

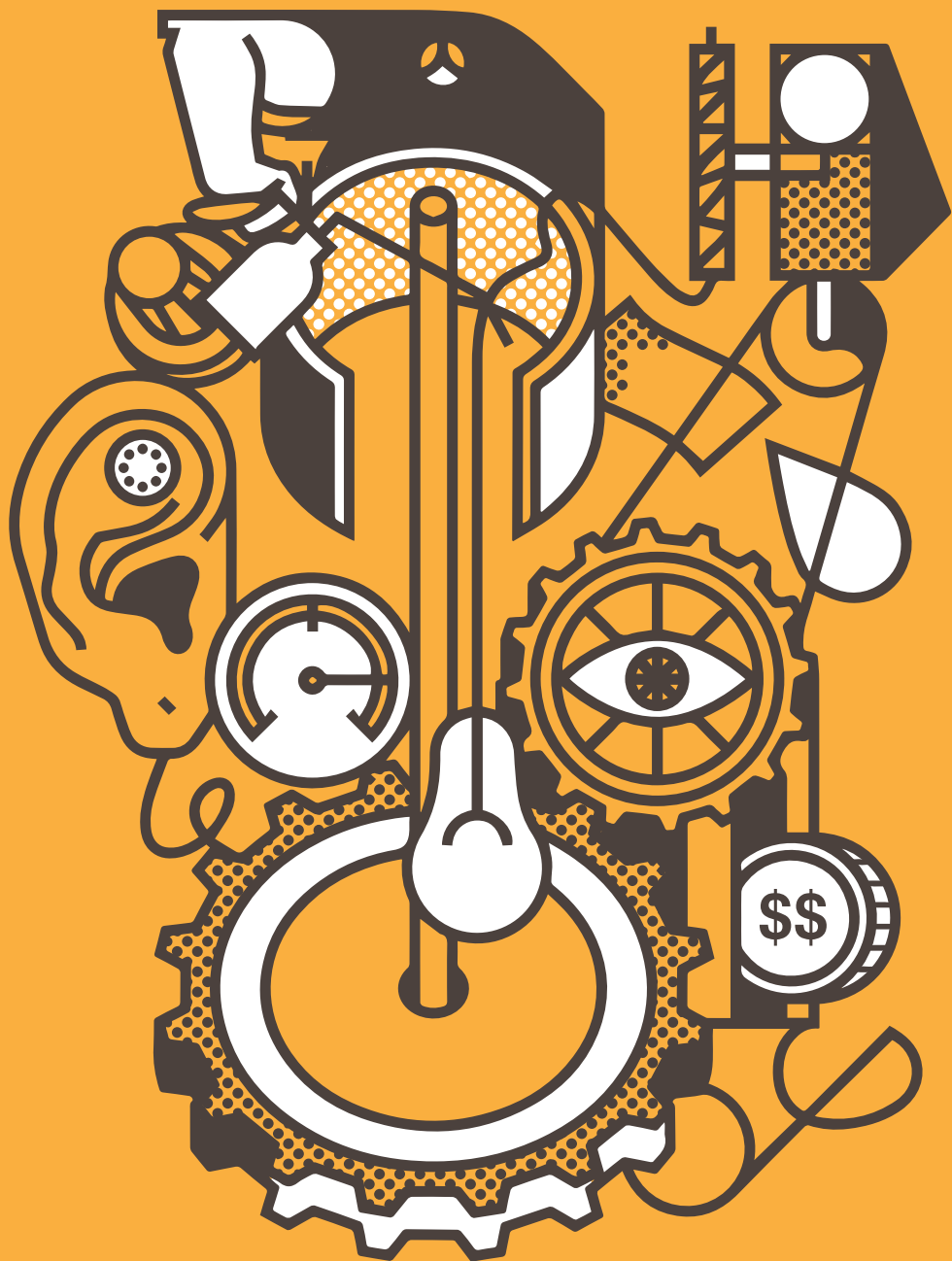
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Vol. 3

Building a profitable web design business

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FOREWORD

BY DAN MALL

You're so lucky to be reading this book.

I built my first website for \$50 in 1998, and I started my first business in 2012. The 14 years between were a long, drawn-out process of research and development, observing how all the companies I worked for ran the business side. I did some of the best work of my life for reputable clients, only to see my friends get laid off because we weren't profitable enough. I've lived through almost getting sued because we had the wrong clauses in an agreement. I've gone into debt during my most remunerative years because I didn't know how to manage my finances. I experimented for years with different pricing methodologies because I had no idea where to start. I've been disappointed to watch my teams lose work to under-qualified competitors because our proposal-writing skills weren't up to snuff.

Fortunately, I've iterated my way out of many of those bad habits, because the school of hard knocks is an excellent teacher. But you know who else are excellent teachers? Teachers. And this book features 11 of

them, ready to share their valuable lessons with you, so that you can sidestep the mistakes they made to get to these insights.

You don't need 14 years of doing it poorly to gain the knowledge to run a fulfilling and lucrative business. You're staring at a book containing aggregate learnings that took years of experience to accrue. You're just a few hours of reading away from all the excellent tips and tricks that will help you avoid the pitfalls so many of us stumble into.

Use this wisdom to give yourself a jump on the competition, as a foundation of great practices to build upon. These chapters aren't shortcuts to a great business; they're an accelerant. You'll still have to do hard work to take the journey, but this book is rocket fuel.

I wish something like this would've been around when I started. You're so lucky to be reading this book.

DAN MALL is a creative director and advisor from Philadelphia. He's the founder of design collective SuperFriendly, CEO of gig-sharing platform SuperBooked, and author of A Book Apart's Pricing Design.

Six tips for getting your finances in order

FLANNERY KECK, SAGE BUSINESS CLOUD ACCOUNTING

Congratulations—you're living the dream.

You're doing creative work, whether at your own agency or as a freelancer, and your destiny is totally in your hands. It's exciting. It's inspiring. It's... okay, it's a little terrifying.

Sure, you've got the creative side of things on lock, but what about the pieces of running a business that are distinctly not creative? Taxes, cash flow, bookkeeping? Yikes. It might not be your forte, to put it nicely.

If that's the case, it's okay. You don't need to be a financial whiz to run a creative business—you just have to know one. That's where we come in. In this chapter, we'll talk you through all the basics of bookkeeping: where to put your money, how to keep track of what you spend, making sure you get paid, and more.

Because here's what it comes down to: when your business finances are buttoned up, you have more time and energy for the creative side of your

job. It will also keep your business healthy, so you can keep doing what you love for many years to come.

Ready for the six bookkeeping basics that will start you off on the right foot? Here we go.

1. Find an expert

We're going to give you tons of actionable tips in this chapter, but we can't replicate a face-to-face consultation experience. Nothing can replace tailored-to-you expert advice.

As you implement all the best practices included in this book, you should also identify an accountant who can guide you through all the nuances of your country, state, or region's tax requirements and compliance laws. Depending on where you are, what industry you're in, and how your business is set up, those nuances include a myriad of different forms, tax rates, and tax break opportunities.

Beyond tax time, an accountant can give you advice on the legal structure of your business and help keep an educated eye on your company's financial health as the years progress. They can advise you on how much money you should set aside throughout the year for tax time, how to maximize your deductions, and how to build upon these best practices.

Instead of pressuring yourself to learn all those ins and outs, connect with an expert who can make sure you have exactly what you need.

“ Business and personal finances are like orange juice and toothpaste, okay? You just don't mix them.

2. Keep your accounts separate

A key bookkeeping best practice is to keep your business and personal finances distinct from each other. Business and personal finances are like orange juice and toothpaste, okay? You just don't mix them. Trust us on this one.

By keeping your accounts separate, you can:

- Distinguish your business as a true business, rather than a hobby.
- Easily identify deductions at tax time.
- Be prepared in the event of an audit.
- Better understand your business's operating costs, so you know how to grow and profit.

Start by setting up separate checking accounts, and then stick to the business account for all your business-related expenses. If you're freelancing, business expenses could be anything from business travel to internet services (if you work from home). If you're running an agency, business expenses could also include rent for an office, employee wages, and so on.

It's okay if you're not completely clear on what will ultimately be a deduction when tax time rolls around. The main thing to avoid is regularly dipping into the wrong pot, like treating yourself to lunch every week with the business's money, or covering the rent for your office space with your own funds. This type of activity can increase your legal liability, especially if your business is set up as a sole proprietorship—if your business is ever sued, for example, your personal assets could be at risk. What's more likely is that the tax agency will think your business is just a hobby, and then you won't be able to claim deductions for any of those business expenses.

If you do accidentally mix up a bit, it's not the end of the world. Just check in with your accountant about how you should record the

transactions in your books, and you'll still be able to keep the dividing line between business and personal clear.

3. Hang on to your receipts

This bookkeeping tip also fits in the category of “make your accountant’s life easier.” As your business makes money and handles expenses throughout the year, make sure you keep track of it all.

You have a few options when it comes to how you do that. You’ve probably heard the old school methods: a shoebox, an accordion folder, or anywhere else you can stuff them. But come on, it’s the 21st century! You have the tech to bump this system up a notch—and you should.

When you’re just dipping a toe into this side of the business, it can be tempting to use the most basic thing you can find, like Excel or some other desktop spreadsheet. But in reality, spreadsheets get clunky—and fast. It’s far too easy to mess up a formula, move a portion of your data and forget a few cells, or simply get overcomplicated. Then you’re stuck without a clear understanding of your expenses, and no easy way to catch errors, all of which can negatively affect the decisions you make about running and growing your business.

By contrast, the right bookkeeping software may seem a little intimidating, but it can actually set you up for success by allowing you to log your receipts and categorize them electronically. This lets you reduce clutter and increase accuracy in your record-keeping. And when it’s time to hand it all over to your accountant, he or she doesn’t have to sort through paper receipts. Instead, they can look at the electronic records and get right down to the real work of filing your taxes. That saves them tons of time, and you tons of money.

So, find the right software to digitally store all your business receipts.



4. Reconcile everything with your bank statement

Even if you're doing a bang-up job logging your receipts, it's still possible that a bill could sneak up on you, an expense could post incorrectly, or some other surprise could appear in your bank account. That's why it's important not just to track your expenses, but also to go the extra step of reconciling those records with your bank.

“Bank rec,” as it's sometimes called for short, can take a while since it requires going through every transaction you have on the books with the amounts your bank statement shows. But—hurray!—this is where your bookkeeping software can really start pulling its weight. A good bookkeeping software can automatically pull transaction information from your bank account, and reconcile it with your bookkeeping records. It will save you time, while still giving you the information you need to be proactive in managing your cash, spending, and income for your business.

If you're following all the tips up until this point, then you're well on your way to buttoned-up business finances. You've got a dedicated business account; an accurate, digital record of your expenses;

and a reliable process for checking that record against your bank's information.

Next... it's time to make sure you get paid.

5. Send invoices on time

This is a big one. Whether you're a freelancer looking to pay the bills or an agency owner who needs to pay your team and keep the lights on, you need cash to meet your commitments. A big part of making that happen is ensuring you send your invoices on time.

This is a simple business finance concept called "cash flow." Many new business owners think cash flow just means the amount of revenue they generate, minus their expenses. That's actually describing your profit—not the flow of cash through your business. Think about it this way: you might have a big check coming in from a client on the 20th of a given month. But what if you have your own bills due on the 15th and don't have the funds to cover it yet? That's a cash flow issue.

To keep on top of it, there are all sorts of schedules and projections you can use—but that's a book for another day. For now, the best thing you can do to keep your cash flow healthy is to make sure you invoice your clients on time. That's it!



FREE PROJECT INVOICE TEMPLATE: We've created a simple invoice template that you can customize and use for your web design or development projects. You can find this template, and several more, in the "Templates" folder that came along with the digital version of Grow Vol. 3.

It sounds simple, but too many freelancers and creative types neglect the invoicing portion of dealing with clients. You'd rather (understandably) focus on delivering great work. But if you make sure to also send the invoices for that great work on a regular basis, and diligently follow up with your clients, you'll ensure a flow of income that's as steady as the awesome products you're churning out. We'll take a closer look at invoices later on in the book, but for now just know that timeliness is absolutely crucial when invoicing your clients.

6. Get in a groove

Once you've decided what tools you'll use, build some maintenance time into your schedule each week. Maybe every Wednesday afternoon, you scan and digitally record your receipts in your bookkeeping software system. Maybe every Friday, you sit down to review your cashbook and the status of your invoices.

However you choose to set it up, keeping a regular eye on things will help you spot issues before they become bigger than you can handle. You can nudge a client to pay their invoice before your bank account is dangerously low. You can push a business purchase off until next month when you see how much you've already spent. You can make all manner of decisions to protect the health of your business, and keep it healthy for the future.

Remember that making time for these bookkeeping best practices will save you time in the long run: less time adding up receipts, less time chasing invoices, less time juggling cash flow. And you know what that means—more time to unleash your creativity, and do the work you really love.

There's your six tip toolkit to start bookkeeping off on the right foot. With the right tools, it doesn't need to be nearly the headache you expected. From the first step of finding a local expert who can help you,

to the last step of running it all like clockwork, your business is sure to benefit from these best practices.

Happy bookkeeping!

FLANNERY KECK is a North American Content Specialist in Sage's Customer Business Center, supporting [Sage Business Cloud Accounting](#). Sage is passionate about supporting small businesses, giving back to the community, and enabling people to do what matters most.

How to discover your freelance rate

MARK PERINI, ICEE SOCIAL

Without fail, the most frequent question I receive from freelance designers and developers alike is how to effectively estimate costs, and figure out what their personal hourly rates should be.

No matter how you plan on billing, whether it be hourly, by retainer, or project-based, you must calculate your personal hourly rate in order to give a fair estimate. Naturally, you want to get paid for your time and expenses, and turn a profit so you can save for a rainy day or a much needed exotic vacation.

The problem is, calculating your rate puts you in a bit of a predicament because there are two competing forces battling for supremacy. You want to be competitive in a saturated and ever-changing market, while still being fair to yourself as an entrepreneur. After all, you're doing all the work.

To achieve your financial goals, we need to develop a basic hourly rate that makes financial sense, and is uniquely individualized to you.

We need to best represent everything that you have to offer each one of your clients.

Armed with this information, there is no project you can't take on; no bid you can't submit. Developing a basic hourly rate will forever give you an upper hand in negotiations, because you can quantify and justify your rate, down to the penny.

What do you bring to the table?

When it comes to calculating your rate, there's no secret sauce. What works for you may not work for another designer or developer. In order to complete the first step of calculating your rate, you've got to be really honest with yourself.

Take a good hard look at yourself in the mirror (I mean it; it's a good exercise!). What is your core competency? If this is the first time you're exploring this stuff, and you're unsure, I suggest thinking long and hard about what aspects of a project are typically your favorite.

I have found that what you enjoy most tends to be what comes easiest to you. This is a foolproof way of identifying your strengths, and subsequently, what your clients will ultimately benefit from if they work with you.

Take the time to write all that down on a piece of paper. Now, consider your experience level, your reputation, your schooling, and your availability. Think about how much extra you would pay for a freelancer with your core competency and credentials. The more specialized your skills, the more you can charge.

Someone with more than ten years of full-stack development experience should get paid more than someone who's a beginner. Why? For the simple fact that they can do the same task in less time. So something that might take a junior developer two hours can be done in half an

hour by someone more experienced. Shouldn't their personal rate represent that expertise?

Hopefully, you've now got a firm vision of what you have to offer compared to other developers. Let's dive deeper into the equation for calculating your baseline freelance rate.

Make a life budget

When you're a freelancer, you not only have to think about the fixed and variable costs of your business, but also the costs associated with living your life. You've got to think about what you need day-to-day, month-to-month, and year-to-year. You don't have an organization paying for your travel expenses and health insurance, or providing paid vacation.

If you're unsure of your costs, type them out in a spreadsheet. Think about all of your expenses: your rent, how much you dine out, how much you spend on coffee, as well as extraneous expenses (these are just some ideas you can use, as this is a highly subjective activity).

