nuSchool

The Pricing Class

A step by step guide

Understanding Your Market

Before we learn how to price, we need to know a bit more about the market we are working in. We do this in order to better understand how much exactly we can earn, and how to place ourselves among the different competitors in order to be able to ask for our prices.

Watch lesson no. 1 – Understanding your market

Supply and demand

Every product or service, for instance the service you provide as a freelance designer, has a supply and a demand.

Supply means how easy or difficult it is to find this product or service. For instance, how easy is it to find freelance designers providing design services. Demand means how big the need is for your service in the market.

Are there many people who need design services or only a few? The bigger the demand is, the more competition you will face. The smaller the demand is, the harder it will be for you to land projects – and vice versa.

A small supply means little competition and that you can afford to raise your prices.

Exercise

> Answer the following questions about yourself: Do you have any special talents that are in high demand? Or low supply? What are the designing abilities which will be high in demand in the next few years? How are you making sure you acquire them?

The time spent working is not relevant

The time it takes you to do a certain job does not necessarily fit the amount of money you can charge for it.

The price mostly has to do with the value the client gets from the job. If you can design a logo for me in two days which will make my business look like a million dollars, you deserve much more than two days' pay.

Think about the last projects you worked on. Did you take into consideration how much value your clients got from them? Get used to thinking in this way and you will understand why you are worth much more than your time.

What do clients pay for?

Your clients pay for the quality of the work you provide for them. They also pay for your services – emails, meetings and attention. They are also paying for your experience. The more you have, the better you will be at avoiding mistakes and the higher chance you will have at designing something meaningful for them. They also pay for your own branding.

What do your proposals look like? How are you dressed? Will they take pride in working with you? And finally, they are also paying for the relationship they develop with you. If you're fun to work with, you'll probably be able to earn more.

Exercise

Answer this: what are the things you can start doing (today even!) to upgrade the quality of your work, the service you provide, your branding, and your relationship with clients? Improve those and you will definitely be worth more.

Business model

If you are a freelancer, you are not only a designer: you have a business to run. It's time you check what you need to do to make sure this business is profitable. Calculate your incomes and expenditures and try to get the expenses to be lower than the incomes to understand what you profit actually is.

Exercise

Follow Ran's example in video 6 of this lesson, and do the same thing yourself, to understand your own business model.

Profitable is not always sexy

It's not always true that what we enjoy doing is what we can earn best from. Sometimes big, boring clients can bring in a lot more cash. Remember that.

Types of clients

There are various organizations in the market that can be your clients: freelancers, small businesses, big companies and even non-profits. Each one has different sized budgets, and on the other hand, the level of flexibility also varies between them.

Exercise

Try to bring to mind: which types of clients did you work with until today? What characterized them? Did you change your pricing in accordance with the client type?

Types of service providers

It is crucial that you understand who your competitors are – who else can provide design services for your clients.

Technological solutions like Wix or Fiverr are cheap, but they are not really flexible, neither do they create as quality work as you can.

Freelancers are you and your classmates. They are (usually) cheaper than design studios but very flexible too.

Design studios are bigger and more expensive, but clients love them because they usually have cool branding plus the client gets to have several people work on their design for them.

Agencies are the biggest in size: they only fit huge clients because those are the only ones who can afford them. They're usually not as quick as you can be, because they have several managerial layers to work in.

Exercise

Make a note for yourself and memorize what added value you bring to the table that your competitors can't. Understand your strengths.

Determine Your Rates

Having learnt about the market, the competitors and the different types of clients, it is time for you to understand the rates you need to charge as so to maintain the lifestyle you currently hold, and furthermore, to reach the lifestyle you want for yourself. At the end of the day, we price our projects globally, not on hourly basis. But to get there we first have to understand your hourly rate.

Watch lesson no. 2 – Determining your rates

Standard pricing

Coping other people's rate can actually make you lose money – they might have a different spendings and expenses and what workds for them might not be good for you. You need to find the rates that work for you and fit your own expenses and the branding you want to set up for yourself.

The Break Even rate

This is the price per hour that you have to charge in order to make sure you don't go into debt.

Our goal would be to manage to charge rates which are higher than your break even rate so that you may start saving money and upgrade your lifestyle, but we can only do that once we've learnt what that rate is.

