A guide to working with clients

Advice on understanding your value and setting up successful client relationships, written and illustrated by design & technology studio HAWRAF.

We're HAWRAF. HAWRAF is an interactive design and technology studio making things that engage people in new and interesting ways. We've done it for Fortune 500 companies and fledgling startups alike. Along the way, we've learned a few things about working with clients and setting up successful relationships—so, we thought we'd share some of our best learnings and practices in this guide.

Despite our (thus far, mostly) successful track record, we should note that while this is how we do things at HAWRAF, that doesn't mean this is the only way—let alone the best way—to do things. It's simply a way. You should experiment to see what works best for you. Similarly, what works for you today might not work for you a month, a year, or a decade from now, so keep experimenting. (We will, too.)

xo, HAWRAF

Understanding your value

Calculating what it costs to be you

The first step to a healthy value exchange is understanding what your value is, in terms of what you have to offer, as well as what you need. Let's start by doing the math on what it costs to be you.

• Calculate how much money you need to make each year. Do this by adding up all your living expenses, rent, insurance, groceries, taxes, et cetera. Give yourself some money for a vacation, and a cushion for unforeseen emergencies.

• From the above calculations, give yourself three income ranges: a base number (your bare minimum income needed to survive), a target (a comfortable, livable wage), and a goal (more than what you need, but something to aspire to). These are your income benchmarks.

• (Need more help budgeting and setting financial goals? Lewis Weil's guide to financial planning for artists is a helpful reference.)

The things you eat + the things you wear + the place you live + the things you do + insurance + taxes = $ Needed income
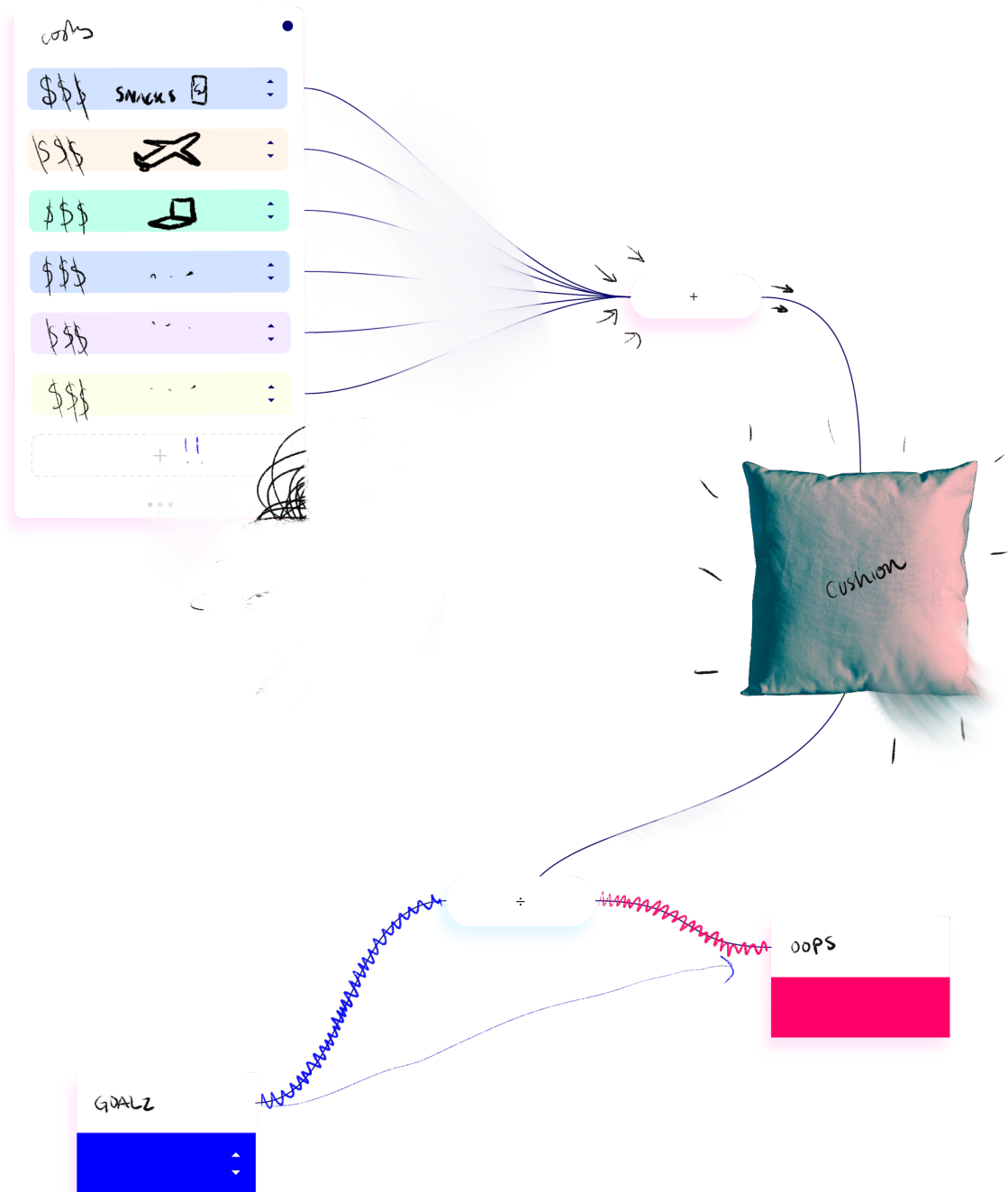
Calculating what it costs to run your business