Sum that all up, and you'll have a rough idea of what you spend in a year. Use that number as a benchmark. From here, we can back into this figure, and calculate what you need to make to cover just the living expenses.

For me, I spend around \$4,200 USD a month on rent, living expenses, taxes, insurance, office space, and my low-key coffee addiction.

If I multiply that by 12 months, I get around \$50,000. So for me to keep my lifestyle the same, I'd need to at least bill out \$50,000 a year to cover my monthly costs.

Now, what does that mean in terms of my freelance rate? Well, think of this number as your fixed costs. However, you've got to consider that this doesn't offer you any profit—you would only break even. So what would you want to make on top of your expenses? For the sake of ease here, I'm going to say \$25,000.

This figure is subjective, but the generally accepted notion is that you should save 15 percent a year for retirement to be safe. Don't forget that you also have to account for the unaccountable, as well as anything that might be coming up in the future (i.e. buying a house, getting engaged, having a child, adopting a puppy, etc.). If you ultimately want to put more into the bank or into your pocket, you can always cut back on your day-to-day spending.

After all of your expenses are paid, you should have some money left over to put away for retirement or to put towards the trip of your dreams. Assuming your experience and specialization allow for client acquisition, we can use that number to see what your hourly rate would need to be.

Let's say we plan on doing 20 hours of billable work a week (I realize full well you're going to be doing 40+ hours, but not all of that will be billable—it's safe to assume anywhere from 25 to 50 percent of your hours will be billable). We also have to factor in a holiday or two, and a little vacation for yourself—you're not a machine, after all!

Here's a simple example of what that breakdown could look like:

- Legal holidays (U.S.): 7 days
- Unpaid vacation: 10 days
- Sick/Personal days: 4 days
- Total: 3 weeks

With all this information, we can set up a very basic equation (less the vacation time we've allocated). In this equation, X is equal to your hourly rate.

$$(\$50,000 + \$25,000) / (20 \text{ hours} \times 49 \text{ weeks}) = X$$

If we add your expenses and profit, then divide by your available billable hours, we get \$77 (rounded up to the nearest dollar) an hour. So if we bill 20 hours a week, at \$77 per hour, we'll end up with what we want to earn yearly—including some much needed profit.

(I'm assuming your experience and expertise warrants you a healthy hourly rate. We must be honest with ourselves from the get-go, and not just plug numbers into the model based on a "desired" lifestyle)

Let's reflect back...

Congratulations: you've got a baseline rate for what you need to survive. Now's a good time to put your new rate into the universe. You may or may not receive a bit of push back from the market, and like real estate, the market will ultimately dictate your worth. (Do clients return? Do they refer you to others? Or, do they ultimately go with a different provider?)

Let's think back on your self-reflection.

Does this hourly rate represent all of your skills? For example, if you offer something a similarly-qualified developer does not (e.g. you can offer an SEO package, marketing assistance, social media consultation/coordination, or additional graphic design), you're likely in higher demand. You should probably bump up your hourly rate to account for that—you've earned it.

After doing this exercise, be aware that your rates are ultimately going to change. You may find that your rates are too high and you're not competitive, or just the opposite. My biggest piece of advice for new freelancers is to try and be as competitive as you can from the beginning. You'll inevitably happen upon a sweet spot, where you're getting paid an appropriate amount, and your clients find it reasonable for your skill set. This is by no means a perfect science, but the sky's the limit when you build a stellar reputation.

Be a part of the community

In 2015, I went to a local event and spoke to a fellow developer who was building out the copywriting aspect of their business. While we were speaking, they mentioned their project rate, and to my surprise it was exactly the same rate I was charging to do a full ecommerce web build, with some copywriting included. Right then and there, I realized I needed to double my rates. I had spent way too long as a lone wolf. Without the guidance of a community, I wasn't doing a check-in with my fellow developers, and my bottom line had suffered as a result.

I'm lucky enough to be in New York City where there is a thriving design and development community. I can't stress how much important information I've gleaned about myself from these meetups and conferences. More people are offering up their knowledge than you'd think—it's up to you to gather it and make it usable for your business.

There are other ways to get involved with the community if you live far from a big city, and aren't presented with many opportunities for face-to-face interaction. There are Slack channels like the official [Shopify Partners Slack Community](#), Shopify's [Web Design and Development Blog](#), or even podcasts like [The Unofficial Shopify Podcast](#) with Kurt Elster or [Businessology](#) by Jason Blumer.

PRO TIP: Most people are open to help if you're honest and you start with a compliment. "I really respect your business and I'd like to craft my own firm in your image, but I have no guidance. Would you mind giving me some advice on my pricing strategy?"

Be strong and stick to your rates

Once you've done the analysis of what you need your rate to be, and you've got a firm grasp of your place in the freelance marketplace, it's time to secure clients.

In my experience, the best way to deal with fee structure is to be completely upfront. I lay everything out in the job proposal for clients to see, and then go over each of the points. It's a good way of managing expectations and justifying your cost, and helps prevent bargaining, negotiation, or push-back. You've got to remember that there are going to be clients who have never worked with someone hourly before, and you have to put them at ease, right off the bat.

The number one thing clients are looking for when you're bidding on a job is that you're trustworthy. If you can establish trust (with your experience and your transparency), it will set a positive tone for the working relationship that ensues.

If, after going through all of this with your client, they still have a problem with your rate, then you've got two options: you can either change the scope of the project to be a little less than you initially discussed, or come to some kind of compromise on price. As you'll inevitably learn, the problem with the latter option is that it sets a bad precedent.

You don't want your clients thinking that every time they push back, they can get more for their money. You're a business and you've got an established rate that you've earned. Resist the temptation to give in. Stay strong, and stick to your rates.

I realize that this may mean walking away from deals that you've put blood, sweat, and tears into—and that can be extremely tough—but sometimes walking away from a client who's the wrong fit is the best solution.

In my unique experience, after explaining all that I have to offer and justifying my costs, the clients who push back often end up being the most demanding. I prefer to work with clients who appreciate my transparency and expertise, and respect me upfront.

All hail the hustle

Being a freelancer is a roller coaster ride of amazing experiences that are both exciting and petrifying. If you feel like you're being overworked and underpaid, you probably are!

Performing regular self-reflection and check-ins along the way are just as important as the very first reflection I mentioned. You are your own moral compass; your instincts are important. Remember that it's okay to walk away from clients who don't want to pay your rates. You now know what you're worth.

Remember that you're not in this by yourself, and although you're a freelancer, you're also in the business of starting businesses—so act like it. The more self-assured you are, the more at ease your clients will be, and that will ultimately translate to winning more jobs.

MARK PERINI is a freelance web developer, social media consultant, and founder of ICEE Social based in New York City.

A standard operating procedure for securing clients

KURT ELSTER, ETHERCYCLE

"If you had to start over, what would you do differently?"

That's a great question I've been asked more than a few times in interviews about building a successful, high-profit consulting practice.

It's a simple question with a complicated answer. And when faced with a glacier of a problem, I tackle it the only way I know how: by breaking it into ice cubes.

In my business, I write standard operating procedures (SOP) for the various tasks that make up my business so that I can repeat and improve them, then quickly train contractors and employees on how to do them. So why not write a SOP on how I would start a successful freelance business?

Over the last 10 years, I've made mistakes, tried dozens of tactics and strategies, and finally built a successful business for the life I want, all with Shopify. I've turned that experience into a standard operating

procedure that you can use to avoid the same mistakes I made, and build a business for the life you want in actionable bite-sized chunks.

My current business and SOP has allowed me to:

1. Bill by the project, instead of by the hour.
2. Never negotiate or haggle on price.
3. Improve the quality of my clients (and my work).
4. Gain authority as a valued expert.
5. Earn enough income to buy my first home and travel the world.
6. (I also bought some truly ridiculous cars along the way. I do not recommend this; it was not a good investment.)

If those sound like good goals to you, then give yourself permission to try my plan.

Ready? Here we go.

Step 1: Quickly communicate your value by defining your core positioning

Jonathan Stark, a successful tech author and creator of Jonathan's Card, once told me about the time he hired a now-huge business coach to help him grow his business. On their first call, the coach asked, "What do you do?"

Jonathan started to explain, but after 30 seconds, the coach cut him off.

"You've lost me. Call me back when you can tell me in ten seconds or less," the coach said, hanging up.

Is that extreme? Absolutely. Does he have a point? Absolutely.

When someone asks you what you do, how long does it take you to answer?

Now imagine that person has to tell someone else what you do. Will they even remember? If they do, will they get it right?

That's the danger of having vague positioning in your business. Your positioning has a lot of influence over your pricing, and the projects you take on.

Sometimes called “niching down,” having a defined positioning statement lets you describe exactly who you help, and how you do it in a single sentence.

The only step to positioning is to define your core positioning statement, which defines who you provide value to, what their needs are, and what expensive problems you're helping solve.

Here's the formula: “I help [ideal client] achieve [goal]. Unlike my competitors, [differentiating statement].”

As an example, my positioning statement is:

Kurt Elster helps Shopify store owners uncover hidden profits in their websites. Unlike other Shopify Experts, Kurt is solely concerned with providing the highest possible ROI.

That statement lets me communicate my value in less than ten seconds, and it actively disqualifies potential clients who aren't a good fit. The result is that my ideal clients can easily remember me, and offer referrals when they encounter other store owners.

Niching down with a positioning statement can be an intimidating process, but it doesn't have to be. It's the counter-intuitive approach to becoming seen as a valuable expert.

PRO TIP: For further reading, I recommend [Philip Morgan's The Positioning Manual](#).

Step 2: Write an initial service offering

When a prospective client asks you for a price on a project, what happens? If you were like I was years ago (and like many other freelancers), I bet you'd say, "Well, that depends..."

You'd then try and figure out their scope, write a proposal, send it off, and get rejected half the time.

Pretty frustrating, right? For me, it was demoralizing. My life felt like a constant carousel of prospect on, proposal off, client on, client off, repeat.

Fortunately, now that you've niched down with your positioning statement, there's a better way.

Instead of coming up with a bespoke offer, and pricing for every single client you talk to, why not publish an offer that represents a great starting point for you to do your best work, for your ideal client?

Let's say you're an app developer. The first step to every app project is gathering requirements. That would make a great initial service offering (ISO). Charge one-fifth to one-tenth of your initial project cost (say \$500 if your project is \$2,500), to research the client's ideas, their business, and determine the best course of action. Call it a roadmap.

Gavin Ballard, author of *Mastering Shopify Apps*, has a great example of [this concept on his website](#).

Why does this work?

1. A client who is serious about spending \$10,000 or more on a project shouldn't object to spending five to ten percent of that budget on research to ensure their success. Anyone willing to invest in the roadmap is clearly serious about their business, and respects you as a consultant.

2. Psychologically, it's much easier to sell these lower-priced service offerings because they represent reduced risk, which is what every buyer and business owner wants.
3. Afterward, it's much easier to sell the larger projects because your initial service offering gives you and your client a chance to get to know each other on a professional level, and see what it's like to work with you.

What if the client says, "But how much would it cost to just build it?"

That's when you demonstrate your status as an expert and say, "We don't know if this will solve your business needs yet, so it would be pointless to start building before we understand those needs."

We're only on step two, and already you've made it clear that you're not just a pair of hands—you're a skilled expert.

PRO TIP: For copy-specific advice, I highly recommend [Sean Desouza's The Brain Audit](#), along with the free content on [Copyblogger.com](#).

Step 3: Price your service offering

Now we need a price for your ISO. The right price is one that represents a great return on investment for the client, and equitable compensation for you.

If I were pricing a roadmap for the first time, I would price it based on my experience with writing proposals. If I add up meetings, research, and time to write a proposal, I estimate that a great proposal takes four hours to produce. If you charge \$200/hour, then our initial starting price for a roadmap is \$800. If a typical app costs \$10,000 to develop, and our roadmap helps to ensure success, then we've come up with a price that is both a great ROI, and good compensation for us. Ideally, we're now

charging enough to disqualify prospects who will not be a fit for your typical proposal prices.

We could stop there, but we may want to adjust the price up or down. You could add 20 percent to pad for revisions, or unforeseen scope creep. Or you could adjust down by 40 percent to use your ISO as a loss leader (a product sold at a loss to attract clients). Your pricing is just a number on your website; you can revise it at will.

I come up with my agency's prices based on the time a project takes, then add 20 percent to allow for some scope creep without being punitive. From there, I adjust based on supply and demand. When selling a package that exceeds the time I would generally spend, I'll double the price.

As service professionals, we all have a terrible tendency to woefully undercharge for our services.

The owner of a successful agency once told me, "If you're not charging a price that makes you uncomfortable, you're not charging enough."

"How much should I increase my prices by?" I asked.

"Double them," he answered.

Since then, I've doubled my prices two, three, or even four times depending on the service offering. Each time, the result was the same; the quality of my clients improved because of their investment, and my work improved because I had more time and resources to devote to my client's success.

If you take one thing away from this chapter, I hope it's this:

"Charge more."

Step 4: Call to action

With the price decided, you can add a clear call to action to the bottom of your service offering. What do you want your clients to do next?

Here are a few options; none of them are wrong:

1. Ask them to fill out an application to gather more information. Do this if certain people don't seem like a good fit for your service offering.
2. Ask them to pay a deposit to get started.
3. Have them fill out a contact form, presumably so you can schedule a meeting.
4. Send them to your calendar with a service like Calendly or Youcanbookme.

Which is right for you? I've used them all, and I like sending people to an application so I can gather information, and then send them directly to a scheduling link. This way, I can have the most productive initial phone calls possible with my clients. (And yes, I strongly encourage you to get on the phone with your clients. I know many of us are phone-phobic, but a 15-minute phone call is worth a hundred emails.)

Step 5: Validate your service offering

You should have a complete website listing your service offering, which means you have something to sell. But before you invest time and money promoting it, we need to validate it.

Does your ideal client want it? Do they believe that it's priced right? What objections will they have that we can address?

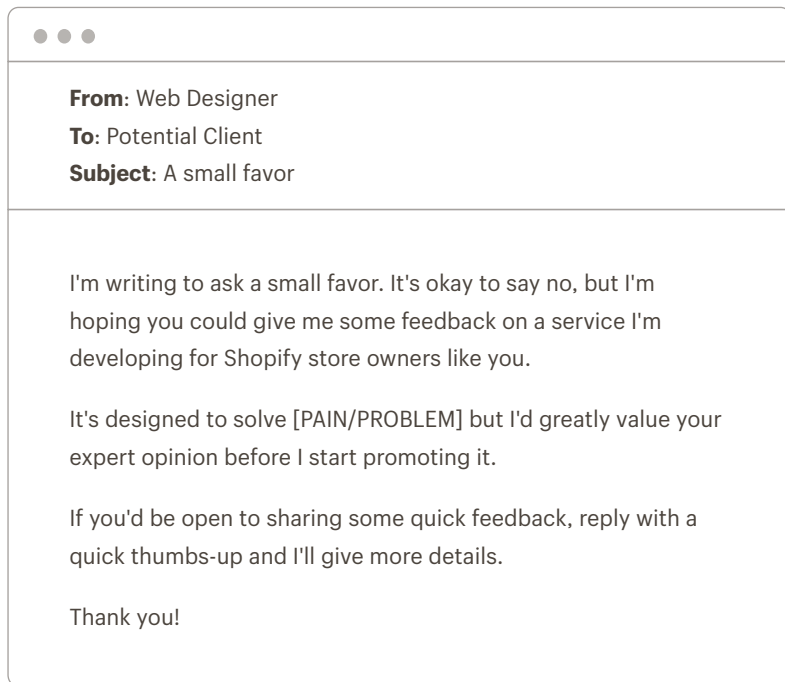
More bad news for the phone-phobic among us: it's time to talk to people. We need to do some show-and-tell for all that hard work we did in the previous steps.