Exercise

Let's calculate your break even rate:

1. Go into your bank account and your credit card breakdown and try to understand your monthly expenses.

2. Now try to calculate how much money you're spending every month on your business (if you have annual expenses or multi–annual expenses such as a new computer every three years, divide them in the relevant number of months in order to reach

the monthly amount).

3. Decide how many annual days off you want for yourself

4. Think: what percent of your monthly income would you want to put away for your pension plan?

5. Find out what tax rates you have to pay in the country you live in.

Now go to our break even rate calculator (on the class main page) and calculate your hourly rate.

Are you breaking even?

Now that we've calculated your break even rate, try to understand whether this really is the pricing you are requesting from your clients.

Check how many hours you are spending on a particular project and divide the amount you asked for it in that number.

This is your hourly rate.

It this higher or lower than your break even rate? If it's less, you're losing money or else you're not taking any time off, or else you're not putting away money for your retirement (which will surely spell trouble when you're older) or else you're not paying your taxes – or any of the above combined.

My clients will not pay these rates

your break even rate is likely not as low as you might have thought. Will your clients agree to pay such rates? You will have to find clients that will, and then know how to communicate to them why it's in their interest to pay you that much.

These are all things we will be learning in the upcoming lessons. The one thing you can be sure of is you don't have a choice. If you don't learn how to earn at least this much, you will be in trouble!

What if I'm just starting out?

Beginner designers tend to ask for too low payment rates. This is a mistake, because it might brand them as cheap designer or even scare the client to

think that there is something wrong with them.

Brand yourself from day one as someone who demands good money for a job well done. Work hard and create amazing designs, and you will soon find out that people are willing to pay you accordingly.

Should you be working for lower than break even rates?

When you offer really low prices, your clients take you as cheap and desperate. But like we already worte here – you are not only competing with others in price. You are competing with them on other stuff too.

If you know how to bring that extra something to the table, your clients will be willing to pay you more. Again: don't cross the red breake even line, otherwise you will find yourself in financial trouble soon enough.

Increasing your rates

This is your way to raise your rates: just ask for more money than you did last time. The client will value you more because you perceive yourself as being worth more; you don't know how much they are really willing to pay for your work and you might be surprised to find out they have a bigger budget than you imagined; and even if they end up haggling, the final price will be higher than the one you started out with last time.

The way to raise the price is to make sure the client doesn't compare you with a cheaper solution (like the technological ones), but compares you with something of a high price – maybe a design studio or an agency, or the extra money they're going to make of your work. Give your clients high quiality work just like a studio would, with a better price, and they will be happy.

Exercise

> Sit in front of a mirror or ask a friend to run a simulation with you. They would act as the client and you need to tell them you're asking for a higher rate. Practice this idea of comparing yourself to pricier options and not to cheaper ones.

Price raising strategies

Since you're asking for a price per project and not per hour, you need to

understand how to ask more per project. One way is to find a very specific niche.

For instance, you can specialize in designing for a specific type of clients which will spread your name around (for instance, designing posters for punk bands).

Another way is to develop a designing skill which is high in demand and low in supply. For instance, learn how to code.

A third way is to brand yourself as a premium service, from your clothes to the espresso you serve the client.

Exercise

Decide for yourself which niche you can try and go for. Is there a specific crowd you know well and could advertise yourself to? Think which highly sought-after skill you can develop, and how you can start doing that first thing tomorrow morning.

Price raising strategy no. 2

The other way to earn more from each project is to work less hours for the price you're asking. Here's how to do that: you can improve your technical abilities and try new things. For instance optimize the way you communicate with clients (it's a real time waster).

Exercise

Think which technical abilities you can work on. Maybe learn some Photoshop shortcuts? What are the things you do every day which require optimization? Which of those can you start working on tomorrow morning?

Step 3

Pricing
Projects

Now that we've learnt what your hourly break even rate is, we can move on to the next step: learn how to price projects. This means pricing them to be profitable for you and help you make progress in the direction you want to take your career to.

Watch lesson no. 3 – Pricing projects

The formula

The formula for calculating a project's price is made up from several factors:

1. What the project's value is for the client
2. How much it will cost you to work on this project
3. How interested you are in this project
4. What it might give you in the long run to take on this project

Project's value to the client

We need to understand just how much the client is willing to pay. We shuold ask themabout their budget, as well as do some research on who the company is (for instance checking on Google) and how big their projects are. Are they a private client, a medium sized business or a large company? It is also important to asses how much financial value the client gets from your work.

