may push for completion of certain tasks instead so they feel secure you will do the work. However, this leads to a lot of weighty discussions with clients. Clients will hold back large sums of money to bicker over minute details. They can hold your money hostage while asking for work you did not agree upon.

These arguments cause hurt feelings and longer delivery times. A client may ask for this, but **it is in their best interest not to do this.** Clients are funny like that sometimes.

Whatever you do, don't agree to a payment "*upon completion*". This gives the client cart blanche to slowly move the goal post to keep your working. Don't fall into that trap. You don't get to finish paying for your car when you are done driving it or pay off your mortgage when you are done living in a house. Your services shouldn't be treated differently.

Here's a real world example from a proposal I sent to client for a $17,000 project:

Payment Terms

An initial deposit of $8,500USD (50%) is to be paid before the start date of the project. A second payment of $4,250USD (25%) is due no later than 30 days after the start of the project. A final payment of $4,250USD (25%) is due no later than 60 days after the start of the project. Invoices will be sent 14 days before each payment due date.

Alternatively, the client may pay the entire balance before the start date of the project in exchange for a 10% discount. This would be a one time payment of $15,300, for a savings of $1,700.

Negotiation

You will run across clients that will want you to come down on your rate. The simplest way to handle it is to simply say no. Some types of clients figure that it never hurts to ask, and if you tell them "My rates are non-negotiable." It may end the conversation right there.

Some clients want to nickel and dime every one they can to save money, and they may not want to hire you if you aren't willing to negotiate. If that's the case, and I can't stress this enough, **let them walk**. Clients like this will become a drain on your business. It's hard to make money off of people who do not want to spend or invest money.

That doesn't mean you have to be rigid, there are other ways you can negotiate with clients:

- **Reduce the scope.** Sometimes a client will have a fixed budget, and working with you is simply beyond that. If that's the case, you can try to find a smaller way to complete the task the client is looking for which will work with their budget. If a client wants a website with 20 pages for $3,000 and you quote them a price of $4,000, maybe you can find a way to trim 5 - 6 of the least effective pages from the project, and sell them a smaller final product at a price that works for them.
- **Ask for more favorable payment terms.** Let's say this same client has a $3,000 budget, and you had planned on billing them in 3 milestones: one-third payment upfront, one-third halfway through, and one-third upon completion. What you could offer would be to come in at their budget, but with a 100% upfront payment. This way you are getting an increased cash flow and reduced risk in exchange for your reduced rate.
- **Stretch the timeline.** A longer time on a project means that you are more likely to be able to deliver on time since you will have more slack time. You could offer to deliver it at a later date so that it is less stressful to you, at a reduced price.

While all of these techniques were examples where a client wanted you to lower your rates, you can flip these on their head as a way to negotiate a higher amount as well. Was what you could deliver very under budget? Then maybe it includes a retainer agreement or you deliver something above and beyond what they were originally seeking. If they can't pay upfront, give them a payment plan option that is cheaper in the short term, but more expensive in the long run. Do they absolutely need a project yesterday? Then they can pay a rush fee to have the project delivered sooner.

Remember that negotiation means that *both* parties are getting something. Some freelancers think negotiating means that when someone asks for a lower rate, you say yes. That isn't negotiating, that is **caving in**. It's ok to negotiate sometimes. It is never okay to cave.

Price Testing

I'm going to let you in on a little secret: I have almost never charged two clients in the exact same way. Even if you apply all the principles in this book, it still won't tell you the perfect price to charge your clients. The only way you can figure that out is to start testing your pricing.

To start testing, all you have to do is start quoting different rates and structures to your new leads. If you are currently charging $50/hour , maybe try $60/hour or $1,500/week. This is why I think it is a bad idea to list your rates on your website[1].

The best time to do this is when you find yourself getting a lot of client work. It's the simple laws of supply and demand. If you are getting a lot of work, then

1 An exception to this rule is a productized service, since it's cost is fixed and non-negotiable. You can test *that*, you just have to do it all at once.

you are in *high demand*. Since the supply of you can't change (there are only so many hours in a week), then the market dictates that prices should rise.

You may be afraid that by doing this, you may lose some potential clients. That is not the case. This is 100% going to cost you some potential clients.