Write out a list of ten prospects or past clients who are (or are very nearly) your ideal client. This might include past clients, past prospects, new prospects, loose connections, friends of friends, or even cold outreach (though if you're resourceful, you won't need to do any cold

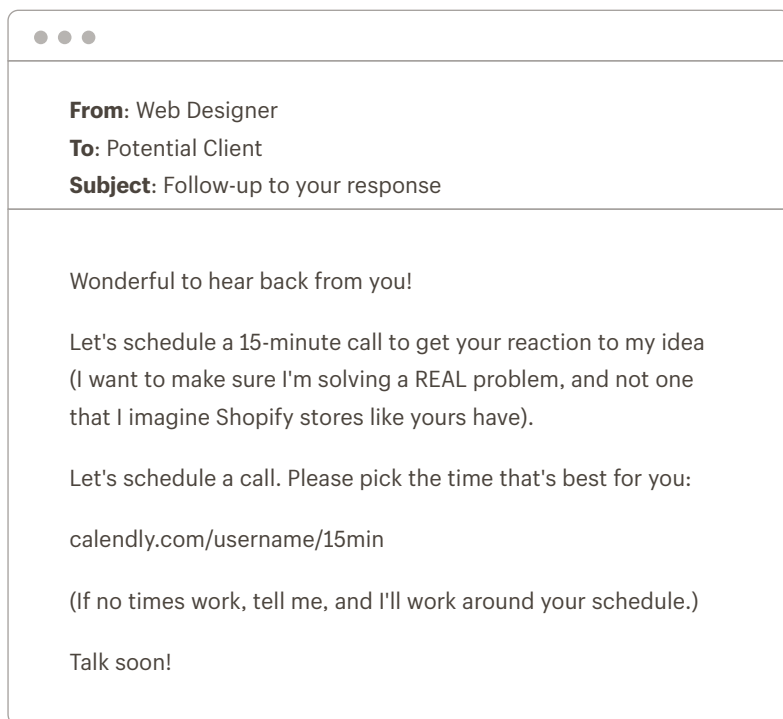
outreach). If you have an email list, email your offer to the list with a call to action to set an appointment and discuss the service.

If you're just starting out fresh and have no network to leverage, I would come up with a list of dream clients and use a service like Hunter, or even LinkedIn, to reach out to them. Alternatively, you could look for people who could introduce you to your dream clients.

Here's an example of a cold outreach email I've used successfully in the past:



If you get a positive response, follow-up with an email like this:



With your new friends, you'll want to get on the phone with them, review your offer, and gather feedback. I usually take a lot of notes by hand, but if it's a Skype call, you could use [CallRecorder](#) to record the conversation (with their permission, of course).

Here's your meeting agenda:

1. Describe the problem you're solving, and ask if they've experienced it. If yes, proceed to...
2. Walk them through your service offering as a proposed solution. Ask, "Does that make sense? Am I explaining myself well?" Once they're clear on the topic...

3. Gauge their interest, i.e. “Would this be useful for your business?”
4. If no, ask why not, i.e. “What don’t you like about it?” or “Is there a way I could make this the perfect solution for you?”
5. If yes, give them a price and ask if they want to get started, i.e. “Okay great. The price is \$X. Shall I send you an invoice, and we can book a time to get started?”

Your primary goal is to gather feedback. To get the best feedback, you have to ask for the sale to get an honest reaction. The only way to truly validate is to ask for their money, and see what happens.

Step 6: Build a sales funnel

Now that you’ve generated some early interest in your offering and have validated it, it’s safe to invest more time and money marketing it.

To complement your initial service offering, come up with a freebie offering. I’ve used a combination of cheat sheets, email courses, screencasts, and even quick phone calls. The one thing I’ve learned is that less is more with these freebie offerings or lead magnets. Offering an entire free book feels like you’re assigning your prospects homework, versus a quick guide on how to do something, which, in practice, is more useful.

The ideal freebie offering does two things:

1. Provides value to your ideal client (in exchange for their email address).
2. Helps people self-diagnose the problem that your initial service offering solves.

To get your freebie offering, you want them to share their email address and opt-in to your newsletter. Sending out regular updates will let you stay top of mind, while continually demonstrating your value.

Step 7: Next steps

Time to fill up that sales funnel!

Pick two acquisition sources from this list:

1. Webinars
2. Networking events
3. Meetups
4. Podcast guest spots
5. Guest blog articles
6. Forum participation

Use those two sources to promote your freebie offering. If it provides value and costs nothing, you should be proud to share it with the world. Think of it like building a house. Each action you take is a brick laid in that house. Does any one thing change your life? No, and you shouldn't expect it to, but when you stack enough bricks, and stand back, suddenly you've accomplished something special. This process lets you build authority over time.

For me, I work best when presented with a problem to solve. I joined Facebook groups and answered questions, and was a guest on podcasts. Maybe you prefer writing and teaching, in which case, you should get to work on that ebook you've been putting off.

Do what you're comfortable with, and do it consistently. After six to eight weeks, you'll begin to reap the rewards. Within six weeks, I began getting referrals from people I didn't know because they'd heard I was "the Shopify guy."

Go buy a boat

You now have a start-to-finish, productized consulting business and sales funnel. Over time, you'll figure out what works, and what needs tweaking. You can regularly optimize your funnel by refining your positioning, pricing, and service offerings.

This may sound like a lot of work, but this work is the difference between someone who's earning \$30,000 a year and \$300,000 a year. It's a blueprint for an inbound marketing funnel that will bring you prospects who see your consulting fees as an investment in the future success of their business.

KURT ELSTER is a Senior Ecommerce Consultant who helps Shopify store owners uncover hidden profits in their websites. Kurt is the founder of ecommerce agency [Ethercycle](#), and host of [The Unofficial Shopify Podcast](#). He lives in northwest Illinois with his wife and three children.

Strategies for structuring your project price tags

CRAIG SOMERVILLE, RELOAD MEDIA

Coming up with prices for your web design, development, and ecommerce services can be a daunting prospect. Too high, and the potential client may go elsewhere. Too low, and you run the risk of not being profitable on a project. Sometimes you'll be put on the spot; other times you'll get to go away and work up a fully costed proposal.

Regardless of the format or timing, having a really good understanding of how your own costs work, and how best to price up what you do, will be critical to getting that number right. It's all about pricing in such a way that allows you to highlight your strengths as an agency or freelancer—all while ensuring the client gets good value for their money.

Unfortunately, it's never as simple as just pulling a number out of the air (although some do try). So where should you actually start when trying to arrive at the perfect price? Chapter 2 dove into deciding what you're worth, but in this chapter I'll outline different strategies you can use to decide how to apply your newly defined worth to your pricing model.

Different types of pricing

It's important to understand the different ways you can go about calculating your pricing. Each has their own positives and negatives, depending on how you operate your own agency or freelancing work. It's also important to understand that how you price impacts what you need to deliver to the client.

Cost-based pricing

Cost-based pricing is one of the simpler methods. It works by simply adding all the costs of producing a project, and then adding a standard percentage margin.

For example, you might have started with a template that cost \$100, added \$300 worth of stock imagery, and then spent 20 hours working on it at a cost of \$40 per hour. Adding all that up gives you a total cost of \$1,200 to produce the project. Let's say you want a 50 percent margin—you should charge \$2,400 for the project.

The biggest challenge designers and freelancers have with this is working out their cost per hour. If you're a bigger agency, it's easy: you add up all the salaries in the business and divide by the number of working hours. However, if you're freelancing, you need to take into consideration your "opportunity cost," which is most likely going to be what you could get paid, per hour, if you were working for someone else.

Clients normally like cost-based pricing because it's itemized, but they may start questioning how much markup is going into each component.

From your side of things, the main advantage of cost-based pricing is that you can accurately tally up your expenses. By itemizing your tasks and their associated costs, you'll be able to closely track expenses and remain profitable on each project.

The downside is that it only takes one project to go wrong to reduce your overall profitability, and it's hard to make it back on future projects priced the same way.

From the client side, cost-based pricing has the advantage of coming across quite fairly, as it's based on the actual costs of producing the work. The downside comes when those costs (like the number of hours) unexpectedly blow out, and they're obligated to pay for them when they may not have been in their budget. If you're going down the cost-based method, give some thought as to how you might address issues of cost changes once work gets underway.



Hourly rates

Similar to cost-based pricing, hourly rates work by having a standard hourly price, say \$120 per hour, and then charging based on the number of hours worked. Again, using the example from above, those 20 hours would result in the client being charged \$2,400.

The trick with hourly pricing is to work out a rate that ensures you've covered all those “non-hourly” costs like stock photos, electricity, and other business overheads. To get a good starting point, see what others in your area are charging per hour and adjust accordingly from there. Again, refer back to Chapter 2 for pointers.

In terms of working with clients, hourly pricing is normally the methodology they most easily understand, which can help get a project across the finish line. However, the downside is that it gives them the ability to compare two quotes purely on hours and hourly rate, which may not be a true comparison between two potential providers.

Another downside to hourly pricing from the agency/freelancer side is that you normally need to record and track your hours meticulously, and then provide itemized statements or work logs to clients to justify exactly what was charged. This can lead to clients questioning elements (“Why did it take four whole hours to update the navigation?”), which

can mean you spend just as long justifying your hours as you did working in the first place!



Packages and project pricing

Packages are a form of pricing that works because when complementary items are grouped, they create intrinsic value. For instance, you could bundle a logo design (normally \$400) with a website design (normally \$2,400) and a business card design (normally \$300) for a “package price” of \$2,900. In this example, the final price is lower than the sum of the parts, as this helps encourage the client to choose the package deal.

By bundling the items together, it also conveys to the client that there will be a sense of continuity across those designs, which is likely to be important to them, as keeping consistency across different marketing collateral helps send strong brand signals. This means that even if some other competitor of yours offers a lower price for the logo design, the prospective client would have to weigh whether it’s worth splitting the project to save a few dollars, and that’s likely to work in your favor.

As a result, having those projects bundled into a package tends to make them more valuable than if they were done separately, either at different times or by different people, where that brand continuity might not be possible.

The downside to this approach is that some clients may ask you to “unpack” those prices (“So what if I just do the business cards?”). This is why it’s important to make the bundle seem like the obvious choice, and where the best value lies.

For both the client and agency, the big upside to packages and project pricing is that the price is agreed upon, and both sides know (or should know) what they’re getting out of the deal. The downside comes if one side misinterprets those inclusions.

For example, the client might have incorrectly assumed that the logo design included as many revisions as necessary, which leads to issues

where the agency is working more hours than expected, but the client is still unhappy with the perceived delivery of the project. That's why it's critically important to ensure that packages and project pricing include clear explanations on what's included and what's not.



Value-based pricing

Value-based pricing is probably the hardest to implement, but most profitable when it goes well. It works by calculating the value (either implicit or explicit) that the client receives from the work you do. Confusing, right? Let me explain.

If you were to make changes to a client's website resulting in their sales doubling from \$5,000 a month to \$10,000 a month, then you've created \$5,000 a month in extra value, equating to around \$60,000 per year.

In that case, you might feel that in return for making an additional \$60,000 per year, charging the client \$6,000 to make all your website changes is an appropriate investment.

The hard part—and you can probably see where I'm going—is trying to work out your likely impact before you've actually done it. That's where experience and past results come in, and clients will often pay you a higher price than a competitor if they believe it will result in more value in the end. But you need to make sure you can back it up with evidence, forecasts, and past success.

To help with this, some agencies and freelancers charge based on performance after the fact. Using the above example, they may take 10 percent of every extra sale generated, allowing them to earn \$6,000 for their work, but spread out over the year.

Be warned though: performance pricing (which is a variation of value-based pricing) is highly dependent on other things outside your control, like what other marketing the client is doing or whether their products are actually any good.

The upside for agencies and freelancers is that if you get value-based pricing right, you have the opportunity to make a better profit margin than other pricing methods, while at the same time making a client feel they got great value for their money.

The downside is that if you're doing something for a client who doesn't see huge value in your work ("My boss just told me to sort this out"), it can be hard to convey the value you're creating for them.

How to choose your pricing method

Picking one of the above pricing methods can be tricky, as each has their own pros and cons. Normally, you won't have to explain to a client what pricing method you've used, but be warned that you will probably have to answer the more generic question, "How did you come up with that price?"

In answering that question, hourly and cost-based pricing are easiest to explain, as the elements can be itemized. Packages and value-based pricing get a bit harder, as it's the combination of all the smaller parts that make up the whole. With value-based and package pricing, you'll be relying more on past experience, case studies, and proven success to justify your pricing.

In that sense, when you begin your freelancing journey, you'll probably start with either cost-based or hourly pricing, and transition to packages or value-based pricing once you start to prove yourself and have a bank of testimonials and case studies to call upon.

Adjusting prices after quoting

One of the most difficult conversations to have with a client is when you need to adjust a price after quoting. This can come about because the client has taken months (or years) to respond to your initial price, because something has changed in your workload, or because some other third-party factor has changed (like the cost of stock photography or some other input).

In my experience, the best approach in these cases is honesty. Being proactive and saying, “I’m sorry, but the cost of XYZ has gone up since we last spoke” will normally be received well, particularly if you’re willing to adapt and show flexibility on your side as well.

If they still resist your requests for an adjustment, then you’re probably getting a good sense of how flexible that client is likely to be after signoff, too. In that case, if there appears to be no willingness on their part to respond to reasonable price change requests, you’re probably better off cutting your losses and walking away.

Discounts and other incentives

One of the more challenging scenarios to handle is when your prospective client asks, “Can you do it any lower?” In those circumstances, when you feel like you’re being pressured into some kind of discount, you’ve got a couple of options.

If you really need the work, chances are you’ll have to offer something, but always try to make it a trade-off, rather than just a discount. For example, offering a five percent total discount if the project is paid upfront or reducing the number of revisions allowed is a better approach than simply slashing your price the moment someone asks. If you decide to cut prices without a trade-off, you’re telling the potential client that the original price was inflated to begin with.

The other tricky situation to deal with is when a competitor’s price has come in under yours, and the client is asking you to match it. Again, if you are going to match it, be sure to provide a trade-off. Otherwise, outline why your price is more expensive (experience, better imagery, etc.) and stick to your guns!

In my opinion, if you’ve come up with an original price that’s higher than the competition, and you believe in your work, then I’d always advocate for holding firm on your price and work, to show how you’ll deliver more value than the competition.

How do you know you've got the right price?

So you've priced up a project, sent it off to a potential client, and you're beginning to wonder, "Did I get it right?" That question has a two-part answer. The first will be answered relatively soon, when you find out whether the client agrees to the price. If they do, the good news is that you didn't go too high.

Answering the second part of that question won't come until after the project is complete. That's when you're trying to establish whether you ended up making profit on the work, and whether the client feels like they got what they paid for. If you're a bigger agency, you can determine this through client surveys or third-party services that will call your clients for you. If you're a freelancer, your best approach is to simply ask, and be willing to listen to the good and the bad.

Regardless of which pricing method you use, the key to long-term client satisfaction with your prices and work is whether or not the client believes they got great value for what they paid.

What if you get it wrong?

Even the most meticulously-calculated prices can go wrong once work gets underway. A seemingly laidback client is all of a sudden requesting dozens of tiny changes at every step, or is expecting deadlines to be brought forward due to changes on their end.

Whatever the cause, dealing with "scope creep" after a project is underway can be tricky. Always try and counter the potential issues during the quoting phase, by limiting the number of revisions or including surcharges for "urgent" work. When you can reference those original terms (in a nice way), and outline to the client that they are now asking for more than what was quoted, you're at least giving yourself a decent shot at finding an amicable solution.

PRO TIP: You'll find more ways of dealing with payment issues in [Chapter 8](#) of this book.

The final word

The most important part of pricing is learning. Every one of us who's ever priced a web project has gotten it wrong. Use that feedback to work out what signs you missed, and how you can adapt for future prices. Happy quoting!

