



Opposing views: Project versus hourly rates

by Brian Bass and Sam Hamilton



One of the greatest challenges facing freelancers is deciding how to charge for their services. The debate rages on about the use of project pricing—that is, a fixed fee based on set project specifications—versus charging by the hour for services rendered. In this article, two experienced freelance medical writers present their views.

Brian:

The Case for project pricing

In my opinion, the age-old debate of hourly based versus project-based fees is no debate at all. There is certainly a time and place for hourly fees; for example, when you're just getting started (for a short while until you gain experience), or when you're working on premises (and the number of hours you are putting in is obvious to the person buying your services). Otherwise, charging an hourly rate punishes the proficient and rewards the inefficient.

The reasons are simple: (1) there is a maximum hourly rate that companies are willing to pay; (2) most people get better and faster the more they work in a chosen field; and (3) the bottom-line cost is what matters most to the company hiring the freelance writer.

Viewed a different way, consider this example:

Hourly rate

A writer starting out may charge €60 an hour and take 50 hours to complete a project, for a total of €3000, which is quite acceptable to the client. As the writer gets better, he or she increases the hourly rate to €70, completes the same project in just 30 hours, and earns only €2100—a €900 (30%) cut for being a better writer. In time, the writer becomes even more proficient, and increases his or her hourly rate to €88. The same project is now completed in just 20 hours, and the writer earns only €1760—41% less than when the writer started out and was charging 32% less per hour.

In this scenario, the better you get at what you do, the more you are financially punished, and the harder you have to work to earn the same pay as when you were a less-proficient writer.

Project rate

A writer starting out charges €3000 for a project, a rate that is quite acceptable to the client. He or she takes 50 hours to complete the project, earning the equivalent of €60 per hour. As the writer becomes more proficient, he or she charges €3000 for the same project, but now completes

the project in 30 hours. He or she has just earned €100 per hour, a 67% rate increase. In time, the writer becomes even more proficient. Charging €3000 again for the same project, he or she now completes it in just 20 hours, earning the equivalent of €150 per hour! That's a 150% increase in earnings over when the writer started out, and does not take into account the increasing value of the project to the client over time, which should enable the writer to increase the project rate and earn even more.

In this scenario, you are rewarded for getting better at what you do, earning a rate I dare say few clients would be willing to pay. You can then choose to either work less for the same income or continue working hard and earn lots more money!

The challenge of project pricing

I believe project pricing is the smartest way to work from a business standpoint, but it's much easier to give your client an hourly rate and let them worry about the budget. In this respect, I use project pricing as a marketing tool. I tell my clients I will stand behind my project estimate no matter how efficient I am, as long as no project conditions change. This instantly erases one of the greatest concerns clients have when hiring freelancers—their budget. As a result, my clients see me as a partner rather than as merely a vendor, or worse yet, as an expense.

Of course, the challenge of project pricing is calculating the estimate. I start by preparing several estimates for the project using different factors including the amount of TIME I expect the project will take, my EXPERIENCE with similar projects and what I charged for those projects, what my COLLEAGUES might charge, and what I consider the VALUE of the deliverable to be to my client. I ask a lot of questions up front to define the scope of the deliverable and identify my client's expectations, and I define the limitations myself if the client doesn't provide all (or any) of the information I need. Everything gets documented in my estimate, so if any part is incorrect the client will let me know, and if the project goes out of scope I can revise my estimate based on the new specifications. My estimate is usually so buttoned down it becomes our contract.

To help you develop project estimates, you can get a free Freelance Estimating Checklist at www.theaccidentalmedicalwriter.com.

Brian Bass

bam509@optonline.net

Sam:

The Case for the hourly rate

In my opinion, we need to remain flexible so that we can deliver the products our clients want and in a way that best fits their business model. After all, if we aren't able to conform, then we are out of the running as a potential vendor.

What clients want

Suppose an EU-based pharma company, contract research organisation (CRO) or biotech company sends out a request for a proposal (RFP) for preparation of a regulatory medical writing deliverable. You ask your potential client if they prefer an hourly rate with an upper limit on the number of hours, or a set fee for the entire deliverable. Your client doesn't mind either way, so you propose a set fee. Your detailed proposal, including project-specific assumptions, is well-received and you win the project.

You are now required to fit in with your client's administrative systems and are set up on their timesheet system. You are expected to enter the daily hours worked on the project and submit them on a weekly or monthly basis. This is where your carefully bid, set-fee approach may start to unravel. By the end of the project, it is clear to your client that you are a highly efficient worker, but your hourly rate puts you out of the frame for the next project.

The question you should really have asked at the RFP stage was 'Do you have timesheets that I would be required to complete?' If the answer is 'yes', and in my experience, only the smaller biotechs will say 'no', then you must quote by the hour.

Don't get lost in the detail

It isn't necessary to break the hours down in your RFP any more than to the level of say a draft and a final version deliverable. How you expend the overall number of hours is then up to you. The simpler the breakdown of proposed hours, the easier it is for both you and your client to track. By reviewing past proposals for similar projects and comparing with actual expended hours, it is possible to fine tune proposed hours to place you well amongst potential vendors.

Fair price

Value for money is always appreciated. This does not mean that you need to keep your hourly rate low. Clients are prepared to pay more for those with expertise and experience, so use your knowledge of freelance business rates in Europe [1] and set your hourly rate fairly, whilst keeping your level of expertise, experience and earning requirements in mind. A project delivered on time, and within budget at a fair rate will inevitably cast you in a favourable light when your client has another project to resource.

Repeat business

Repeat business is what it is all about. Imagine a situation where over 90% of your work is for regular clients. You no longer need to seek out business because it comes to you through your pool of regulars. Over the longer term,

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relationships develop that allow more flexibility in your working than if the client doesn't know and trust you. You maintain a steady flow of work over the year, without having to seek out each individual project, which can be unsettling, exhausting, and a distraction from paid work.

Fairness and transparency, flow of work and relationship-building all drive the case for the hourly rate. Now you decide....

Sam Hamilton

sam@samhamiltonmwservices.co.uk

Reference:

1. Reeves A. EMWA Freelance Business Survey 2010. *TWS* 2010;19 (2).

Look what's in store for you in Kensington

We recently gave a training event near Gloucester Road tube station in London. Looking for a restaurant one evening, we chanced upon a pharmacy (not a national chain) with the following to offer:

We couldn't help wondering how the "confidential assessment" is performed. And look at the name of the shop!!

Alistair Reeves

a.reeves@ascribe.de and

Barbara Grossman

barbara.grossman@hawkeye-medical.co.uk