Exercise

If you have a client who's currently waiting for a quote from you, begin your research right now. Google them and try to learn as much as you can about your client.

How much does it cost you?

Let's try and understand how long it will take you to complete the work for this project.

The easy way to do this is to break the big task down into tasks as small as possible and evaluate the time it will take you to do each small task.

Don't forget to add hours for changes and corrections the client might ask for.

Add to that project management time – meetings, emails, phone calls. Finally, add a 20% buffer.

Exercise

> If you have a real project right now, try to calculate it's cost. If you don't have a current project, try to do it for a past project. Now multiply the amount of hours you've come up with, with the hourly rate we calculated in the previous chapter. This is the project's base rate.

How interested are you in the project?

It's important to understand whether this is a project you would be happy to get up in the morning for.

Is it interesting or boring? Does it excite you or bum you out? Each one of us has different preferences for various design areas and different clients.

Exercise

> Think about the projects you've done so far. How interesting were they for you? How much did that influence your motivation? How much influence did it have on the amount of energy and creativity you put in to them?

Think long term

Every project we choose is part of us building our career and our brand.

A project can have positive outcomes for our future, for instance if we're working for a sexy client, that might improve our brand for the next clients. If we had to learn a new skill for it, we've widened our toolkit.

A project can also have negative outcomes – if we're working for a bad client (moraly bad or just a jackass), it might influence how our next client might see us, or leave a black mark on our porfolio.

Think about the long term results of your past projects. How did they influence where you are today? Are there any projects you could have passed on, in retrospect? Are there other ones you should have taken on but didn't?

Calculating the project's price

If you're currently working on a project, try and use our method. If you don't, take to use past project and and see how it works.

Exercise

Calculate the price for the project:

1. Research the client & project and try to estimate what is the client's price range (at the top what is the max they will be willing to pay, and the bottom, what they are hoping to pay – less then this would seem too cheap for them)

2. Estimate your cost by breaking down the project and estimating each task, adding managment time and buffer. Multiply the time with your rate to find out your base cost.

3. Think how interesting the project is: if it's super interesting, don't push the price much higher then your base cost. if it's not that interesting, push the price higher.

4. Think of the long term effects of the project: if it's possitive, don't push the price much higher then your base cost. if it's negative, push the price higher (if you even want to take this project).

5. Your asking price should be balanced between your "interest point" and your "long term point". It should be higher then your base rate, to leave you room for nagotiation.

Pricing fast

Will you always have to go though such a long process to price your projects? Usually yes, because it will pay off.

There are two cases in which you can make up prices on the spot.

The first, is if you've done this type of projects many times before.

The second is if you're so uninterested in the project that you're willing to price it very high and probably lose it (or make a whole lot of money for it).

Working on a retainer

One of the best and most convenient way for a designer to work with a customer and make money is on a retainer base.

That means the client pays you a certain set amount every month or week, and in return you work for them a certain set amount of hours.

Your income is fixed (meaning you're less stressed) and the client can ask for as many changes as they please – you will do them in retainer pace.

Beyond that, you get to build a long-term relationship with your client and don't have to impress new clients all the time.

It's hard to get retainer contracts with clients, but succeeding in getting them is very profitable.

The way to do it is to build a plan for your client for the first few weeks which will be attractive enough for them. This plan will include the work you would have done for them had you priced a whole project.

On the other hand, the client does not commit to keep working with you – in case they're not happy – so for them the risk is low. Present it exactly like that to the client.

What usually happens then is that the client will continue working with you (assuming they're happy) because there's always more to change and improve in every project.

Exercise

Try to build a retainer program for the project you're currently trying to get. Then offer the client two options: either you price it for them as usual, or they can try hiring you on retainer. Even if you won't convince them to go for it, you'll still have the experience of trying.

Negotiating Smartly

You already understand the market, know your minimum hourly rate and know how to price projects. This is where the real world comes in: you must succeed in gaining clients. In this step we will learn how to negotiate with the client from before you've even spoken, all the way to closing the deal.

Watch lesson no. 4 – Negotiating Smartly

Let's talk about money

We're afraid of talking about money because we think we might be judged. But in fact, we want our clients to treat us like business men and women, so we have no choice but to discuss finances.

We see ourselves as artists, but in fact, all the artists you hear about are the ones that make good money. We might also be afraid of this talk because we don't know enough about money, accounting and excel sheets.