CRAIG SOMERVILLE is the Managing Director of [Reload Media](#), an Australian Shopify Experts agency with a proven track record of getting great results for their clients. They also maintain an extensive partner network, working alongside and collaborating with hundreds of different web design and development agencies across the world.



Tips for estimating work before the project begins

JEREMY WATT, UP LATER THAN YOU

Do good work, get paid—that’s every designer’s dream. A world where estimates don’t exist. The unfortunate reality is that not only do they exist, but they can make or break your business.

Not to worry though, I get it. A few years ago I wouldn’t have even picked up a book on finances, let alone read a chapter on quoting design work. To be honest, I still probably wouldn’t pick up a book on finances, but the good news is, you did and you’re smarter than me for it.

In this chapter, because I feel your pain, I’m going to lay out my thoughts and tips on quoting web design and development projects. Fingers crossed: after this quick read, you’ll not only create stronger project estimates, but you’ll spend less time making them and more time doing what you love.



FREE PROJECT ESTIMATE TEMPLATE: We've created a simple estimate template that you can customize and use for your web design or development projects. You can find this template, and several more, in the "Templates" folder that came along with the digital version of Grow Vol. 3.

A quick note about budgets

Back in the day, a wise man (my dad) threw a question my way that stopped me in my entrepreneurial tracks: "Have you made a budget?"

It's a great question, and one that I believe needs to be addressed before you create your first project estimate. As we discussed in Chapter 2, your budget for the year will become your company's financial workback schedule; your goal; your north star. Without one, you're navigating competitive waters without a compass.

In the spirit of finance, here's some math to help illustrate what I'm talking about. Set a target dollar amount that you want to hit, or more importantly, set a target dollar amount that you need to hit. Take that number and divide it by 12 months. Then take that number and divide by the amount of projects you think you can handle in a month (for this example, let's say two). What you're left with is the dollar amount each estimate should be, in order to hit budget goals.

Budget for the Year = \$60,000

Divided by 12 months = \$5,000 per month

Divided by 2 projects = \$2,500 per project

I know what you're thinking. "I can't just convince a client to spend \$2,500 if the project doesn't warrant it." You're right, you can't—but what you can do is empower and educate yourself on the currency of time. At the end of the day, when you're in a service provider industry, you're not only selling clients your talents; you're selling them your time, and you need to know if you have enough of it.

So before we talk estimates, have you made a budget?

The project/client interview

It may be cliché, but it needs to be said: the more you prepare, the greater the project will be. This is for your sanity and the sanity of your clients. When interviewing a client, you're playing the role of detective and your job is to gather all the clues necessary to create an estimate. You want to do your best to avoid 11th hour surprises from both sides.

Let me set the scene for an example of something you want to avoid (but we're going to use a bathroom renovation project as a case study, instead of a web design project):

A proud contractor is in a newly-renovated bathroom, on their hands and knees polishing the granite floor they just installed.

In walks the homeowner.

Homeowner: "OMG, the granite looks amazing, I can't wait to try the heated floor!"

Contractor: "What heated floor?"

And, scene.

It would stink to be either one of these people. So how do you avoid installing the web design equivalent of a granite floor without realizing it needs to be heated? I recommend a Project Questionnaire. It's a simple document with a series of questions that might take you half a day to create while adding years to your life.

I won't get into the specific questions to include in the questionnaire, but here's a short list of the type of information you'll want to gather:

- **Company's goal for the site:** What are they looking to accomplish?
- **Competitive analysis:** Who are the company's direct and indirect competitors?
- **Brand requirements:** Does the company have brand guidelines and/or identity standards that you need to follow?
- **Stakeholders:** Will the company be assigning an internal project manager to this project, or is managing the project all on you?

While this is just a short list of examples, be sure to cover as many of the elements that make up a typical web design project as possible. These could include elements like the type of products being sold, design inspiration they can share, their plan for photography and copywriting, any unique functionality they require as it relates to their business, and much more.

The one question that you 100 percent need to include goes back to what I mentioned about budgets. The last or first question on your Project Questionnaire should be, "What's your timeline and budget?" It can be an awkward conversation to have, specifically the budget piece, but if the client is asking for a heated, granite floor in two weeks' time, you need to know if they can afford it.

PRO TIP: Another name for the Project Questionnaire could be the Manage Expectations Document.



Hourly rate vs. project-based

Craig Somerville covered pricing strategies in detail in the previous chapter, so I won't spend much time on it. The point I want to emphasize is simple—be sure to set your pricing structure and conditions before you create your first estimate.

If you're going with a project-based estimate, be sure to let the client know your hourly rate for any work that goes above and beyond the project scope (and for any small jobs that you may take on from the client after the original project is completed). If you're going with an hourly rate estimate, be sure to let the client know any terms and conditions that go along with your rate.

PRO TIP: In both estimate scenarios, hourly rate or project-based, be sure to capture a deposit before starting any work.

Productized quotes: Basic, not-so basic, and far from basic

Even though we set a company hourly rate, I tend to recommend a project-based estimate approach for most work. It could be a bit risky depending on how smooth the project goes, but I've found that creating project-based estimate tiers, attached to dollar ranges, helps a ton.

Establishing these tiers helps twofold when talking to a client: they empower you to quickly conceptualize where a given project falls with regards to budget, and it educates a client on pricing and where their project falls on a transparent scale. This might be hard to do when you're first starting out because you'll have no project context, but once you

have a few under your belt, there will be less tears if you set tiers (sorry, had to say it).

With that being said, I'll fill you in on a little secret and let you know the names of our three project tiers: Basic, Not-So Basic, and Far From Basic. They sound, well, basic—but I've found that these tiers, as simple as they sound, help a lot when speaking with a client prior to drafting an estimate. Here's a sample breakdown of the budget ranges and type of projects these tiers would cover.

Basic:

\$1,000-\$3,000

This is your starter project package. The client most likely doesn't have an online presence yet, and they're looking for a simple website to "get in the game," so to speak.

Generally, our Basic projects have the following qualities:

- They're your run-of-the-mill, standard web design projects.
- The client already has a logo and set brand guidelines to work from.
- The site in question consists of three to six pages.
- It's a straightforward project with no special functionality.

Not So Basic:

\$3,000-\$5,000

This is your middle-of-the-road type of project. The client is looking for a little "wow" in the finished product. They may already have an existing web presence, and are looking for a redesign to keep up with their competition.

Generally, our Not So Basic projects have the following qualities:

- They're standard web design projects with a little extra tender loving care.
- The client already has a logo, but is looking for a little art direction for the website.
- The site in question will consist of six to 12 pages.
- It's a somewhat straightforward project, but requires special functionality on the backend of the website to accommodate for a company-specific order tracking program.

Far From Basic:

\$5,000+

Roll up your sleeves and get ready to dig deep—this is your all-in type of project. The client has a bigger budget and even bigger expectations. They're looking for, and need, all the bells and whistles.

Generally, our Far From Basic projects have the following qualities:

- They're robust web design projects.
- As part of the project, the client needs a new brand/logo designed.
- The site in question will consist of 12 to 24+ pages.
- There's nothing straightforward about this project. The client requires a tailor-made design solution, and has basically asked you to come up with company-wide solutions for all their web and design problems.

The best use case for project estimate tiers? When a client initially asks for your rates prior to beginning a project with you. Being ready for that question can make the difference between landing the client or losing them.

Here's a simple sample email exchange we frequently have when first interacting with a prospective client:

From: Potential Client
To: Web Design Freelancer
Subject: Rates for a Web Design Project

Hi there—I saw your portfolio site, love your work. Before I get into the details on my project, I was wondering if you could share your rates.

Thanks!
Potential Client

When we receive an inquiry like this, we usually provide a general response that outlines our project tiers.

From: Web Design Freelancer
To: Potential Client
Subject: Re: Rates for a Web Design Project

Thanks for getting in touch. Typically, our project estimates fall into the tiers outlined below. Happy to hop on a call to learn more. If you have any questions, don't hesitate.

Basic: \$1,000-\$3,000
Not-So Basic: \$3,000-\$5,000
Far From Basic: \$5,000+

Web Design Freelancer

Creating these tiers and sharing them when necessary will not only put things into perspective for the client, but they'll put things into perspective for you and your team. It's another way to create and manage your client's expectations.

PRO TIP: The quicker you respond to a client's project request, the more likely you are to land that client. Being prepared to give your client a cost range upfront can help with that.

What did we charge last time for this?

It may be weird to think this way, but even though you're providing a service as a web designer, you're essentially a store with products to sell. It doesn't matter if you're a one-person operation or if you're 100 employees deep, the sooner you start thinking this way, the better your estimates will become.

So what are your products? Your products are the services you provide as a web designer. They are your wireframes, mockups, product creation, HTML code, and more. And in the spirit of acting like a store, each one of these products and services should have a set price. By setting those prices, over time, you'll have an established product services catalogue that you'll be able to reference every time you speak to a client and create an estimate.

To start building your catalogue, you can simply keep track of what you charge for each task in a spreadsheet. At the end of your first year, not only will you have an archive of each design task, but you'll have a method for quickly adjusting your prices year-to-year. Want to raise your prices by five percent next year? Punch in the formula, and in seconds your entire catalogue will be updated.

By creating a consistent price list of your services, you'll never waste time asking yourself, "What did we charge last time for this?" Instead, you'll spend your time creating more quotes.

PRO TIP: If you think of yourself as a store, you'll realize that like every good store, you should have a great storefront. For you, that means a beautiful website that showcases your best work. Having this will lead to more project requests, which means more clients.

You work in tech—so use technology

This might be stating the obvious, but you're going to want to use invoicing software to create your estimates. Not only will this empower you to create them in record time, but it will keep you organized. (Tax season will still be painful, but this will make it less painful.)

The other benefit of using invoicing software is the ability to accept payments online. Most invoicing software makes it easy for your clients to pay their invoices online, which means you get paid quicker nine times out of ten. Here's a quick checklist of the type of features your invoicing software should have:

- ✔ Ability to save client information
- ✔ Time-tracking capabilities
- ✔ Monthly and yearly reporting
- ✔ Ability to accept payment online and connect to your bank account
- ✔ Customizable, branded invoices
- ✔ Mobile tools for on-the-go invoicing
- ✔ Ability to easily track expenses

There are plenty of options out there, but here are a few popular options:

- Wave: waveapps.com
- Freshbooks: freshbooks.com
- Quickbooks: quickbooks.com
- Sage: sage.com

Do a little research and pick one that best suits your needs and budget.

PRO TIP: Look for invoicing software that allows you to save the services you offer as line items with set prices. That way, over time you'll have an online database of that product service catalogue I was mentioning earlier.

Don't forget that first impressions matter

I couldn't write about creating without commenting on the design of the actual quotes themselves. For projects big or small, we try our best to put a little creative tender loving care into our estimates and project proposals. You may not realize it, but the estimate is the first thing you'll be "designing" for your client's project. Use it as an opportunity to show how much you care about their business.

I would suggest taking a minimal design approach. Don't get too fancy—at the end of the day, the client wants to see a clean list of deliverables with the associated costs.

Here's a good three-page template to follow for simple quotes that don't require a full-fledged proposal:

Page 1: Title page

You know, the things your friends used to ask you to draw for them in public school? As useless as a title page may seem, I like to use it as an opportunity to put our company's logo next to theirs, as if to say, "We work well together."

Keep it simple: company logos, title of the project, and date.

Page 2: The outline

This is the page where you can get creative. Outline the scope of the project and your vision for it. Convey confidence and offer up your solutions for the problems they want solved. Be sure to include your estimated timeline for the project.

Here are some sections you could include in the outline:

- Outline of Project: Breakdown the client's design problem.
- Design Approach: Map out your initial vision for the project, and let the client know how you intend to solve their design problem.
- Timeline: Include a workback schedule, where each of the project's deliverables fits in.

Page 3: The estimate

Last but not least, the actual estimate itself; an itemized list of every deliverable, clearly laid out with the associated cost. While you should always include deliverables in your estimate, their presentation will highly depend on the pricing strategy you've selected.

PRO TIP: If possible, include insight into your client's business that you could only provide if you dove deep into their current site or online presence.

In general, it should look something like this:

Project Management	\$1,200
Project Research and Planning	\$1,000
Design Requirements	\$2,400
Development Requirements	\$2,600
Domain and Email Setup	\$1,400
Website Backend Training	\$1,200
<hr/>	
Total	\$9,800

The only other thing you may want to consider including with your estimate is a short and clear disclaimer. Try not to use too much legal speak; just something to-the-point that's easy to digest.

If the client adds deliverables to the project after the agreed-upon price, a paragraph like this will cover you:

This quote is an estimate and is not guaranteed. The quote is based on information provided from the client regarding project requirements. Actual cost may change once all project elements are finalized or negotiated. Prior to any changes of cost, the client will be notified. Quote valid for 30 days.

Good quotes get better with time

As you grow, not only will your estimates become easier to create, but they'll become larger in size. Set your yearly budget, gather as much project information as possible, establish your rates, and present the best estimate you can. You won't land every client you create an estimate for, but if you apply the advice I've laid out here, at least you'll know you put your best foot forward.

It sounds strange to say, especially coming from someone who doesn't like to spend time punching numbers, but by perfecting your estimates you'll make that designer's dream a reality—do good work, get paid.

JEREMY WATT, along with his business partner and wife, Julie Brown, quit their retail and design jobs one day and started their ecommerce studio, UP LATER THAN YOU, the next. At the same time, they launched Province of Canada, a lifestyle brand that focuses on apparel and home products that are manufactured in Canada. Their goal is to become the ecommerce equivalent of Chip and Joanna from HGTV's Fixer Upper.

Advice for delighting clients and winning projects

ANSHEY BHATIA, VERBAL+VISUAL

You've likely done a lot of work to get to the point in the sales cycle where you have secured a request for a proposal, so it is crucial that you finish strong. In this chapter, we'll cover what to include in your proposals, and how to present them to ensure you have the best chance of getting a signature from your client.

When it comes to writing, knowing the building blocks of a great proposal can be your key to success. We'll outline what is important to include, and how to effectively match the complexity of your proposal to the complexity of the project. Additionally, we'll explore how to best tailor your proposal for different types of clients. Together, these factors will set you up for a strong proposal presentation.

Presenting your proposal provides you a final opportunity to make your case as to why you are the right team or person for the job. In this chapter, you'll take away some key considerations and best practices for your presentation, including how to best play to your audience, sticking your ground on pricing, and protecting your profit margins.

These tactics will put you in a position to win and create the most value for your client—all while securing a profitable project for your business.



FREE PROJECT PROPOSAL TEMPLATE: We've created a simple proposal template that you can customize and use for your web design or development projects. You can find this template, and several more, in the "Templates" folder that came along with the digital version of Grow Vol. 3.

Writing your proposal

Getting proposal writing right is crucial. When done correctly, this document should summarize your understanding of the client's business, their goals, the project, and why you are the best choice for the job.

There's no exact formula for writing a great proposal, but there are some general rules of thumb that can help guide you. Here are two rules that our team swears by, which should help improve the quality of your proposal, and the likelihood of winning the project.

Rule #1: Match the complexity of your proposal to the complexity of the project

It's important to keep the correlation between project scope and level of detail in mind when going into the proposal-writing stage of your sales cycle. Generally, the larger the budget, the more detailed the proposal should be.

Prospective clients with small budgets and project scope don't need a full song and dance; simply a proposal made up of a few pages or less, discussing what they're going to get, pricing details, and anticipated timelines. Small and medium-sized businesses usually don't have a

dedicated marketing director, which means you're dealing with the owner of the business whose main concern is keeping the lights on—so cutting to the chase about pricing and results is usually the more effective approach.

“ Prospective clients with small budgets and project scope don't need a full song and dance.

On the other hand, brands with larger budgets (midsize and enterprise level) and projects of larger scope will require a significantly more nuanced and detailed proposal. In this scenario, you are most likely dealing with a Director, VP, and/or C-level executive. With more sophisticated requirements comes the necessity to provide more detail around how your services will address pain points and accomplish objectives.

