

# week::seven

## Project Estimation & Proposal Writing

### Two Primary Steps in Pricing a Job

#### Set your hourly rate, and be comfortable and confident in that rate

- Never apologize for your rate, and resist the temptation to reduce it to obtain certain work.
- *“If you hand a client an estimate and slap him across the face, and they complain about the slap, then your estimate was too low.”* — Anil Dash via Design is a Job

#### Know how to estimate

- Comes from **Experience, Research, Trial & error, and Thoroughness**
- Research and know the *value* of your work to the client.
  - Understand what impact (i.e.: profit potential) your work will have on the client.

### Pricing Rationales

#### Industry Standard

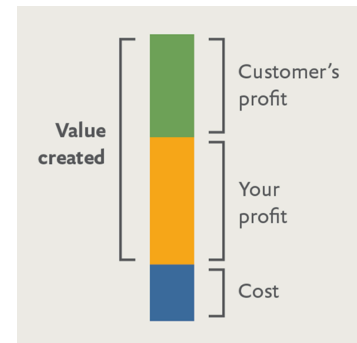
- Charge what everyone else is charging.
- All other things being equal, clients choose the least-expensive option.

#### Cost-Plus

- Based your rates on your own cost-plus-profit.
- This is the method used in Exercise 04 to determine our hourly rates.

#### Opportunity Cost

- What do you (and your client) give up in exchange for payment/services?
- Is the gain worth the price?
- What *value* do you bring to the project?
- This rationale is implemented with using *value-based pricing*.
- *“When people tell you you’re too expensive it means you haven’t proven your value. Everyone buys things they can’t afford—if you want something badly enough, you’ll find the money.”* — Debbie Millman via Dark Art of Creative Business



### Quotations vs. Estimates

#### Quotations

- A fixed price for a project.
- Our *Pricing Design* book calls this “Fixed Price” pricing.
- Preferred by clients (expenses are known and predictable), and sometimes (though generally not) a great fit from the perspective of a freelancer or creative agency.
  - In our industry, too many variables can change over the course of a project.

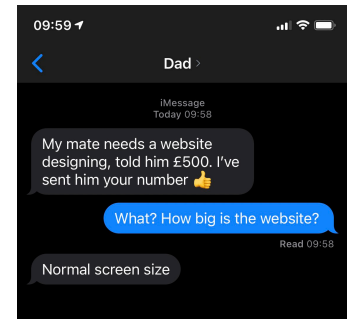
#### Estimate

- Pricing is variable and based on a range.
- The *Pricing Design* author calls this “time-based rates” pricing.
- Estimates are the preferred method when coming up with a price for creative projects.
- Creative assignments often *change* from the time they are priced until they are delivered.
- **Be sure to refer to your estimates as estimates and not quotations**

## Estimate Components

### Some sample estimate components:

- Strategy/Client acquisition time
  - Initial meetings, research, interviews, travel, proposal writing
- Design time
  - Working out ideas, strategizing, concept development
- Production time
  - Sketches, layout, formatting, revisions
- Sub-contracted services
  - Illustration, copywriting, photography
- Print production time
  - Design, production, and project management
- Project management expenses
  - Any time spent working on the project in an administrative capacity.



*What happens when a freelance web designer's dad tries to help him out.*

## Estimation Pitfalls

### Too much guesswork

- Not considering everything
- Not admitting the impossible

### Fear of making some assumptions

- To avoid, come up with three options (low, mid and high-end), and use a cost range instead of a single figure

### Not breaking it down

- Use the provided estimate worksheet to help break it down

### No padding; no checkpoints

- Add 10%–20% to the time estimate

### Sloppy or inaccurate time-keeping

- Keep good track of your time
- Keep the records accessible for future reference

### Sloppy or inaccurate expense-accounting

#### Different rules for different clients

- You can adjust components of a job to meet a budget (eliminate features; cut back on content, etc.), but don't lower your rates!

### Gilding the lily

- Perfection is *not* obtainable—be reasonable in what you shoot for

## What Kind of Time Can I Estimate?

### Everything.

- All time spent on behalf of a client is billable, including travel (beyond 50 miles), meetings, waiting for meetings, project management time, estimation time, and phone conversations.

### What about outside expenses?

- Mark external costs up 15%–30%, with the average being 25%.
- Charge what the standard is for your area.