Feel better?

No?

Well, look at this way: Salesmen are never batting a thousand, and neither will you. If you have a conversion rate of 10%, then you have a good conversion rate. If you are converting 20%+ of your leads, then you have a great conversion rate.

This may cost you some clients, but there is always more work out there. Not doing this means you may be charging too little, and all of those hours you worked for a low rate is something you can never get back. Besides, if you double your rate and cut your client base in half, then you can either make the same amount of money while working half as much, or make twice what you were with the same workload. Which would you rather do?

The risk is well worth the reward.

Apply What You've Learned

Write Your Rules of Engagement

Write down what you are willing to negotiate on, and what you are not. You should include a "floor" rate, which is something that you will never, ever, ever, go below. Also, if you decide to use them, include rules like the ones mentioned above, such as offering a 10% discount for up front payment.

Chapter 6: Pitfalls to Avoid

I wanted to take a minute to provide you with some words of warning. In this section I want to talk about some things that you should not do when it comes to pricing.

The Friends and Family Rate

Working for friends and family is very tricky business, and I recommend avoiding it entirely. Getting involved in business matters with friends and family can lead to tension and damage relationships.

If you are working for your friends and family for free, how much support do you think you will be able to give them once you have paying clients? You may think that by giving them a discount you are doing them a favor, however this also means you have given yourself a financial incentive to not help them.

If you do want to work with friends or family, I would recommend setting a rate, and getting them to sign a contract, and then treating them **just like any other client**. It's the only you can reliably provide a service that is worth while to them.

Unless it’s your mom. Make your mom a website, she gave birth to you for goodness’ sake.

The Just Getting Started Rate

Many freelancers are tempted to set their rate very low when they start out. They think that this is necessary to get their foot in the door, or to build a portfolio. You are still going to find people that do not value your work, and will treat you poorly. You will find people that are penny pinchers that will try every excuse in the book to not pay you, or at least get a discount or delay payment. The point bears repeating, **you do not want this kind of work**.

The Charity Rate

Non Profit or community work is a little bit trickier. I would not go out looking for it, but if there a cause or organization in your area that you truly believe in, I would consider doing pro bono work for them. However, the work clearly needs to be scoped out. Once something is free people think they can have as much of it as they want.

Also consider the type of non-profit you are working for. Non-profits are still businesses, and many of them have budgets just like a regular business. I have worked for non-profits before, but they are not treated differently than any other client.

Spec Work

Some prospects will want you to do 'spec work', short for speculative work. This means that a client wants you to do a small amount of work for them for free, so they can see if you can handle the work, and that you can deliver work with a level of quality that they find acceptable. If a client ever asks you for this, **run away as fast as you can**.

Clients who ask you do free work are either trying to take advantage of you, or don't value what you do, or both. You do not want to work with these kinds of people. No good will come of it.

Spec work is fine if the client will pay you a rate. There is no problem is agreeing to do a small project for a client before a large one, as long as you are still getting paid.

Be Free, But Never Be Cheap

I could summarize this chapter in one sentence: **work for free or full price, and never for cheap.**

I knew someone who worked on open source software. They would gladly work on this project for free in their spare time. Then one day someone offering them $10/hr to add a feature they wanted. They responded that their usual rate was $100/hr and they would gladly add the feature for that amount.

If he was willing to work for $0/hr, why was he so *offended* by the objectively higher $10/hr offer? Because once you bring money into the equation, It turns play into work. you remove all feelings of fun and charity that drives you.

If you are going to give a gift to someone, make it a true gift; If you are going to complete a business transaction, do it right.

Apply What You've Learned

Don't make any of the mistakes above.

Final Word

I hope you have found this guide helpful. Pricing is a difficult subject, and one that needs some light shed on it. If you've gone through all of these exercises, you should have a clear idea of how much you want to charge, how to charge it, for now and in the future.

If you still don't understand, or have any questions or comments, please reach out to me at `glenn@concordantsolutions.com`. If this book does help you find a better pricing strategy, let me know! I would **love** to hear about it.

If you'd like to read more of my articles on freelancing and web development, you can read them over at http://www.glennstovall.com.

If you got a lot of value out of the book and think others would too, then feel free to share the book on Facebook and on Twitter.