For example, if you have someone who is looking to migrate an existing website from one platform to another, the client is going to be concerned with factors such as SEO, downtime, integrations setup, ongoing costs, and more. You'll want to speak to these concerns with the right amount of specificity to ensure that the client has no doubt that you're going to execute effectively. In these scenarios, the financial investment in the project will be higher, and more decision makers will be involved.

For more straightforward projects, you should be able to address any concerns in your early conversations within the sales cycle, so that when you get to the proposal, all of those things have been hammered out and you're really focused on getting your estimate approved.

Questions to ask before creating your proposal:

1. **What are your budget expectations?** Bottom line: You don't want to waste anyone's time (yours or the prospective clients). Understanding the budget at the front end of the process allows

you to quickly understand whether or not the project is worth pursuing, as well as the ability to correlate budget with scope.

2. What is your target launch date and/or timeline expectations?

Again, if the client has an unrealistic expectation regarding timeline, the project might not be the right fit for you. With this knowledge early on, you have the opportunity to 1) address any unrealistic expectations, and 2) effectively work backwards from the proposed launch date when mapping out the project timeline in your proposal.

3. What is your design aesthetic? It's good to know ahead of time if the prospective client has a specific design aesthetic in mind, so that you can sprinkle that into the design process where applicable. See if there are any websites that they like, and have them send links with notes on what they like about them if you can.

4. What integrations are needed? This is an important variable that can have an impact on budget and timeline. You will want to secure a list of their current website integrations so that you can effectively estimate the level of effort needed for them on the new platform you're going to produce.



Rule #2: Understand the needs of the client before writing your proposal

Before putting your proposal together, you first need to understand the client and their business challenges as much as possible. Put yourself in their shoes. This is vital in order to create a highly effective, personalized, and ultimately project-winning proposal.

Potential clients are likely going to fall into one of two buckets.

1. **Savvy clients:** Some potential clients will have experience leading digital projects, and won't need super granular details in your proposal because all those items have been discussed ahead of time in the sales process. Those clients just need to feel confident that you understand their core business goals, desired results, timeline, and budget expectations. When dealing with savvy clients, you can feel comfortable opting for a lightweight, condensed version of your proposal—so long as the core details have been discussed in advance.
2. **Not so savvy clients:** On the other hand, there are going to be plenty of times where the client isn't as savvy, and will need a lot of hand holding to ensure they understand the breadth and depth of your proposal. In this case, they may also need to run the proposal up the food chain for scope, budget, and timeline approval. This is a scenario where you're most likely going to want to dig a little deeper into the core details of your project and implementation plan. Doing so will help build confidence with the client, and arm them with the right amount of ammunition to ensure the appropriate approvals are secured, and that they choose to work with you.

These rules, while not hard and fast, provide a solid guide for you to follow. The bottom line is this: put yourself in the shoes of your prospective client, ask the right questions up front, and tailor the complexity of your proposal based on project scope.

The building blocks of a great project proposal

You don't want to overwhelm your client with a ton of unnecessary detail in your proposal. Keep things simple and try to showcase that you clearly understand their goals, objectives, timeline, and budget expectations. Different clients will have different needs, so feel them out as much as you can prior to submitting your proposal. Doing so will ensure that you have a strong grasp of what information should be included to ensure you close the deal.

Typically, the following items can be included in your proposal:

Cover page

Keep it simple. Client name, project name, name/title of the person you are presenting the proposal to, your name/title, and date. The cover page also provides an opportunity to integrate your brand assets and/or your client's, through the usage of logos, color palettes, and other design elements.

Confidentiality statement

You've put a lot of thought into the details of your proposal. It doesn't hurt to request that the prospective client keep the information you've provided confidential, especially considering you may have included some relevant client case studies. A brief statement like, "we appreciate you keeping any concepts, pricing, and sensitive client information confidential" will do the trick.

Project overview

This section is really the central nervous system of your proposal. It's an at-a-glance area where you're demonstrating your deep understanding of the project requirements, goals, objectives you will be accomplishing, your vision for the project, and why you are the best choice for the job.

Approach

This section is the place to articulate your unique process and relevant skill set (specializations), showcase your team, and outline your fee structure. Some considerations for this section are:

- **Process:** Provide an overview of your strategy as well as design and/or development process. This will allow your prospective client to visualize themselves in the process, and get an understanding of how things will flow.
- **Capabilities:** Highlight your firm's relevant skill set. Place focus on the specializations that are relevant to the project directly, as well as highlighting subsequent offerings to consider in the future.
- **Fee/rate structure:** Provide an overview of your hourly and/or task-based rates for reference.
- **Team composition:** Showcase how your team will be structured as it relates to providing the most value to your prospective client.

Fees/estimate costs

Nine times out of ten, folks are going to flip right to your estimate first. That said, it's still crucial that all the information provided in your proposal should reinforce why your estimate is what it is. Break up your fees section in the most easy-to-digest way possible. Based on your pricing strategy of choice, a simple table that outlines each phase of the project, along with the associated projected hours and costs, should do the trick.

References

You want your best advocates and champions listed here. The more relevance to the type of company that your prospective client has, the better. Provide the name, title, company, email address, and phone number for each reference listed. Feel free to include written testimonials in this section as well.

About

This is the place to tell your story. Here are a few items to consider:

- Company history
- Key team bios

- Values
- Client list
- Selected work (include any relevant case studies)

Making your case: How to pitch your proposal to clients

It's always best to secure some time with the client in order to walk them through your proposal. This gives you the opportunity to showcase why you're the best team for the job, while also addressing any questions or concerns they may have regarding the details of the proposal. Do this in person if at all possible, but if not, a video chat or phone call is the next best option.

Why face-to-face? It's all about relationship building. Not only will you get some extra face time, you'll also be able to address any questions or concerns regarding your proposal in real-time—building trust and confidence with your prospect. Clients will almost always choose to work with a person or team with whom they trust, and have developed a personal relationship with, even if the price is slightly more expensive than the others.

Here are some simple presentation tips you can follow when you go to meet with your prospective client:

1. Get key stakeholders in the room

As already mentioned, it's all about relationship building. This will allow you to get face time with all the key players, address their questions, showcase your expertise, and demonstrate why you are the best choice for the job. Be confident (not cocky), make eye contact, and connect with your audience on a personal level. Personality is one of the variables in the buying process for your prospective client, so show them how working with you will be a pleasurable experience.

2. Understand and play to your audience

Different stakeholders are going to be focused on specific pieces of the project. Anticipate those needs ahead of time so that you can build confidence throughout the presentation. Also, try to get a sense of the personalities in the room as best you can before going in for the pitch. That way, you can showcase that you're not only the most qualified developer for the job, but you're also someone that they will enjoy working with on a day-to-day basis. Sometimes, this alone can be a deciding factor on whether you win or lose a project.

“ Be confident (not cocky), make eye contact, and connect with your audience on a personal level.

3. Focus on the most important stuff

It's not necessary to go through every word in your proposal for the presentation. Stick to the items in your proposal that will be most important to the client. Demonstrate your understanding of the project scope and your vision for the project, as well as how you will accomplish goals/objectives within the projected timeline, and for the price estimated.

4. Check in with your audience at key points

As you flow through your presentation, be sure to take a quick pause at key points to see if anyone has questions. This allows you to address any questions or concerns regarding the information you just reviewed, but also allows for some interaction with your audience. Although you definitely want structure to your presentation, it's important to make it conversational as well.

Standing strong: How sticking your ground on price helps win business

Throughout this book, you're going to hear this advice again and again: stop selling on a discounted model, and start selling on the value you'll bring.

“ The last thing you want to do is waste your time, or the client's time, if the right budget isn't allocated for the project.

Let's face it—some clients are going to be more price sensitive than others. In fact, many are more cost-conscious than value-conscious. There are many variables that play a role in price sensitivity, such as provided budget, payment schedules / “payment spread,” end of fiscal year budgets, etc. This is why it's always a good idea to ask about budget expectations at the front end of the sales cycle. This way, you can make an educated decision as to whether or not you want to pursue the opportunity or take a pass. The last thing you want to do is waste your time, or the client's time, if the right budget isn't allocated for the project.

If you feel good about the proposed budget expectation for the project, then it's on you to clearly articulate why your estimate is in line with the value that you bring to the table. Sure, we've all been in a place where you need to get deals in the door to stay afloat, but if you're at a point where you've grown out of that stage, you should stick your ground on price. If you're not there yet, do what you need to do to get there ASAP. That will provide you with the leverage to say yes to the projects that fit, and no to the ones that don't. Ensure that there is enough wiggle room in your pricing model so that you can negotiate a bit if necessary, without digging into your margin too much.

Here's another tip. Clients often say, “I don't have a budget” or, “tell me the budget.” In cases like these, we always let clients know what our

minimum budget is, and also provide them with an average budget (usually a range) for completed projects of a similar scope. This information is always accompanied with the caveat that the range provided will depend on the final scope of work required. Do this early to ensure you and your potential clients are aligned on price, before spending a lot of time on the proposal process.

If I were to summarize all of this into one bottom-line statement, it would be this: focus on the value you bring to the table over price, but always make sure to qualify clients early on to avoid wasting everyone's time.

Industry influence: How improving your process helps everyone

The responsibility we all share to positively influence our industry is immense, and we don't even realize it. If we all do things the right way, we can influence an entire industry towards a better future.

Between the support team at Shopify and the ever-expanding list of industry experts, there are a wealth of folks out there to bounce ideas off and share best practices with. In the end, we're all doing what we can to make web design and ecommerce better for business owners.

Dialing in your process by gleaning insights from every sales cycle should be standard practice for everyone. Not only will it help you close more deals, but—without even realizing it—it can help provide a positive light on our industry as a whole.

Just as you would work to test and optimize within client projects, you should be continually finding ways to refine your proposal process to ensure you're always putting your best foot forward in every opportunity.

Discounting work only devalues the industry. If you look at other service professionals, such as doctors, lawyers, architects, landscapers

(the list goes on and on), they all “charge what they charge” and don’t apologize for it. We, as industry professionals, should always sell on the quality and value of our work and processes. We’re worth it, and the more we all sell at a high level and with confidence, the more our industry will grow.

ANSHEY BHATIA is the founder of Verbal+Visual. He’s a self-professed commerce nerd, people connector, travel junkie, and tech lover. You can connect with him on Twitter at @ansheybhatia.

Protecting your client work and your business's income

JAMES GREENWOOD, STRAWBERRY

Picture the scene.

You're in that golden period when you and your freshly-landed client are new best friends forever, and you simply can't wait to start your journey together on that exciting brief. You've been chosen! You walk a little taller, you high-five strangers, and your brain is already starting to fire up.

Your client turns to you, looks longingly into your eyes, and asks what happens next. You gaze back into their eyes and utter the words they long to hear...

"Let's sort the contract out."

—

We're in the digital business. It's common for clients not to fully understand the processes and outputs of a digital project. And in fairness, who can blame them? We've got a language of our own.

We “sprint,” celebrate being “agile,” and happily confirm that “the latest release has been committed to git.”

Say what?

The honeymoon period, when the client awards us the job we’ve pitched for, is the time to ensure our client understands what it is they’ve bought, what the costs of those things are, and any terms and conditions associated with appointing us.

And we’re going to do it in plain English.

The contract

There’s a great article on Shopify’s Web Design and Development Blog written by Matt Brown, that details the [basis of a good contract](#). There’s little mileage in repeating that article here. Go check it out; it’s got some handy links and useful resources.

I think the headlines are worth repeating though. A good contract covers:

- Overview
- Responsibilities
- Scope
- Changes
- Ownership
- Payment plan
- Warranties
- Termination
- Signatures

Hard to disagree, right?

However, I want to focus on a scenario that I've seen variations on throughout my career. The project goes great; it launches; we get paid. Happy days! The contract remains a dust-covered document buried in a drawer somewhere, or as a PDF hidden in a folder in the cloud. We move on to the next project and the client goes back to focusing on their day job. Then their need for you suddenly spikes—a bug; an unforeseen thing; an extra feature that they need right now. How do we handle that? What's their expectation?

One option is to use something called a service level agreement (SLA).

The service level agreement

An SLA is an agreement between you and your client (two parties) that defines how a service is to be provided. Around those definitions, quantitative measures must be in place to judge if the service is being provided successfully or not.

You're probably holding an SLA yourself already as a client—a lot of hosting companies traditionally guarantee “99.9 percent uptime.” Your smartphone contract, your electricity provider, your internet service provider—they'll all have sections relating to the service being provided and the metrics on which they'll be judged.

Wikipedia describes an SLA as “an official commitment that prevails between a service provider and the customer. Particular aspects of the service—quality, availability, responsibilities—are agreed between the service provider and the service user.”

A separate document from the contract? It can be. Part of the contract? It can be—some of the content fits nicely into the sections, as described by Ryan in above.

The topic of an SLA is a big one, but for now, let's focus on the three key things outlined in that definition: responsibilities, availability, and quality.

1. Responsibilities and the nature of a hosted service

This may seem obvious in hindsight, but regardless of your team's size, you'll have a reliance on external services that are outside of your control and reach. That could be a hosting provider or it could be a hosted service, such as Shopify or Wordpress. In the event of a problem within those services (it happens to us all), does your client understand that the provision of that service is outside of your power?

Regardless of it being a hosting provider or a SaaS hosted platform, the holder of the account will have contact details for support of that service. In some instances, that might be you, as you've agreed to manage the client's server network. In other instances, it might be that the client has the support details, as the account is held in their name (a SaaS hosted platform, for example). Either way, make sure that the support details are known and that it's clear who would be responsible for making contact with the provider.

I'd suggest a list of suppliers that combine to make the final solution, what they do or provide to the solution, who would make contact in the event of an issue, and how to make that contact.

Discussing the issues surrounding your reach and responsibilities, and documenting them now, is far easier than trying to explain you can't help a client who is in a state of distress during some downtime or other crisis in the future.

I like to think of this as rehearsing your fire drill—it's always best to know where the bucket of water is kept before the fire starts!

2. Availability as a consultant

Regardless of whether you're a multi-person agency or a freelancing team of one, this is important. Now is the time to ask the client if

they want “out of office hours” support, and to define what those hours will be.

As digital folk, we’re easily found. Smartphone, email, Slack, project management tools, social channels, helpdesk software—the list is endless. During work hours and outside of them, what process would you like the client to follow? Will you charge for “out of office hours” contact? If so, how? Retained monthly? Per contact?

Keep it simple, keep it clear, and have the discussion with the client prior to moving on. Here’s an example of how you could specify this agreement in your SLA:

For a support request, call [INSERT NUMBER], 9:00 A.M. to 5:00 P.M. Monday - Friday or via email [INSERT EMAIL]. We will respond to service-related incidents and/or requests within two hours during business hours. Calls and emails outside of this timeframe will be responded to the next available working day, and will be unmonitored until then.

Don’t find yourself in the situation where a client is texting, calling, sending messages via Twitter, Facebook, and Instagram just to inform you that there is a typo!

3. Quality of the work completed

We’ve all been on the end of something not working as expected. Depending on the impact it’s having on us, and what we’re trying to achieve, it can range from mildly annoying all the way to us throwing a tantrum and promising never to buy anything from that company ever again. (That’s not just me, right?)

However, if it’s digital, things can go wrong. Big development teams with big budgets can still release software that has something not quite right. If they can, we can—and so can you.

How will you deal with it for the client, and more importantly, on what timescale?

I'm a big fan of the phrase "workaround and fix." Let me explain.

A client calls with a problem—it might be impacting them or it might be impacting their customers. Within X hours of the issue being reported, we promise as a team to assess the details and establish if we're the responsible party.

If we're not the responsible party, we'll suggest next steps. If we are, we'll report on the length of time needed to provide the fix. If the initial assessment shows that it's a small issue, we'll fix it as part of that assessment. However, if the fix required is over X hours worth of work, we'll provide a workaround until the fix can be properly scheduled, tested, and released.