Beyond living your life, there are costs that go into running your business. Let's calculate those now.

• Add up how much it costs to operate your business each year. This includes office rent, work insurance, self-employment or business taxes, as well as cost of labor, internet, software, office supplies, advertising and marketing expenses, legal and professional fees, et cetera.

• Add these onto your base, target, and goal incomes. These are now your revenue benchmarks. (Income is revenue minus the cost of goods sold and operating expenses.)

• Something to keep in mind: Cost of living increases by 1.5-3% annually, so repeat this exercise every year. If you have employees, you'll need to account for merit raises, bonuses, and scaling expenses as well.

$ Revenue - ($ Cost of Goods Sold (COGS) + $ Business Expenses) = $ Income

Calculating your hourly rate

Once you know what it costs to be you and run your business, you can work backwards to calculate your hourly rate. At HAWRAF, this varies slightly from person to person, as well as from task to task (we'll tackle that next).

• Calculate how many hours you and any team members will work per year. Start with the earthly limits of one year (365 days), then subtract weekends, holidays, vacation days, sick days, and any other days you don't plan on working. (In the U.S., the average number of working days per year is around 250.)

• Multiply that number by the number of billable hours you expect to work on client projects each day. Be sure to subtract the hours you'll need to spend on non-billable or administrative tasks, such as preparing pitch decks, checking email, sending invoices, taking out the trash, and eating food. This is your number of annual billable hours. (You'll also need to pay yourself for these non-billable hours, but these should be accounted for in the cost it takes to run your business.)

• Divide your annual base, target, and goal revenues (aka your income plus business expenses) by your annual billable hours. This will give you a range in which your hourly rate should fall.

• You can cross-check this number using an online rate calculator (here are a few: 1, 2, 3).

$ Annual Revenue / Annual Billable Hours = $ Hourly Rate

At minimum, you need to charge your base hourly rate. That is your economic reality. Anything less and you are losing money. To live comfortably, you'll want to charge your target hourly rate, and if you have an opportunity to charge an hourly rate that gets you to your goal income, that's more in the bank.

Figuring out what you should charge for each service you offer

Now that you have your hourly rate, you know what you need to survive. Here, we'll calculate how that correlates to the various services you offer.

• If you haven't already, list out all the services you offer through your business.

• Track your time to understand about how long it takes you to perform each of these services. There are plenty of time-tracking tools out there (here are a few: 1, 2, 3, 4). The best way to get better at estimating how long something takes is through diligent tracking and experience.

• Multiply your newfound hourly rate by the time it takes you to complete each service. This should give you an understanding of what it costs you to offer these services to clients, and will help you prepare cost estimates in the future.

A quick argument against hourly rates

At HAWRAF, we're not big fans of charging clients an hourly rate. Instead, we charge flat, value-based fees for each project, using our hourly rate to inform our pricing.

A few reasons why we prefer project rates:

• Charging hourly rates means we're in the business of selling our time versus our work, and all client conversations eventually circle back to that. (Trust us.)

• Charging hourly limits our ability to grow. The only way to increase revenue when we're at capacity is to add more people (hours), complete the work in less time (efficiency), or raise our rates.

• Still not convinced? Teehan+Lax (pre-Facebook-acqui-hire) wrote on getting rid of their hourly rate in lieu of tiered value-based pricing. Dan Mall, founder and director of design collaborative SuperFriendly, wrote a great book called Pricing Design. Femke wrote about value pricing specifically for freelancers. Give 'em a read.

