

Module 3: Pricing by the Hour or by the Project

Pricing For Solopreneurs



What we'll cover

What is per-hour and per-project pricing?

Pros and cons of per-hour & per-project

Handling objections

Homework

Per-hour and per-project pricing

Per hour billing

Your hours plus direct expenses

Usually presented as not-to-exceed budget

Per project billing

A flat fee for the project, which includes all (or most) expenses

~~Shouldering~~ Sharing the risk

Every project has uncertainties

Time involved

Expenses incurred

Expected outcome

We can negotiate & control them all

Give clients *budget certainty*



Sharing the risk

Don't know the time involved?

Write out all steps/stages

Take a wild guess, multiply by 1.3

Ask colleagues for reality-check

Don't know the expenses to be incurred?

Build in a reasonable upper limit

Build in expectation of future discussion if needed

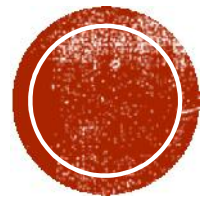
Sharing the risk

Don't know the expected outcome?

This is YOUR job to define

When you are clear, you avoid scope-creep

Focus on outcome, not process



Pros & cons of per-hour and per-project

Pros of per-project pricing

Client has a clear project cost

Value pricing = higher hourly rate!

Focus is on outcome, results

You don't have to watch the clock *as much*



Pros of per-project pricing

You are rewarded for efficiency, productivity

You are rewarded for return business

Easy to negotiate

You want a lower budget? I'll just do this part



Cons of per-project pricing

You have to be confident in your abilities and your value

You absorb the risk of under-estimating a job

You have to recognize problems early on

Cons of per-project pricing

You have to stop work when time's up

**You have to learn what the market will bear
Be willing to walk away**

You *will* lose some jobs from sticker-shock

Pros of per-hour pricing

You know you'll get paid for all your time

You can handle project-creep by just adding more time

You can charge a rush fee

Pros of per-hour pricing

You can make price discounts more visible

You can take on fuzzy projects

Your (relatively) high price indicates you're a professional

Cons of per-hour pricing

You still need a contract, NTE budget & deliverable

You are “punished” for efficiency

Your client has more uncertainty

Cons of per-hour pricing

You only make money for the hours you work

No value pricing possible

More chance of sticker-shock at hourly rate

Hybrid approach

You can combine the two approaches

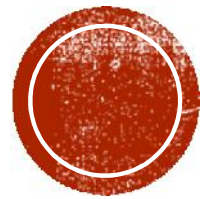
Flat fee for agreed-on results, per-hour for add-ons

Flat fee for this much, per-hour for next step

Pick a pricing approach you'll be happy with



Bill by the hour and you cap your income.



Handling objections

Why not just tell them your rate?

They *will* freak out.

You reduce yourself to an activity, not an outcome.

**That's not what they really want to know.
They want *certainty***



4 responses “Yes, but what’s your hourly rate?”

Rather than counting 10ths of an hour, I prefer to focus on getting the job done.

Tell me what your budget is, and I’ll tell you what I can do for that amount.

4 responses “Yes, but what’s your hourly rate?”

My projects run from \$800 to \$85K and average between \$2K and \$10K. Let’s talk about your project.

I don’t have a specific hourly rate. I price each project based on the work involved and the value I provide.

What does the IRS say?

Are you a contractor or an employee?

Behavior: Does the client control your work process?

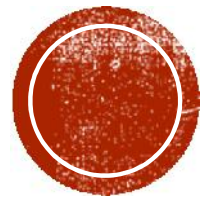
Financial: Do you have other clients? Are you paid a regular amount every week/month?

Relationship: Is this an ongoing relationship?

See www.owl.li/LSqjP for more info



If you don't have **quantifiable results that payment depends on**, you look like a permatemp to the IRS.



Homework

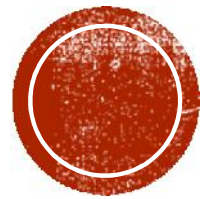
Reluctant-Entrepreneur.com

Homework

Reflect on a time when you charged by the hour

How could you repackaging or renegotiate that situation into a flat-fee project?

Can't figure out how? Look at the value you offered; what else does your client highly value?



Next up is

Module 4: Profitably Pricing a Project