What should X be? That depends on you and the client. If you're a one-person team, it might need to be longer than that of a bigger team. If the client has expectations of it being shorter, then open a discussion. If they need something outside of your default, a retained support contract might be the answer.

What next?

Maybe the advice above means you want to look at your existing contract and terms. Perhaps this is all new, and you need to read [Matt's article on how to write a freelance contract](#) alongside this chapter.

Depending on where you are in the world, you may find online [SLA templates](#) helpful.

The template is provided as a starting point. Coupled with my suggestions and your circumstances, you may well be able to create your own. However, it's always worth getting anything checked locally by a member of the legal industry. None of this chapter can be considered legal advice, just insights I've gained during two decades working in the digital industry.

One last tip: Reporting on your contracts and SLAs

Do you check in on your contracts and SLAs? If not, you should.

Consider the good times when nothing is going wrong—everything is working perfectly. Perhaps you don't hear from the client in a month. Perhaps two. You should take the opportunity to tell them you've not heard from them.

At the end of every month, send them a report on the agreed key metrics. Include the number of support calls, categorize the support types, and perhaps even include the total since engagement. That response time specified in your SLA? Report on it. The agreement states two hours, yet as a team you respond within 15 minutes? Highlight it.

Consider using other services such as IFTTT, and pull some stats out of Google Analytics or other services used by the client too. Ask the client what's important to them and what would help. It may even turn into an upsell.

A simple, automated report with your branding can really help keep the lines of communication open. Perhaps even think about using RSS to include some industry or niche news that they might have missed. Be creative, and try to avoid the scenario where you only ever talk to certain clients when things have gone wrong.

Regular contact with clients can only ever be a good thing.

Nobody got into digital to do this stuff

...but it'll bite you if you don't.

Financial protection is not fun. It's not sexy either, but you need to make sure you're covered properly. Remember to get professional legal advice if you feel you need it.

It's worth reminding ourselves why we have documents such as these—they aren't there just to be read when things have gone wrong.

They protect us from clients becoming a drain on billable time while driving up costs, and they set out exactly what that client is entitled to. While you may make a commercial decision to overservice on occasion, that can be a strategic decision rather than one made to continually dance for a client who makes constant demands of you.

Continued reporting on an SLA also helps keep the lines of communication open, and you never know what that can do—perhaps the client might engage you again on that new thing they’ve been meaning to talk to you about.

JAMES GREENWOOD is old enough to have started in the digital industry in the previous century (but only just), and young enough that his age still starts with a 3 (but only just). He’s currently the Digital Director at UK-based agency Strawberry. He’s also slightly weirded out by writing about himself in the third person.

How to prevent (and handle) client payment problems

SARA MOTE, MOTE

The growth potential of the web design and development industry is exponential, the work is stimulating and challenging, and the client base is potentially endless—what’s not to love? We realized very early on that no matter your talent or how hard you work, a creative studio’s success or failure depends primarily on its ability to build and maintain healthy, mutually beneficial client relationships, with clear expectations on both sides.

Easier said than done, right?

Luckily for us, our roots in the corporate world (and the counsel of an incredibly talented intellectual property lawyer) have accustomed us to working with lengthy legal contracts for each project. We benefitted from strong counsel and solid advice from the onset, which we recognize as an absolute key to our success and rapid growth.

If you’re relatively new to this industry, the pitching and invoicing part of the job might seem intimidating, and you might be tempted to rush through it as fast as possible so you can move on to the fun, creative

part. As we've previously discussed in this guide, if you keep that mindset, you're setting very serious limits on your potential. Boosting your business savvy is vital, not only for protecting yourself and your work, but for the ultimate growth and sustainability of your business.

This chapter offers valuable insight and tools you need to cultivate healthy client relationships, by teaching you how to avoid the common pitfalls and red flags that can steer these relationships off course. It will also prepare you to navigate any payment problems you might encounter with composure and professionalism.

Before we dive in, it's important to remember that we're part of something truly amazing and brand new. We're a voyaging generation of developers, designers, and engineers in a young industry with lots of possibilities and very few established rules to lead the way. Finding a solid foothold in this world means giving yourself a lot of breathing room to discover what works best for you.

It takes awhile to get it right. The key? Use what you already have—then build on it. Use your knowledge, your common sense, your intuition, your deep consideration, and your experience, as well as the experience and advice of peers in your industry. We are fortunate to be a part of an online community that is so supportive and open—take full advantage of it!

Refining your focus and recognizing your worth

If we were to boil the message of this chapter down to one sentence, it would be this: to avoid payment problems and maximize your earning power, simply take on projects that are a good fit, and deliver great work. It sounds so simple, but that crucial first step—finding that “good fit” for yourself and your business—can take a lot of trial and error.

Remember the rules of economics: businesses can compete in one of two ways—on price or exclusivity. In web design and development, the price game is a tough battle to win. If you try to grow your business by

underbidding other studios, there's a high likelihood that you'll be seen as the "budget option," and attract clients who are less concerned with quality than they are with price. Don't be surprised if all of a sudden you struggle to find work as more and more budget options pop up. If you're looking for quick cash or to build your portfolio, you might get lucky for a while by offering an aggressively competitive rate, but this should never be viewed as a long-term strategy. Now that more and more work is being outsourced, being the cheapest option and staying solvent will soon enough be virtually impossible.

The better solution? Compete on exclusivity. As mentioned in previous chapters, you should find a niche, stick to it, and become the very best at it. Don't try to be a jack-of-all-trades in such an all-encompassing industry; draw on your other interests to light the way. Do you like fashion? Travel? Design? Take your passion and experience outside of the job, and use it to be the go-to studio for that industry. You'll be even more committed to your work, have better insight to offer your clients, and the refined focus will also narrow your field of competitors.

When we faced this question ourselves, we chose to compete on exclusivity within the high-end lifestyle category and it has most definitely paid off. We've established a reputation for delivering great work within this sphere, and as a result, one of our major sources of new work is referrals. When new technologies come out that are relevant to our client base, we are the first to learn and implement. Because we have refined our creative focus to a world we're passionate and knowledgeable about, we spend our time pushing creative and engineering boundaries, rather than playing catch-up with a less familiar industry. Clients trust us because they see themselves in the aesthetics and execution of our work.

So you've found your niche, you've got interest from a new client, and now it's time for the money talk. Your business depends on satisfied clients, and thrives on happy ones, so in order to explain your value, it's vital that you're fully aware of it yourself. When you sign on a new client, you enter into a partnership that should be based on mutual respect.

Remember that your clients have a business too, which also depends on the success of this project. If you ever need a little confidence boost, remember this: just as they are offering you an opportunity to work on their project, you offer them an opportunity to take their business to a higher level, access a wider customer base, and increase their sales.

Understandably, your client is going to want to get as much as possible out of their budget, but there's no reason why defending your prices should make you lose sleep at night. When you present them with a quote, expect a few questions. Be ready to stand behind your pricing, and explain how you got to that number. Nothing in your proposal should be a surprise. If you are fair and reasonable in pricing your time, intellectual labor, and knowledge based on the deliverables they are requesting, you should be confident and firm in the defense of your rate. Resentment can arise in your working relationship if you feel that your labor isn't being valued or properly compensated, so be assertive about your worth from the very beginning to prevent this.

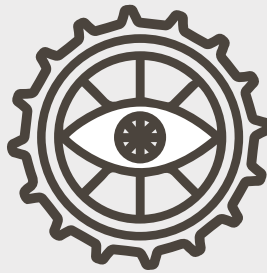
Good communication is key—remember this is a new industry, and an enigma to the vast majority of people. The amount of work it takes to build something seemingly simple will not always be apparent to your client, so if they question your prices or process, first assume they are simply inexperienced in this area. Many genuinely don't know what a project entails, and the level of difficulty for something seemingly minor. Try to explain, in human language, as honestly as you can. Never take the approach that the client is trying to stiff you. In most cases, a thoughtful conversation can clear up any misunderstanding.

Have a fisherman's eye

To us, having a fisherman's eye means knowing when the catch is just right, and to always watch for storms brewing ahead.

Even when you've found a client and had a promising pitch meeting, there are unfortunately many factors that could still make this project

a bad fit. Have the fisherman's eye, and look out for the good catches and troubled waters when you move forward with a new client. If your intuition is ringing, and you see any red flags before the project has even begun, make sure to address them immediately and in complete transparency. If the problem is greater than a simple misunderstanding and you cannot come to an agreement, you should politely decline the project to save yourself a lot of trouble down the road.



If it comes to your attention during the pitch process that your client had a bad experience with their website or past development team, it's crucial to find out why. After all, how can you guarantee you'll do a better job if you have no clue where the previous collaborators fell short? A stormy relationship with former designers can be a potential warning sign, but not always. Sometimes the fault falls on the previous studio—perhaps they were not equipped to take on the work in the first place; they didn't understand the project details; it wasn't aesthetically a good match; or the team they were working with changed mid-project and the client felt cast off.

This possible warning sign may actually become an opportunity to further strengthen your chance of getting the project. Occasionally, we hear from clients that the work their last designers delivered wasn't what they were expecting. This provides an opportunity for us to emphasize our assets; we start every project with an in-depth creative brief to

achieve consensus on the aesthetic, and we keep every aspect of the project in-house to avoid miscommunications.

This is the best case scenario, but unfortunately, you might also discover the problem was with the client. If they start bashing another team or freelancer, or mention they are currently in a heated legal battle, it's probably not a good sign.

Walking away may result in a waste of efforts, but if your rapport is poor, it diminishes your ability to deliver your best work. It's important to remember that passion generates the best work, and creates the absolute ideal working environment. It is far more difficult to force yourself to care about a brand's message if it's in conflict with your ideology or interests.

Control the creep

You won't have to be in this industry for very long before you encounter the term "scope creep." Scope creep refers to subtle changes made to a project that go beyond the agreed-upon scope, such as an increase in the number of deliverables or a condensed timeframe. Scope creep is enemy number one of your workflow, profitability, and sanity, so it's crucial to begin each project with a very concrete definition of your terms and their expectations.

The details of the project, including what you will be delivering as well as how many revisions a client receives and when, should be clearly outlined and agreed upon before starting the project. During the project, when the time comes for sharing work and eliciting feedback from your client, guide them in doing so. Everyone involved will benefit from a shared understanding of the project scope, as well as what type of feedback is most valuable.

Be realistic, and remember to respect yourself and your client by drawing boundaries for what can and cannot be accomplished within the budget and timeframe. You can't assume your client will know

where the boundaries are if they are not clearly defined, and you can't assume they will understand your design process unless you take the time to walk them through it. What you can assume is that both you and your client want the project to be a success. As we mentioned previously, the vast majority of the public is unaware of the nuances of this industry, and they simply need to be educated.

If a client requests something which falls outside your scope once the project is underway, let them know immediately. Sometimes you can meet them halfway with relatively minimal effort, and sometimes their request will require an additional quote. If it will cost more, explain why. It's your job to help them make the right choice, ensuring that they understand what additional resources are needed to achieve their request, what value it adds for them, and if there are any alternatives. Most of all, make sure you have their approval on any additional fees before proceeding with the work. No one likes a surprise bill in the mail!

If you have already fairly outlined what will be accomplished, keep your word and remain professional if they try to pile on additional work. This isn't a charity—stay firm. Work it out with the client, and see if there are any reasonable solutions or compromises you can offer to make them happy. The only way to truly avoid the perils of scope creep is to ensure that you clearly define all deliverables and prices before you begin the project.

Knowing the right solutions

So you've perfected your pitch, set a reasonable fee, come to an agreement, and now the client is wanting to alter the agreed-upon terms of payment. If you already shook hands on one thing and they are requesting further changes, take a moment to reassess. Most of these situations can be resolved with a simple and clear conversation. Suggest walking through the project details together again, answer any questions that arise, and reiterate how the proposed project fits their

needs and their budget—that way, everyone involved is confidently on the same page.

Doesn't seem to be as simple as this to solve? Consider what the best next step is. If you put a lot of time into a pitch or proposal, it can be difficult to walk away, but it's better to take a step back and decide if it's worth it to take the chance if you see any warning signs in the early stages. As always, clear lines of communication are crucial to keeping your client relationships on track.

If you're interested enough in their project to give them a discount on the fee you agreed on, be sure to scale back on the deliverables as well. As mentioned before, it's about respect, and you should demand the same amount of respect from the client as you give them. If there is still an air of negotiation about payment despite your best efforts, hold your ground and intellectual property until they hold up their end of the bargain. This isn't the easiest scenario to navigate for even the most seasoned entrepreneurs, but we would advise you to stick to your guns. You know your worth, you know how much your time costs, and there is no reason for you to compromise on that.

What about a situation where the client, for whatever reason, is unsatisfied with the work and unwilling to pay the final invoice? You must remember one seemingly obvious but crucial detail: your time is non-refundable. They requested your services and you provided the agreed-upon deliverables in a timely manner—the rest is subjective, and never warrants a refund or refusal of final payment. There are certainly strategies that can be employed earlier in the game to prevent this scenario. Surprise reveals are for game shows, and your client should not be seeing your work for the first time after it's already completed. You should keep your client in the know at all times. Have them review your work several times throughout the design process, and elicit their feedback.

As important as it is to keep in mind how to handle these situations with professionalism and respect, the most valuable piece of advice is to limit

the possibilities of them ever occurring. The only way to do this is, again, with clear communication and a contract. A contract is legally binding, keeps both parties liable and responsible, and must be signed before any work begins.

“ For anyone that finds themselves with a client refusing to pay despite your best efforts to remedy the situation, stand up for yourself.

Your contract with your client should unambiguously outline the deliverables and payment schedules, and detail the execution of everything you discussed in the pitch phase. We like to include an overview of our process in our contracts to create transparency, and give our client a firm grasp on the value of our services. Additionally, we stipulate that we only grant license to use the intellectual property created during a project once the client has paid in full. This is very fair, and ensures that both teams share the responsibility of the project's success. Be sure to ask if they have any questions or need clarification, and then ask again. It may not be the sexiest part of the job, but a good contract ensures that you and your client start on the same page. It's worth putting in the time to get it right.

For anyone that finds themselves with a client refusing to pay despite your best efforts to remedy the situation, stand up for yourself. Legal action should be a last resort, but if it comes to that, do not hesitate.

An absurdly high percentage of freelancers have experienced non-payment at some time in their career. This is not okay. If you have done the work, you deserve to get paid. Whether you're working for another individual or a corporation, you should be compensated fairly. Plan ahead, make sure you're taking on the right project, and make sure you have agreed on a scope of work. If they default on payment, take legal action. In October 2016, New York City became the first in the nation

to legally protect freelancers from nonpayment, allowing them to file complaints against late or non-paying clients with the Department of Labor Standards, and levying fees on delinquent clients. Hopefully more states and countries will follow New York's lead.

TL;DR: Be clear, be confident

Yes, payment problems can be challenging, but luckily they're also relatively easy to avoid. If you establish clear lines of communication, set reasonable rates for your experience level, stand by your boundaries, and keep your client informed throughout the design process, you'll be able to avoid many of the pitfalls that can result in nonpayment. Always remember that ours is a service industry, and successful businesses run on referrals. If it's your work or demeanor that is the recurring issue, you first need to work on yourself and your approach to become the kind of business your clients are eager to recommend to their peers.

As long as you carry a strong belief in what you do, what you create, and what you're worth, and you hold a healthy amount of respect for the people that pay your bills, navigating these issues is actually quite simple. Be honest—tell it like it is, and don't be afraid to raise your hand if you see something fishy. Use your wealth of knowledge and experience to anticipate problems before they happen, and approach any issues that arise with clarity, professionalism, and confidence.

SARA MOTE is the Creative Director and Co-Founder of **Mote**, a design-driven software engineering studio based in Venice, California. Always exploring the intersection of art and science, she harnesses the experience and talent of her team to create innovative solutions, through a tested and proven process. Mote partners with brands ranging from disruptive startups to Fortune 500 companies.