Pricing your services based on their value

You should charge clients based on the value of what you're offering. You add value through your education, experience, skills, process, and other

things you bring to the table.

When deciding what to charge a client, you can scale your service cost depending on variables such as:

• Is the client an individual, small- or medium-sized business, or a mega corp?

• What will the project do for them? Increase their bottom line? Improve efficiency?

• Are you interested in the project? Can you leverage it in the future?

At the core of value pricing is the idea that you must understand the value you bring to your client, which is difficult without a specific client in mind. For example:

• You can understand the market value of what a website is worth to most people, but there is a drastic difference in the value of a website meant to secure the data of 1.86 billion monthly active users versus one to post hours for a local ice cream shop.

• It also helps to determine competitive costs for your service in your industry and region. Ask others what they're charging (cis white men are a great benchmark).

• You should also know what the next-best alternative to your service is (for example, if you make custom websites, how does your work compare to what someone could make using Squarespace?).

• Not every client will agree with the value you place on your services. It is your responsibility to communicate your value. If you can't come to an agreement on value for the services being rendered, it is unlikely to be a good working relationship.

Screening potential clients

Now that you know what you're worth, you're ready to do work and be compensated for it. And—what's that? You just got an email from a potential client. Time to set up a great working relationship.

Setting up a call or IRL meeting

Informational calls let you screen a potential client before investing too much time. Note: Depending on the information you have already, you might

choose to skip straight to an IRL meeting.

When you set a date and time for a first call, be sure to also set expectations around who will contact whom and via what channel. Send a calendar invite and a confirmation email the day before.

Come prepared with as much information as possible. Determine:

• Who is the client? Where are they based? How many employees do they have?

• Do they have investors? How much funding do they have?

• What is their annual revenue? Sales projections? Recent press?

• What is the role of the person you're talking to? How long have they been there? What is their expertise?

This research can help you estimate how much money this potential client has. Plus, if you know what types of projects they've done recently, you'll have some good conversational banter. How you handle this initial meeting can foreshadow the rest of the project, so be sure to set the tone for the client relationship you want to have.

Having the first conversation

The first conversation is not only an opportunity for you to sell yourself and your services—it's also your opportunity to gather the information necessary to decide whether you want to do this project and at what rate.

During the first conversation with a potential client, ask any questions you have about the project, such as:

• What is the main challenge?

• What are the biggest concerns?

• What are the expected outcomes? What does success look like?

• Have they contracted a [whatever it is you do] previously? How was that?

• Are they talking to anyone else for the job? If yes, who? What will be the biggest deciding factor? When are they trying to decide by?

• For further tips on this, Dan Mall has a great article on pre-qualifying clients.

The first conversation is also an opportunity to educate your potential client on what it is you do, and why they should work with you. You should talk about your knowledge, skills, process, experience, and anything else that demonstrates your value. Sometimes this might include a generic or a more tailored presentation. For reference, here's ours.

Now that you've communicated your value and have gotten a sense of their project and its challenges, ask what their budget and timeline is. They will likely say one of these things:

(A) They give a number and it's way too low, or a timeline that is way too fast

If their budget number is lower than your base number for what you can do the project for without losing money, tell them. You're not doing anyone

any favors by saving that conversation for later. Potentially, they had no idea what this work would cost, and might have budget elsewhere that they can apply to the project. Better to find out now.

You might say: "Oof. That's pretty low for a project of this scale. Is there additional budget for this anywhere else in the company?"

If their number is low but not heinously so, then you can begin the conversation about how you might reduce the scope of the project, or increase the timeline to make it work.

You could say: "Ah, that's a bit low for a project of this scale—is there any wiggle room there? No? Well, I'll have to talk to the team, but we'll likely have to reduce the scope or increase the timeline to make this work."

If the timeline is way too short, you can either over-extend yourself or hire more people to help accomplish the work in that shorter window. Either way, you should increase your rate.

You might say: "Whoa! That's a speedy one. Any wiggle room? No? Well, it's not impossible, but we typically charge an expedition fee to cover the additional manpower needed to get this done in time."

(B) They give a budget and a timeline that are pretty reasonable

Nice! You have a potential client who seems educated in market rate and average timelines for the service you might be providing. Get any additional information you need, then let them know next steps.

(C) "There is no budget" or "We were hoping you could help us with that"

This is the most common answer. Perhaps they genuinely do not know what a budget for this type of project should be, or they're hoping that you'll come in lower than their actual budget. Either way, there is always a budget. (If there isn't, end the conversation as quickly as possible.)