## What Can I Charge?

### Mike says...

- Charge as much as you can.
- “If you can stand in front of a client completely confident and explain why you are worth the amount you quoted, you should charge it.”
- “You can always negotiate down from a price that was too high, but you can't recover from a price that was too low.”
- **Charge for value, not time. (Value-based Pricing)**
- Compete on quality, value and fit. Negotiate on price—don't compete on it.



## Billing Terms Options

### One-third billing

- One-third at the start, one-third at the halfway mark, and the final third on delivery of the final product.

### Net 30

- Bill for work-to-date on a monthly basis, due within 30 days of receiving an invoice.
- My personal method of choice.

### Deposit plus Net 30

- Collect a deposit, then bill for work-to-date on a monthly basis.
- Helpful for new or unproven clients.

## Estimate Presentation

### Legal

- Generally speaking, a signed estimate or job proposal will *not* hold up in court.
  - Rarely does it come to this with disputed projects.
- What this means is that you shouldn't spend your time and effort making proposals "iron-clad", since it makes little difference in the long-term.

### Visuals

- Make it look good—this is more important for creative service businesses than others types of businesses.
- Make the information scan-able and easy to read.
- Brand it—make it yours.

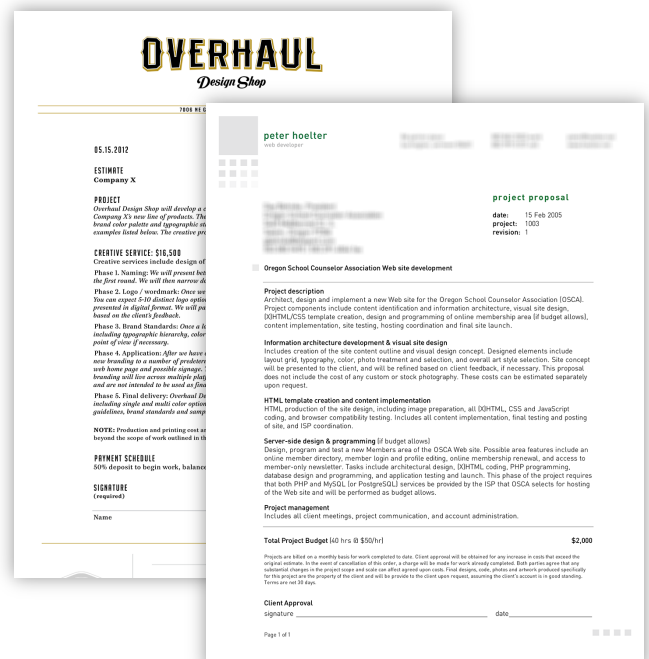
### Wording

- Be thorough, covering the major components.
- Don't, however, get caught including too many details. Jobs change, and much is often not known at the start.
- A broad time line is often helpful to clients.

## Pricing Presentation Essentials

### All estimate/proposals must:

- Put it in writing.
- Describe *what* will happen and *when*.
- Use the term *estimate*, not *quote*, in most situations.
- Provide a firm but flexible schedule.
- Include a clear statement of your terms and conditions.
- Obtain the client's signature of approval.



## Preparing Proposals

### Information to obtain from the client

- Name of company, and all contact information for key project contact
- What is the client's business? Who are the client's competitors?
- What does the client expect from you? (type of services)
- What are the goals for the project? For the business as a whole?
- Description of the project specifications
- Project budget

### What to put in your estimates/proposals (include as required)

- Complete contact information for both you and the client.
- Brief description of the project
- A list of what you will provide
  - Design, Illustration, Production, Animation, Art direction, etc.
- A list of what the client will provide
  - Photography, Logos, Copy, etc.
- Supplies/materials and costs
- Photography (including art direction)
- Production fees
- Travel/delivery expenses (or at least how you will handle them)
- For Print Projects:
  - Finished sizes of the pieces
  - Number of pages/number of colors
  - Binding material
  - Type of paper
  - Printing quantity and fees
- For Web Projects:
  - Technical requirements
  - Hosting and server type options
  - Clear definition of features that will and will NOT be included (specifically features that could take a tremendous amount of time and money)
  - How content implementation will be handled
- Payment terms
- How long the estimate is valid (including subcontracted services)
  - AKA: Expiration date

### Things to NOT overlook

- Research time (including stock photography)
- Postage/freight/delivers charges/messenger charges
- Proofreading
- Client meeting time
- Mark-ups
- Stock photos (and photography in general)