An exploration of revenue models for your business

ROSS BEYELER, GROWTH SPARK

Whether you're a freshman freelancer just getting started with your first client, or an established agency with a shelf full of awards, you're likely seeking ways to grow your business. Naturally, your growth is heavily rooted in your ability to acquire new clients and customers.

But that growth doesn't have to be limited to simply adding more customers to your existing offerings. It's more than just a game of increasing leads.

Many freelancers and agencies have yet to explore alternative ways of generating revenue beyond their current business model. Not to sound like an infomercial, but there is an entire world of money-making opportunities for talented folks in the creative industry.

These opportunities are rooted in understanding what it is that you actually sell. The funny thing is that it's likely not what you've advertised on your own website. It's not web design. It's not themes. What you're really selling is one of three things: your time, your technology, or your thinking.

What are you really selling?

At first, it might not seem as though there is a big difference between these three things. After all, wouldn't any good agency incorporate time, technology, and thinking into the work they do? What's different is that an agency focused on selling custom websites to their clients is really in the business of selling their time, while an agency focused on selling pre-built themes is selling their technology.

These are fundamentally two totally different businesses that require unique approaches to marketing and management. This chapter will investigate these differences, and expose new potential opportunities for freelancers and agencies to grow their practices.

Selling your time

Certainly the most common 'product' for any freelancer or agency is selling time. When people hire you to perform design, development, or marketing work, they're primarily buying your time and allocating it to their project.

This would be considered “active income,” where you're only getting paid when work is actively being done. In the world of selling time, there are a variety of pricing models to consider, such as pricing based on cost, hourly rate, packages, or value. These options were covered in detail earlier in this book. Outside of how you price your time, however, there are a few other factors to consider, including alternative business models, diversifying your sales channels, and strategies in scaling your time.

Alternative business models

It's important to understand that you have more flexibility with how you charge your clients than you think. When it comes to selling your time, you could offer a few different business models to your clients. These go beyond alternative ways of pricing, and instead look at fundamentally different ways of working with them.

The traditional model is to offer project-based work. This is where a client's requirements are predefined, and you offer to meet these requirements in one of the previously-discussed pricing models.

Another model is to work entirely on a subscription-basis, also known as retainer work. Similar to software, you could offer your services on a recurring subscription, where the client is charged a set amount over a set period of time. This is particularly effective for support and maintenance-based work, or marketing work where results are produced over time, given continual effort.

A third model is to put some of your own skin in the game and offer equity-based work. In this situation, you're forgoing short-term cash for long-term potential by getting a piece of equity, revenue, or profitability from the client. There are some obvious drawbacks to this model, but finding a niche where your services could be the driving factor behind their success just might make the risk worth taking.

Diversifying your sales channels

In the client-service business of running a freelance or agency practice, it's easy to become very “client-centric.” They are, after all, the ones that pay the bills. However, they don't have to be the only ones that pay the bills. In addition to the traditional sales channel of deriving work directly from clients, there are two other models to consider that can be equally as lucrative.

The first is working through other service providers as a subcontractor. In this model, you'd collaborate with another freelancer and/or agency by owning a part of the project and working through them. They would “own” the client relationship, and would in turn serve as your “client” where your portion of the project is concerned.

This model works really well as you begin to establish a more concrete relationship with other agencies and learn their communication and work style. You can leverage their sales force and mainly focus on

maintaining a good relationship with them, allowing for a consistent sales pipeline of your own with minimal sales effort.

The other model to consider is one where you build similar relationships with specific technology vendors. Modern websites serve as a central node to larger business infrastructure, composed of a variety of platforms.

Often, businesses make decisions regarding their website based on the needs of those other platforms. By building relationships directly with those platform vendors, and demonstrating the value you can add to their customers, you might have the opportunity to become a preferred partner of theirs and derive work from their own customers.

Strategies to scale your time

When it comes to selling your time, it's important to realize the limitations of this model. No matter how you price your services or the model you use to sell them, they'll always depend on someone, at some point, spending time on delivering those services. Every new client will require some amount of time invested by you or one of your team members. Understanding that these difficulties exist, there are a few ways of coping with them more effectively.

The first is to always focus on building process into your services. The more predictably you can manage and deliver a project, the more efficiently your time will be spent. The second is to build automation into your services. If you ever find yourself completing the same client request or piece of communication more than once, it's a sign that you could build some sort of asset to help automate the process. Save Adobe Illustrator layouts as templates; save repeat email examples in Notepad; save reusable code from your work. These minor steps in automation can be the key to reducing time and increasing margins within your projects.

Selling your technology

Given the limits in selling your time, many freelancers and agencies look to a model that can divorce their revenue from hours spent working. This idea of being able to make money while not actively working is often referred to as “passive income.” One way to build passive income for your business would be to consider selling your technology.

Rather than doing the same (or similar) thing for clients repeatedly, invest your time upfront to create a piece of technology that can be resold to any number of customers with no, or minimal, time involved on your behalf once it's built.

“ The beauty is that you'll be able to make money regardless of whether you're actively working.

Granted, there might be some support or maintenance associated with your technology, but the beauty is that you'll be able to make money regardless of whether you're actively working. In the world of ecommerce, there are a few specific types of technology that are highly sought by companies, and that provide excellent opportunities for generating revenue. Primarily, these include building themes, apps, and software.

Building themes

These days, most content management systems (CMS) and ecommerce platforms manage the look and feel of their websites with a theme. Some companies benefit from a custom theme, but the majority of website owners are fully satisfied with a clean, professional-looking, pre-built theme that has their content and branding. The market for pre-built themes is still quite young and has plenty of room for new entrants. Although many quality pre-built themes already exist, many of them are structured to cater towards general users.

Designers and developers interested in selling pre-built themes could immediately differentiate themselves by targeting industry niches or unique use-cases. Perhaps there is a market for themes catered towards pizza shops or digital romance novels. When you begin exploring the idea of selling pre-built themes, you'll soon find a variety of channels or marketplaces available.

There are platform-specific marketplaces, such as the [Shopify Theme Store](#), as well as platform-agnostic marketplaces, such as the [Theme Forest](#). Both of these channels, as well as selling directly through your own website, are great ways to start building a passive income with themes.

Building apps

One thing that many agencies quickly discover is how often the same requests are made across their entire client-base. Whether it's specific functionality on their website or an integration with popular third-party platforms, many client needs are often not all that unique. As you start to observe these repeat requests, it might indicate an opportunity to develop an app that could solve that request for future clients.

Apps allow you to pre-package functionality and integrations so that deployment for future clients is as simple as a quick install. Find a use case beyond just your clients, and a publically-released app could turn into a major passive revenue stream, as other stores begin to pay for, install, and use it. Similar to themes, there are marketplaces that exist for selling apps, including the [Shopify App Store](#) and [Code Canyon](#).

PRO TIP: If you have an app idea in mind, verify that the idea hasn't already been built through these channels and get your coding underway for some potential passive income.

Building software

Sometimes, a simple app just isn't enough to solve a client's problem. Perhaps they need a solution with more robust content management capabilities or an externally-hosted database. Perhaps they have a problem that exists across multiple other ecommerce platforms.

In these situations, it's worth asking whether there could be an opportunity to build standalone software of your own. Larger problems, such as email marketing, customer loyalty, analytics, and content marketing are often too much to sit within the app section of a platform, and require their own unique interface. If an opportunity like this emerges, it could serve as a means to pivot towards becoming a software company, and generating revenue via a subscription model.

It's important to note that the allure of passive income associated with technology does not come without its own problems. Even if customers can purchase and use your technology without requiring your time, you can't underestimate the support requirements that will come along with your technology as it grows. Once you've figured out a support management strategy, you can shift from viewing it as a liability to becoming an asset for your business.

Customization requests for pre-built themes, installation help for apps, and integration requirements for software could all serve as lead generation for your time-based business services. Sell additional support to these customers, and allow one product to build on the other.

Selling your thinking

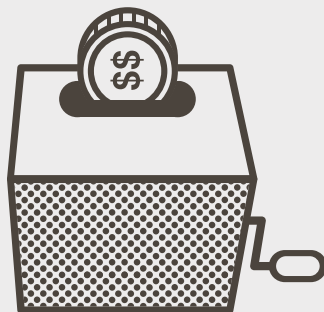
All of this investment in billing time and building technology requires significant thinking. Freelancers and agencies who are willing to capture and share that thinking have an entire potential revenue stream at their fingertips. Granted, publishing your thinking through blogging and social media is a baseline practice for generating leads, but many companies seem to stop their activities there.

Publishing your thinking could extend into a variety of other formats, many of which could be monetized. In general, we like to bucket thinking as a product into three segments: content, courses, and communities.

Monetizing content

Likely the clearest way of publishing and monetizing your thinking, content could include anything from articles to books, podcasts, and video series. The idea is simply that you're creating unique and compelling content that's worth a purchase from your customers. A great way to evaluate what content is worth publishing would be to determine what questions you are often answering for clients, and what advice you are frequently giving.

Whether through strategic consulting or technical training, you likely find yourself providing the same type of insights to clients on a regular basis. Rather than just provide that information one-to-one, consider recording it in either writing, audio, or video and using that as the basis for an exclusive article series, ebook, or online video series. Not only would this allow you to more efficiently educate your existing clients, but it also creates an offering that could be sold to folks outside of your existing client base.



Monetizing courses

With LinkedIn's acquisition of Lynda, and the emergence of other major online learning platforms such as Creative Live, the opportunity for paid online courses has grown massively. Companies with content that could fit well into an interactive model are great candidates for offering courses. Adding a quiz or 'how to' aspect to more technical content in the realm of marketing, for example, can be a great alternative offering to training customers.

A variety of platforms exist, such as Teachable, that make it easy for you to host and manage your own online courses, similar to Lynda (now known as LinkedIn Learning). Creating your own online course could serve both as a revenue stream and as a way to drive leads for your other products.

Monetizing communities

Perhaps one of the most effective means of sharing your thinking is socially, via a community-based model. The idea is to share your expertise, or the expertise of a group of people, directly through a digital or offline channel.

This is an especially popular model for consultants who run group sessions, and who want to sell their systems and frameworks to a number of potential clients at the same time. Here are a few specific types of communities you could explore creating:

- **Workshop:** Perhaps a bit less organic of a community, a workshop could serve as a great way to get a group of people together, where you can share your thinking via a teaching model.
- **Meetup:** A recurring meetup is a great way to build a physical community that shares a similar interest. Often run as 'mixers,' they tend to be more successful and provide more value when a presentation of sorts is included in the session.

- **Conference:** A larger production, but a very value-focused offering could be setting up a conference for your industry, where you bring thought leaders, including yourself, to educate your community.
- **Online forum:** A private online forum where chats and webinars can take place is a great way to run a community digitally.
- **Social media group:** You could open up an online forum by leveraging existing channels such as Facebook, Slack, or LinkedIn to build and manage your community.

If the idea of selling your thinking sounds appealing to you, it's worth looking more closely at what “monetization” actually means. Whether you're building content, courses, or communities, the means by which a user pays for that thinking could include any of the following:

- **One-time access:** With this model, you're charging a one-time fee for users to access your thinking. This works well for standalone things that don't necessarily change much over time, such as content or courses.
- **Subscription access:** With this model, you're charging an ongoing fee for users to access your thinking. This works well for items that change over time, such as community.
- **Sponsorship advertising:** With this model, you're earning revenue from advertisers who are sponsoring or placing ads throughout your thinking assets. This works well when giving away free access to users, as you'll likely find a larger audience while not sacrificing revenue.
- **Affiliate advertising:** With this model, you're getting paid based on a certain action that your users are taking within your thinking assets. This works well when you're promoting external services and products, where you could earn an 'affiliate fee' for any time a user purchases them.

Once you've nailed-down your monetization method, you'll want to determine who the real audience is that you're targeting. Your thinking might appeal to your prospective or existing clients, or you might find that it's better served to peers who could learn from the best practices you've established. Don't be afraid to explore new audiences that may or may not be direct clients. You might find that a bigger market exists outside of the service niche you currently have.

Applying a new revenue model to your business

You might be excited about the prospect of passive income through selling apps or building a large audience through content, but remember that each of these products require very different strategies to be successful.

Building a lucrative service-based business by selling your time can be done entirely through a small local market. Building a successful app-based business by selling your technology would likely require national, or even global, reach. Understand that the approach you'd take to market and sell each of these three products is very different, and shouldn't be underestimated.

If you're willing to give it a shot, you might find that experimenting with new business models might work to improve your existing one. You'll find that theme subscribers can turn into service clients,

“ Building a lucrative service-based business by selling your time can be done entirely through a small local market.

and online course participants can turn into community members. There are tremendous amounts of transference that can exist

across each product—and that could be the key to unlocking your company's success.

ROSS BEYELER is a serial entrepreneur in the technology space with experience ranging from digital marketing to business development and strategic management. He is the founder of Growth Spark, a design and technology consultancy focused on helping ecommerce and B2B service companies become more efficient and profitable.

How to master finance for non-finance people

MATTHEW GARTLAND, ROCKET CODE

I did not knowingly sign up for the role of Chief Financial Officer (CFO) when I began working for myself and growing my business. Looking back, that perspective was naive because operational excellence in finance is the heartbeat of any company. Without deliberate and steady financial practices, a business of any size operates with an irregular heartbeat that's at risk for a heart attack at any moment. If you're an entrepreneur and small business owner like me, chances are high that you feel similar pressures: getting your clients to pay on time, protecting your company from dry spells, making payroll, growing your team (but not too quickly), upgrading office space, and a litany of other finance-related imperatives that require critical thinking and careful decision making.

Naturally, the buck stops with leadership. If you don't have a finance-minded co-founder—which, in my experience, many agencies and tech startups don't—then congrats: you too are a CFO, whether you welcome that responsibility or not.

That self-awareness may be terrifying, but it need not be. Excelling at finance does not require a finance degree. What it does require is an aptitude to structure data, a commitment to repeatable processes, a sensibility for deal making that doesn't undermine your business operations, a healthy bias toward fail-safes that provide protection when unfortunate events happen, a willpower for holding others accountable, and, above all else, an irreproachable respect for cash and cash flow, akin to how you treat your own personal finances.

There are many ways to learn these lessons. My company and I learned them the hard way.

Surviving and recovering from a heart attack

My company, Rocket Code, survived a finance-induced heart attack by embracing the fundamentals mentioned above.

At the time, no founder was really managing finance. All purchases were made using a debit card. Invoices were sent to clients without much detail or consistency to net payment terms. Projects were occasionally undersold just to close the deal, and to get some cash into the business to make payroll. Proper income statements and balance sheets did not exist. There had been no pursuit of a business line of credit. Cash flow projections more than a couple days out did not exist. And there was no central finance plan that aggregated fixed costs, variable costs, healthcare costs, payroll with payroll taxes, and related data into a unified dataset that could be managed and used for forecasting.

That was mid-2015. Rocket Code was 13 people, and fighting to break even on a million dollar business.

By early 2017, we were 35 people with a very healthy double-digit bottom line on a \$4 million revenue run rate.

Our recovery required transforming every part of our financial operations. As a result of that work, I now consider myself trained in the

real-world art of finance. Perhaps oddly, I now really enjoy that part of the business. To me, developing a mastery of finance has granted me and Rocket Code a confidence that neither of us ever had. I am far from an expert, and Rocket Code is far from a paragon of financial superiority, but we have achieved a level of operational excellence in finance that is pragmatic, predictable, and profitable.

If you crave similar results for your company, I invite you to read on. I will share the methods, tools, and disciplines that proved successful for us.

It all begins with sales.

Methods of success

If finance is the heartbeat of a company, then sales is the lifeblood. But all sales (dollars) are not created equal. Dollars from rushed deals that do not include thoughtful estimates and project management standards can be worse than not taking the dollars in the first place. Negative profitability is worse than zero profitability.