Now, you're going to need to come up with a number. A few approaches:

• Give a number. This is scary because you might be leaving money on the table, but you know your worth. This isn't about getting as much money as

possible, it's about enabling you to live your life and run your business. Try something like, "A project like this typically starts at $65k." You'll get an immediate reaction on whether this is unrealistic for them.

• Give a range. "Our pricing for a project like this tends to run $50k to $100k. Is that comfortable for you?"

• Offer a few price points to force sticker shock. This is another page from the book of Dan Mall. Say, "So are we talking $5k, $50k, or $500k?" Usually, they'll say, "Definitely not $500k!" "So, how does $50k feel?" "That sounds about right." Fantastic.

At HAWRAF, we avoid agreeing to anything during this initial conversation. Even if it sounds like a fit, we review everything as a team once off the call before committing.

At this point, you could say: *"This sounds good to me, but I'm going to have to check with the rest of the team and get back to you,"* or, *"We have a few things up in the air at the moment, so let me check where those stand and then I'll let you know."*
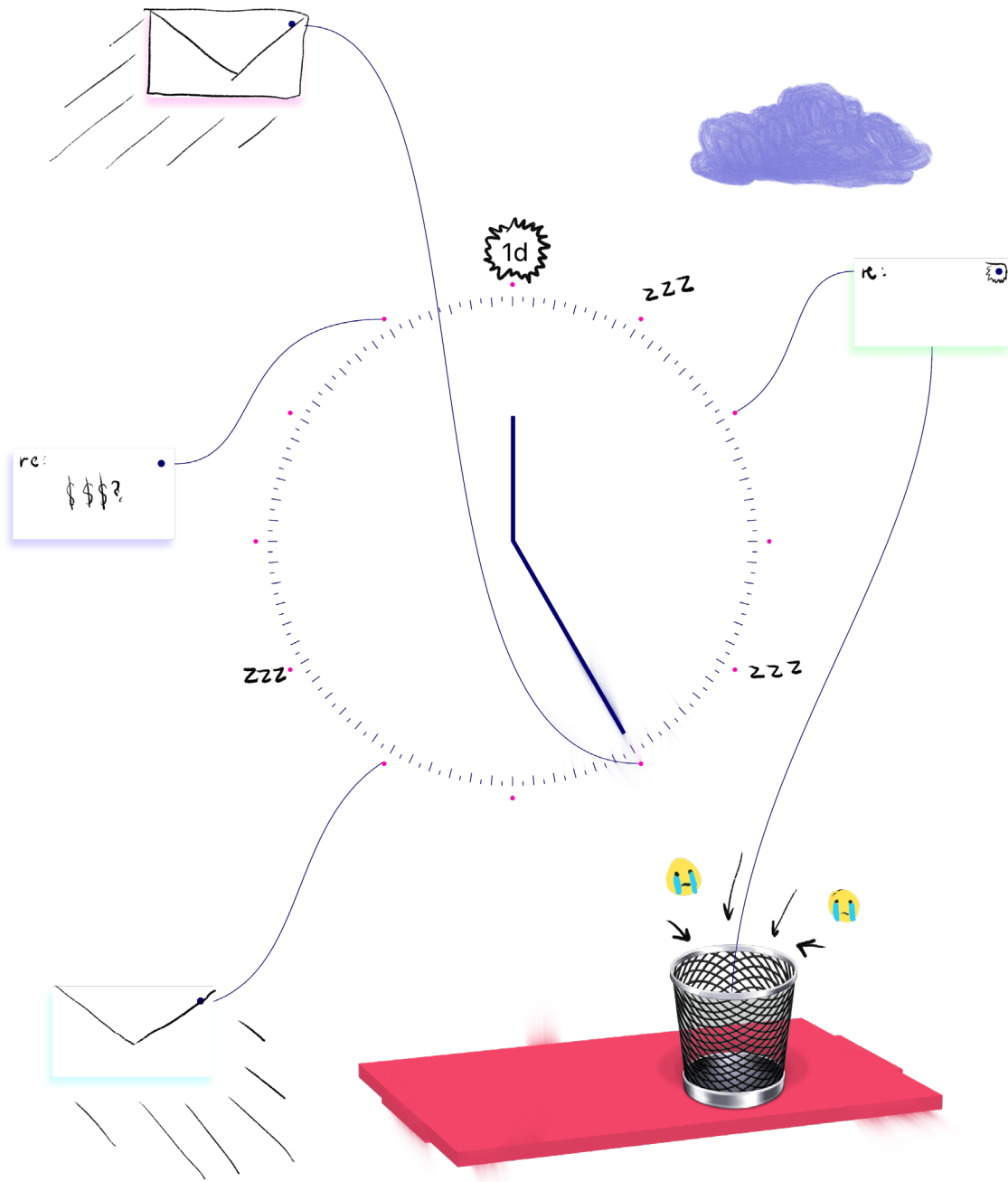
Following up with a potential client

We usually try to follow up on a first call within 48 hours. Life moves fast.