But you don't have to get a degree in economics to be able to talk about money. You just have to know how much you're worth (which we've learnt in the previous lesson) and be able to shamelessly ask for it.

Exercise

Ask a friend who loves to argue to run a simulation with you. They will play the potential client asking you how much you charge, and you argue your price. (As we will soon learn, this is not the well organized way to negotiate, but it's an important exercise to help you feel more comfortable talking about money).

Negotiation 101

Our final goal is to reach a situation that makes both sides happy. If you convince the client to only have it your way, they will end up feeling like they've overpaid, harass you with changes constantly and won't recommend you to friends.

But you have to be happy too. If you settle, you won't be motivated to get up and do your work. Negotiation has a significant emotional component – not only a rational one. The better your emotional connection is with the

client, the more you manage to get inside their head and understand their wants and fears. the easier it will be for you to negotiate.

Try to negotiate with a friend or a partner about something you've always wanted to change in your relationship. For instance, who takes down the trash or "I'd like you to stop being late to our get–togethers" or "how do we decide where to go out to faster" etc. Do this while trying to understand what goes through the other side's mind and what's keeping them from making the change. Try also to communicate what's going through your mind, and your own fears. Try to reach an outcome you're both happy with.

Before the first phone call

There are several stages for negotiating the project with your client. The first stage takes place before you've even spoken – the client may already have expectations about you and your price.

Maybe they heard about you from a colleague, or seen your portfolio or your Facebook profile – so make sure those are communicating the branding you're trying to establish for yourself.

Exercise

Revisit your profiles on Facebook, LinkedIn, Dribbble, and any other information about you on the web. Make sure they're all updated, have an interesting and relevant bio and a photo that makes you look both professional and like someone who's fun to work with (if you don't have one, ask a friend to help and take a good picture). Additionally, update and polish your portfolio, whether it's on your own website or on a portfolio website such as Dribbble or Behance. Make sure they only showcase the projects you want people to know you've worked on. It's better to have three stunning projects on display than a dozen mediocre ones.

First call with the client

This conversation has two main purposes. The first is for you to put your detective hat on and understand as many details as possible about your client and their project.

The second is for you to get the client to like you and to create an

emotional connection.

Make sure you take the call someplace quiet. Take notes and ask the client everything you need to make sure you know enough to give him a quote and to negotiate in the next conversation. Either way, never mention prices in the first call, even if they ask directly.

Understand what you want

Having understood the project and the client, you need to think and understand what you want to get out of this project.

This isn't only about money, it's also about the payment plan, flexibility, deadlines and schedules, and your interest in the project.

You need to understand how much money you would want for a project like this (which we've learnt in the previous lessons) and find out how available you are for it. Can you start tomorrow or only a month from now?

Exercise

Note ten things that are important to you in working with a client. For instance, "I don't like to be contacted via WhatsApp, only via email" or, "I don't take change requests that are not thoroughly detailed" or, "I insist on receiving down payments for me work".

Understand what your client needs

From the lists you created during that first conversations and from the research you conducted in advance, you should be able to understand what your client wants and needs.

Try to understand not only budgets and deadlines but also what type of person they are. Do they want to be taught? Would they want you to report back every day or on the contrary, prefer to hear back from you only once everything's ready? What is their emotional connection to the project?

Exercise

Think about the clients you've had in your previous projects. What emotional aspects of the work were important to them? What would you change in working with them had you known it then? Was there any way for you to realize them in advance?

At this point you should be ready to write your proposal. The final video for this course will teach you how to write it in a sexy way. If you're currently in the process of writing a concrete proposal for a client, watch the last video, prepare your quote and return here to learn about the final stage of negotiations.

Prepare alternatives

You already have your sexy, tempting proposal. The last thing still missing is to prepare yourself proposal alternatives – the more prepared you are the better. That way you can be more flexible in your negotiation, and you'll have better chances of closing the deal.

In a separate worksheet you can get ideas for how to prepare your alternatives before that critical conversation.

Talking about the proposal

Is everything ready?
Make sure you haven't sent your quote to the client yet! Schedule a phone / Skype / Hangout call first, to present the material to them.

Throughout the conversation have your alternatives ready at hand as you walk the client through the proposal. Do it enthusiastically – make them get excited about working with you even before you discuss money.