We experienced a few negative projects in early 2015 that contributed to our mid-year heart attack. To minimize the likelihood of that happening again, we instituted a standard sales operations (ops) process for all new work. Our sales ops process includes the following core artifacts:

- Capabilities deck that:
 - Presents our mission statement (our reason for being).
 - Describes our value proposition.
 - Features the brands we work with and why they chose us.
 - Details our service offerings.
 - Teaches what we do not do.
 - Introduces our team.
 - Illustrates our way of working.

- Invites the prospective new client to take the next step by sharing more about their business—its objectives, position within the industry, etc.
- Engagement letter written in plain English that authorizes us to start work with a new client that is eager to collaborate with us on the strategic research and planning necessary to inform a thoughtful solution design to an identified business opportunity or problem.
- Master Services Agreement (MSA) or Service Level Agreement (SLA) containing specific terms, conditions, and definitions that protect both parties.
- Project charter (or agreement) containing the project-specific objective, scope, exclusions, assumptions and constraints, customer materials needed, governance plan, deliverables, timeline, valuation, payment schedule, and related terms.

No new client engagement starts without an executed engagement letter, which authorizes a retained capacity to be paid up front for all strategic consulting services. It also allows for additional accruals should the client want Rocket Code to go above and beyond in their engagement work.

From there, we work toward project charters for specific projects aligned to the client's business objectives, above and beyond the scope of our retained strategic consulting capacity. Before work begins on those projects, clients must accept our standard MSA. These measures position all engagement and projects to begin with low friction, close alignment, and a high degree of success for both parties—ROI for the client and profitability for Rocket Code.

It's worth mentioning that our sales ops process wasn't always as low-friction as it is today. In the immediate aftermath of our heart attack, we overcorrected on legal protections in our contracts. We used to have a 24-page MSA written in traditional legalese that required a rigid Statement of Work (SOW) for every project. Our success with these

documents was mild; our projects were far better protected and set up for success, but our sales cycle time-to-close rate ballooned, which directly impacted cash flow. Also, clients did not enjoy having to digest and negotiate these hefty contracts; a less-than-ideal beginning to any new client relationship.

“ We work hard to nurture a positive and high-performing relationship through empathetic account management disciplines.”

After repeated use of the documents and receiving feedback from clients on them, we concluded that these documents were over-engineered for their intended purpose. From there, we worked with our legal team to responsibly scale back the intensity and, in the case of the SOW, replace it completely with a more natural document type—a project charter written in plain English. With more approachable documents in hand, we immediately improved our sales cycle time-to-close.

When the first sales cycle is for a new brand client, we work hard to nurture a positive and high-performing relationship through empathetic account management disciplines. Fostering trust through empathy with a client is paramount to getting paid on time, and sometimes early. We have one client that pays our NET15 invoices within 48 hours, every single time. We want our clients to enjoy paying us for our important work together, and to deliver them the first invoice that they actually want to pay.

To enable this form of high-touch account management, we schedule all our work (consulting services and project-based work) in two-week sprints. This schedule requires that our accounts team remains engaged with all our clients in a very predictable manner and, consequently, delivers progress and value regularly. Our iterative workflow methodology includes the following high-touch points:

- Strategic consulting and planning sessions
- Project kickoff meetings
- Sprint planning meetings
- Sprint review meetings
- User acceptance testing kickoff meetings
- Pre-launch systems admin training meetings

When sales and account management are working well, we have a healthy volume of receivables to manage. To remain focused and organized, we record all of our account receivables into our finance plan by month. Each entry is described with the following details:

- Invoice number
- Client name
- Issue date
- Due date
- Payment received date
- Method of payment
- Amount due
- Notes (e.g. an associated purchase order number)

Our finance plan is a custom-engineered spreadsheet involving multiple tabs, individual spreadsheet files, and boatloads of logic statements. Our client services team is responsible for informing our finance team when new work has been authorized. When all of the receivables are properly entered and organized by month, our dashboard view allows us to quickly see where revenue is trending for the current month and future months in the context of our total expenses (payroll, health care,

fixed costs, etc.). This also automatically computes our profit margin for respective months, quarters, and year to date.

While we are very proud of our finance planning spreadsheet, we know that it alone isn't enough to achieve operational excellence in finance. That's where other important tools of the trade come in—and there are a lot out there. Let's explore those that we have found most useful.

Tools of the trade

Having a comprehensive finance plan should be your keystone tool. I built ours from scratch in a spreadsheet—actually, an integration of several highly customized spreadsheets. However you build yours is up to you, and should be based on the unique needs and attributes of your business.

If you do not care to build one yourself, a tool like Dryrun may be a good starting point for you. Dryrun is a web-based system that helps you forecast cash flow, budget, and sales scenarios. We have friends who run other agencies who use and swear by Dryrun as a critical financial system for their business.

Next in order of importance is our accounting system of record. At Rocket Code, we use Xero. They are proving to be the go-to accounting tool for entrepreneurs and startups once they hit a certain critical mass of business. Simpler accounting tools like Freshbooks also exist, which are geared toward freelancers with less complexity in their financial operations.

Our Xero account is linked to all of our financial accounts to ensure that all transactions flow into Xero for bookkeeping. Regardless of what accounting system you choose to use, make sure that you link all of your accounts to it. To get you started, consider the following account types:

1. Bank checking account
2. Bank line of credit account

3. Credit card account(s)
4. Paypal account
5. Payment processing account(s)

At Rocket Code, Automated Clearing House (ACH) transactions are our preferred method of payment because it's direct, timely, and cheap compared to credit card processors. That said, we recognize that not all clients are comfortable remitting payment by ACH. So, as a backup, we do allow payment by credit card if a client asks for it.

Specifically, we favor using Stripe and Square for credit card processing. Stripe is a fantastic option for storing a client's credit card information for auto-billing. Recurring payments, such as monthly retainers for strategic consulting services is a quality use case for Stripe. Alternatively, Square is an excellent option for issuing invoices payable by credit card. Square pays out funds within 24 hours, which is a nice cash flow benefit that other providers do not offer.

However you send invoices, be sensitive to how and when you send them. In my view, a client should never be surprised by an invoice. Before an invoice arrives, the amount owed and when it's due should always be shared. High-touch account management performed with empathy should ensure that surprises do not happen.

In our workflow model, the account team is responsible for communicating any upcoming invoicing or payments due during their regularly-scheduled governance meetings with their assigned clients. In addition to those communications, an account manager may send an "invoice preview" email in advance of the invoice itself, as a soft reminder of what is about to be sent and why.

Here's a sample of one of our invoice preview emails:

From: Web Designer

To: Potential Client

Subject: Invoice Preview for Projects

Hi [Potential Client],

Wow, it's December! The year isn't over yet, but the team and I have already begun reflecting on just how awesome this year has been. Partnering with you on your important business needs remains one of my most cherished things. We are all grateful for you, and all of the work we have the privilege of working on together.

We are excited to end the year very strong. There's lots of foundational work to complete this month in advance of your big 2017 priorities—including [PROJECT ONE], [PROJECT TWO], [PROJECT THREE], and [PROJECT FOUR]. We are excited to get started.

For now, here's the November invoice preview...

The habitual friendly reminders:

1. You will receive two invoices, one for [PROJECT A] and another for [PROJECT B], both active projects.
2. ACH is our preferred method of payment. Please let us know if you need to remit payment via an alternative method.

If you are going to process payments via ACH, here is our ACH information to make your life as easy as possible:

- Bank: [HERE]
- Account: [HERE]
- Routing: [HERE]

The November 2016 invoice totals:

- INVOXXX: \$12,345.67 for [PROJECT A]
- INVOXXX: \$12,345.67 for [PROJECT B]

Total: \$24,691.34

As always, the invoice emails will include a PDF version wherein you can see the line-items.

Insights and analysis:

For [PROJECT A], [BRIEF PROJECT SUMMARY]

For [PROJECT B], [BRIEF PROJECT SUMMARY]

That's it for now. We'll kick out the invoices next.

I'm so glad to hear that you and the family are feeling better, and that you're energized to be back in action just in time for the holiday season. I look forward to connecting directly with you again in our next strategy briefing session.

Until then, to the moon and best wishes.

Although finance is a world of numbers, words matter. Take time to carefully craft your finance-related communications. Consider such efforts valuable investments in client goodwill that will repay themselves many times over.

That said, many aspects of operational excellence in finance do come down to standard numbers and policies. Such standards are beneficial finance controls that promote cash flow predictability. And when in doubt, pursue actions that add predictability to your finance plan.



FREE PROJECT INVOICE TEMPLATE: We've created a simple invoice template that you can customize and use for your web design or development projects. You can find this template, and several more, in the "Templates" folder that came along with the digital version of Grow Vol. 3.

Predictability prevails

At Rocket Code, we treat processes as critical to various business functions, like plays a football team runs in order to win. With that mindset, we created a "playbook" of processes—which we call our Standard Operating Procedures (SOP)—for the finance team that, when executed, positions us to thrive.

Our finance playbook includes the following detailed SOPs:

1. Accounts receivable (AR)
2. Accounts payable (AP)
3. Month-end accounting close
4. Quarter-end accounting close
5. Year-end accounting close
6. Cash flow management
7. Departmental budgeting

8. Travel planning
9. Capital investments
10. Annual performance-based bonuses

Some of our SOPs are simple because they involve only a small set of stakeholders with a minimal number of inputs. Others are more intricate because they involve more stakeholders, require more inputs, and have a more nuanced process of reviews and approvals. In each case, we tailor every SOP to provide clarity, consistency, repeatability, and scalability to these important finance functions.

Teaching the nuances of each SOP would require a book unto itself. Furthermore, the Rocket Code way of managing AR (or any other SOP for that matter), may not be the ideal state for how you need to manage AR for your business. However, while the details of each SOP are certainly subject to individualization, a guiding framework for how to construct an SOP in the first place has merit.

A SIPOC model is my go-to process engineering framework. I learned it when I studied and became certified in Six Sigma, a process improvement technique. SIPOC is an acronym that stands for the following:

- S—Suppliers
- I—Inputs
- P—Process
- O—Outputs
- C—Customers

The framework comes from the world of manufacturing, but is perfectly adaptable to any organized methodology. If it helps, think of Suppliers as Stakeholders, and Outputs as Outcomes. Additionally, Customers need not only be clients, but can also include internal beneficiaries of the outputs, such as cross-functional team members or an executive.

Structuring every SOP using the SIPOC framework gives each one a common language, syntax, and expectations. Every Rocket Code employee is familiar with this framework and, therefore, can quickly ramp up on a new SOP regardless of what it addresses. Such predictability is a stabilizing force in all areas of the business, especially finance.

Beyond our governing SOPs, which are macro-level strategies, we define micro-level tactics that aid our day-to-day financial operations. The most essential tactic is a throwback to the engagement letter—specifically, the requirement that we do not begin work until the client pays their first retained strategic consulting payment. Similarly, when it comes to project work that spins out of our strategic consulting engagements, we always require a deposit payment to get started on project work.

Deliberate payment schedules are the next important tactic we use to inject predictability into our cash flow model. At Rocket Code, payment schedules apply only to projects, and come in one of three options:

- Small projects = 100 percent due up front
- Medium projects = 70 percent due up front, 30 percent due at authorization
- Large projects = 40/30/20/10 payment splits based on project milestones

Having structured payment schedules that slightly favor the service provider are necessary to protect against very real and common threats. Such threats include, but certainly are not limited to, the following client behaviors:

- Clients becoming disincentivized to remain engaged throughout the project lifecycle, particularly during testing phases, because of lower stakes.

- Clients holding a large final payment hostage until the service provider acquiesces to new scope requests for no additional charge.
- Clients disappearing when the work is delivered with their final payment unpaid.

In the world of services work, time is money. While that concept is cliché, it's nevertheless a critical constraint that is often undermined by not taking payment schedules seriously. You risk a disservice to your other clients if you do not institute safeguards on your time.

Net payment terms are a similar safeguard to payment schedules. NET15 is our standard for project-based milestone payments, which means that all our invoices are due 15 calendar days following their issue date. As a business practice, we are far more willing to negotiate on net payment terms compared to payment schedules—allowing more money to be due later is more likely to spawn the very client behaviors I mentioned above that we are trying to prevent.

If you are looking to grow your business by landing larger clients, prepare to dance on net payment terms. Large companies that have a procurement department managing vendor relationships will often insist on drawn-out net payment terms. NET75 is not unheard of, especially with enterprise brands. Sometimes you cannot negotiate your way out of those terms, but sometimes you can. We recently negotiated a NET75 situation down to NET30 with a Fortune 500 company.

“ Establishing methods of financial governance and predictability can and will feel daunting at times.

How long it takes a client to issue payment is just half of the equation. The method by which the client makes payment is the other half. We only accept electronic forms of payment. Specifically, ACH is our standard. If you accept checks, then be prepared to further extend your

cash flow forecasts because of the added time it takes to receive and deposit a check. And, of course, there's always the risk that the check never arrives, or bounces when it does.

Bill.com is an interesting system you may want to consider. Some of our clients pay us electronically via Bill.com, which outputs an ACH payment directly into our bank account. One of the nice things about using Bill.com is that it sends an automated email every time a client schedules a payment. That notification includes the precise date when the payment will hit our account. Notifications like that may seem trivial at first, but at scale they are a delightful form of predictability.

Other forms of automated reminders can provide similar value. Automated reminder emails sent to clients for past due invoices are most notable. In our accounting system, Xero, we enabled automated reminders to send on specific past-due triggers. For example, we have a specific email template that sends to clients when they're over five days past due. The wording of that email is friendly, nudges them to please pay, and casually reminds them of our late payment terms (which live in our MSA). If the client still does not pay after 15 days past due, then another automated email reminder is sent that includes a revised invoice with our late fee applied.

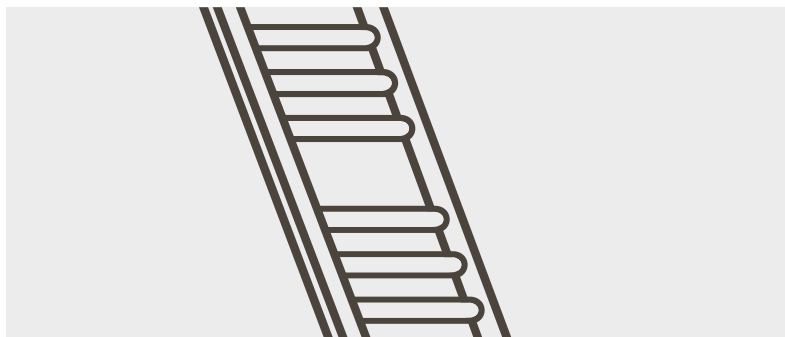
Establishing methods of financial governance and predictability can and will feel daunting at times. When those feelings swell, take comfort in knowing that you are doing the right thing for your business. Just keep calm.

Keep calm and carry on

Someone once said that “chaos is a ladder”—the premise being that excellence, authority, and even greatness can be gained from otherwise challenging times, if the will exists to seize the moment.

I believe that our finance-induced heart attack in mid-2015 was one of those moments. It was frustrating, stressful, and scary. But rather than

caving to the chaos, Rocket Code rallied and persevered. It was a forging moment for our company and for me as a leader. While I do not wish to repeat that experience, we are a significantly stronger and more mature company for having endured it.



I share our tale in the hopes that you can learn the same lessons, without having to endure the hardships. However you choose to engage with these concepts and methods, I hope you develop a greater appreciation and joy for finance.

For me, I am proud to be responsible for my company's financial operations. The role of CFO is no longer a burden; it's a privilege.

Now, over to you. Go forth and conquer.

MATTHEW GARTLAND is now Partner, COO + CFO, and Head of Innovation at Smart Passive Income (SPI) Media, which exists to elevate online entrepreneurs to within reach of their dreams. He served as a partner and COO at Rocket Code until BVAccel acquired the agency in late 2017.

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