Aside from getting everything out of your head, a quick follow-up email provides a shared reference to keep everyone on the same page. (This can also be helpful if any legal issues arise down the road.)

This email also sets expectations around what comes next—be that additional

details, a decision, a proposal, or when they should expect to hear from you. Sometimes, we share our pitch deck and any relevant work here, as well.

You could say: "Sebastian! Excited about this. It sounds like you're looking for an ecommerce site with a launch date in early October. On our end, we're going to put together a proposal given your budget of $100-160k. Let me know if anything changes; otherwise, you'll hear from us by the end of next week."

Deciding whether you should do this project

At this point, you've gathered a lot of information. Give yourself some time to reflect on what you discussed, what they want, and what you need.

Ask yourself:

• Do you want to do this project?

• Does the budget align with your economic realities? If not, are there ways you can get it to? (Fewer rounds, more creative freedom, or something else?)

• If not, do you need this project? Is working at a loss better than missing out on the project altogether?

For us, the decision-making process looks something like this:

SHOULD WE DO THIS PROJECT:
A FLOWCHART

IS IT SOMETHING THAT
WE BELIEVE IN?

YES!   NO

CAN WE MAKE
SOMETHING _INTERESTING_?

ARE WE BROKE?

YES!   NO

_clever interaction,
new technology,
nowone we
define this_

like _really,
really_ broke?...

YES!   NO

NO!

YES!   NO

DO WE HAVE _BANDWIDTH_?

→ _time,
resources_

YES!   NO

ARE WE
GOING TO FEEL
OK & BE WILLING TO
TALK ABOUT THIS?

DOES THE

$ = $ 🕐 ?

CAN THE
TIMELINE BE
Δ'd TO MATCH
OUR OWN?

YES!   NO

YES!   NO

NO   YES!

COOL! YES
let's do it!

OK, but we have
to be fully transparent
about this

IS THIS A
CLIENT THAT
WE _REALLY_ WANT
TO WORK WITH?

OK,
let's try
to do
that!

(then repeat
this process.)

* WILL THIS LEAD TO MORE, BETTER WORK?*

YES!   NO → DOES THIS PROJECT
FILL A GAP IN
OUR PORTFOLIO?

OK, WELL, IS
THE TIMELINE
FLEXIBLE?

YES!   NO →

HARD
PASS.

YES!   NO → DO WE HAVE
FULL CREATIVE
FREEDOM?

CAN WE
LEARN SOMETHING
NEW?

YES!   NO →

ARE WE
REALLY SURE
THIS IS WORTH
IT?

YES!   NO

OK! but
re-write the
scope to allow that

YES!   NO

...in a low
risk environment?

OK, but this
feels dubious...

Upon deep reflection, you will arrive at one of these conclusions:

(A) You decide not to do the project

This is hard, but one of the most important things you'll learn is when to say no. You arrived here after thoughtful deliberation, so you can be confident in your no. Feel the no. The no is you giving yourself room to say yes to other things, and so on.

Explain why you won't be taking the project—be it timeline, bandwidth, budget, or some other white lie to maintain the relationship, like, "This is just not a great fit for us right now." Hopefully they get it, and you can move on.

If you're feeling generous and you didn't turn down the project because it sounds like absolute hell, refer it to someone else.

(B) You decide you'll do the project, but only if… [more money] [fewer deliverables] [you can extend their ambitious and impossible timeline]

These conversations tend to work best as calls, but depending on your bandwidth and comfort, sometimes you can prattle off an email that explains what you need to make this project happen.

If you're able to find a comfortable middle ground, move on to the next section of this guide.

(C) You decide to do the project

If the project met your target budget and timeline with an achievable scope of work, great! Move along to the next section of this guide.

In the chance that the project did not meet your target budget and timeline, yet you're still feeling the urge to take on the work, have the internal dialogue necessary to let yourself sleep at night or justify it to your team ("But this is going to look great in our portfolio," I say to Andrew over and over again).