Then move on to pricing: talk without feeling shy. You deserve this money! If you notice resistance, note it for yourself. If the conversation is going someplace you're not happy with, ask for a short break to freshen up.

Don't let the pressure of the live conversation make you settle and agree to something you'll regret later. If many changes to the proposal are needed, tell the client you'll get back to them with a revised version within a few hours.

Writing
Sexy Proposals

And finally, it's time to learn how to prepare sexy proposals that will knock your customer right off their chair, make you stand out from the competition and win you more projects and more profits.

Watch lesson no. 5 – Writing Sexy Proposals

What do we need proposals for?

Many designers tend to offer final price quotes over email instead of sending out detailed proposals.

It does feel like a lot of work to do for someone who's only a potential client at this stage, and what's more, wording and doing the accounting work is tiring.

But a well formulated proposal can real raise your chances of landing projects and making a professional impression on the client, even if they choose not to work with you in the end.

What are sexy proposals comprised of?

A proposal has four parts:

1. Description of the work.
2. Description of the unique abilities you bring to the table.
3. The pricing.
4. Further steps to be taken.

We will write it in a way that makes the client nod in approval in every step of the way, and so that when they finally do see the pricing they will already know what they stand to gain from working with you, and will be eager to do so.

Description of the work

This section has a few purposes. You want to show the client that you understand what they need from you, and you want to let the dream about

what they can gain from working with you. You want them to think about the amazing project you will make for them and not about how much they're going to have to pay you.

You also want to be as specific as possible about the work itself so that the client realize how much work you're going to be putting in and why the price is as it is.

The "me" factor section

This is where we tell the client why you're the perfect designer for them. We do this in three stages:

1. Where your uniqueness lies.
2. What your relevant experience is for this particular job.
3. Why you connect to this particular project in a personal, emotional way.

The third part is what will make you rise above the competition – the client will not only be comparing your price to what others offered them, he will also realize the added value of working with you on the project.

Exercise

> Try to understand your uniqueness. What do you have that others don't? Ask friends and family. What experience do you have? Create lists for yourself that will come in handy the next time you write a job proposal. You can also ask past clients what they likes about working with you.

The psychology of pricing

Dan Ariely, world expert in behavioral economics, teaches us that you should offer three pricing options and not just a single bottom line quote.

Another reason to prepare three options is that your client likes to feel like they're in charge, that they've picked the best option for them for their project. So let them choose between a few alternatives, otherwise they might have to choose between you and other designers.

For further reading see "Priceless: The Myth of Fair Value" and learn what anchoring is and how to do it in order to encourage the client to pick the option we prefer.

How do I build pricing packages?

It's usually so difficult to price a project, and now we have to come up with three different ones?!
It's actually easier than it looks. We'll do it in four simple steps:

1. Making lists: We will compile one list of everything the client ask for (in bullet points). This will serve as a basis for the bronze package – the basic one. In a second list we put in things that the client didn't ask for but we know would really upgrade their project. This is the basis for the silver package. A third list will consist of things that would really make the client go WOW! but have never been discussed with us. This will be the gold package.

2. Time evaluation: We'll go over all the lists and per item, we evaluate how long it would take to complete it.

3. Preparing the payment packages: We note the items that belong in each package and calculate total of hours per packages.

4. Pricing the packages: We use lesson three (project pricing) to price each package separately as if it were a project of its own. We do this because the client might choose each one of the packages, which in turn will become the project. Don't forget to factor in time for management, client relations, buffers etc.

Payment plan

This is an optional part for the proposal, in which we describe how we would like to be paid for the projects and whether we require a certain part to be paid in advance.

Adding this section adds another thing to barter about with the client, ultimately making us more flexible.

Next steps section

Sending your potential client a proposal without adding a call to action is like building a website without buttons. In the end of the proposal make sure you add a paragraph suggesting how to take things from here.

Proposal 3.0

The shoemaker may walk barefoot but by doing so he misses an

opportunity to show off his shoes.

The proposal is you opportunity to show off your design skills. Sending a Word or PDF document means wasting a chance to make your client go 'wow!'.

Using free web creation platforms you can quite easily create a highly responsive website containing your proposal. In our experience, it will really impress your clientele.

Ta Da!
You are now ready
for the world!

If something is not clear or you have some unanswered questions, you can always reach us at:
lior@WeAreBoldAndCreative.com / ran@WeAreBoldAndCreative.com