Writing the proposal

At this point, you have a potential project that you are willing and able to do. Fantastic! Now it's time to get it in writing.

Making your proposal

A proposal can come in many forms. At the very least, it should include deliverables, budget, timeline, and contact information.

It can also include your background, the team, the approach, past awards you've received, an outline of each phase, and individual check-in or hand-off dates.

The scale and competitiveness of the project should dictate the amount of time and effort you put into the proposal. Meaning, if it's a low-budget project or your chances of winning it are unlikely, don't spend the next three days making a proposal for it.

In each proposal we make, we add copy that says we arrived at the proposed project rate based on the client's needs and budget, and that we work with our clients to create scopes and budgets that work for them.

In your proposals, never say something is negotiable. This signals that you aren't confident in your pricing or the value you offer. If they need to negotiate, they will.

Once your proposal is ready, send it over. Be sure to include any next steps in your email, and let them know you're excited about the project.

You could say something like, "Michelle! Back in your inbox with a proposal based on the pieces we discussed. Give it a spin, then let's chat. We would love to find a way to work together."

Sitting in your silence

Once you've sent out your proposal, sit in your silence and in your power of knowing that the number you've given is one that is competitive to the industry and accurate to your own economic realities. You know your worth. You know your time. Hold on to that.

Give them time to think. They're making a big decision, too. Chances are they have a lot of other things on their plate, and will need time to appropriately review your proposal. Give yourself a week before following up.

Following up (again)

You sat in your silence and now you're getting antsy. You're trying to run a business over here, after all. Time to get this show on the road.

Send an email checking in. I'm an avid fan of the "just jumping to the top of your inbox" line because it's quirky and cute. Others might go with something like, "following up to see if you have any updates on this?"

If necessary, get on a call to walk through the proposal and answer any questions.

When they finally respond, you will likely get one of the following responses:

(A) They say no

Perhaps they "decided to go in another direction." If this is the case, send a short follow-up survey with questions that ask how they made their decision (thanks for the idea, Cameron). Use what you learn to improve your process.

(B) They want to do the project with you, but only if… [less money] [more deliverables] [you can meet their ambitious and impossible timeline]

Go back to "Deciding whether you should do this project" section, and repeat.

(C) They decide to move forward

Yay! Get on a call to discuss the proposal and make sure you're all in agreement. Then, discuss payment schedules. We charge an initial payment, another ¾ of the way through, and a final amount once we've handed off all deliverables.

We try to negotiate down the timeline for when we'll be paid, whenever possible. Payments in 30 or 45 days (aka net-30 or net-45) is pretty standard, but we try to do net-15 when we can to help with cash flow.

Tell them to expect a contract from you and invoice for the initial deposit.

Sealing the deal
If you don't already have a standard contract in place, there are many resources to cobble one together. For example, AIGA has a Standard Form of Agreement for Design Services.

The most important things to include in a contract are the budget, timeline, and deliverables—as well as any payment schedules, plus an exit strategy should everything go horribly awry. What happens if there's a

missed deadline? Is there a kill fee? Make sure it's crystal clear.

Disclosure: We are not lawyers and you shouldn't rely on our recommendation as sound legal advice. If you can afford a lawyer, get one, and have them review any contracts you put together.

Once you've pulled together a contract, send it over. Get a signed version. Counter-sign it. Send it back to them. Meanwhile, confirm upcoming dates. Ta-da! You have a client.

In summary…

Working with clients is hard, but—like any healthy relationship—it starts with a strong sense of self worth and confidence. Understand your value. That knowledge is power, so calculate it, know it, and communicate it. Protect your time. Screen potential clients. Set expectations for the relationship you want to have. Get comfortable with talking about money and the value you have to offer. Ask for it, then get it in writing. Rinse, repeat, and iterate.

HAWRAF is an interactive design and technology studio that engages audiences in new and interesting ways. Co-founded by Carly Ayres, Andrew Herzog, Pedro Sanches & Nicky Tesla, the studio is full-service and media agnostic, covering branding, design, development, marketing, and execution.

From generative identity systems for orchestras that react to sound to mirrored selfie posters for dental startups, HAWRAF creates interactive communications for consumer-facing brands that help them have meaningful and authentic interactions with their end users.

They do it well, too. Andrew was named as one of Print Magazine's 15 under 30 New Visual Artists. In 2017, Carly was listed as one of the 100 Most Creative People in Business by Fast Company. Together, they've spoken on conference stages in London, Stockholm, Belfast, and New York City. Nicky was named Best Musician in high school. He was in the jazz band.