How to set up prices for your freelance services

Disclaimer: *this is NOT meant to be the be all end all guide for pricing your services as a freelancer!! This is only my (Deji) personal approach to the subject.*

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Intro

Hello! It seems like you want to start providing your services in exchange of some cash. Sweet!

Maybe you're a student and are looking to get some spare cash to spend on your hobbies or to buy something, or maybe you want to supplement your primary job income. Or maybe you took that giant leap and decided to live as a freelancer (all the luck in the world to you!).

Chances are if you're reading this guide, you have very little idea of what to charge for your services.

A Balancing Act

Pricing things is complicated, basically because you have to account for many different things at the same time!

As service providers, we need to make sure our clients (because that's what our commissioners are!) are getting a fair deal for their money, meaning good quality in a timely manner, but also to account for our own time, effort and expertise. We don't want to undercharge but we don't want to overcharge either.

What we need to consider when setting up prices is:

- Your service: what you can offer
- Your competitors: what other people are offering
- The market: what clients seem to be attracted to
- Your time and effort
- Your expertise
- Your expenses: how much you *need* to make.

Your service

So, as somebody starting up, first let's take a look at what you can do.
Maybe you can write, or code or compose or draw. Cool!
Take a look at your best work and at your okay pieces and seriously consider if you're comfortable offering this to potential clients. Would people pay for this? Would you pay for this?
If your answer is yes, good! Now, you need to take a look at what other people are doing.

Your competitors

Look around and find other people offering the same services you do and how much do they charge for said services.
Be honest with yourself: is your work of the same quality? is yours better? is theirs better?

Remember **your potential clients *will* shop around and pick what they like best but also what's best for their wallet and their timelines**! Some people don't mind spending more for good quality, while others prefer things done fast. Fewer people will pick the cheapest option just for the price.

So take note of what your competitors are offering and how much are they charging. Make an actual list, if you can.

If your quality is comparable to theirs, consider charging as much as them; maybe a bit less to start, so you get some early clients picking you over your peers and then, after you have a loyal set of clients and/or your work starts getting recognized as good an reliable by others, you can start raising your prices.

If your quality is not as good as what's out there, charge less. You can raise your prices with time as you improve.

And that should be it, right?
Wrong!
There are yet other aspects to consider!

The market

While you check out what other people offering your same services are doing, take a look at what clients are commissioning the most.
An easy way to get work is to do exactly **what everybody else is doing but better and cheaper**. Or just doing the same as everybody else at the same price, since eventually everybody else will be busy to take more work and they will hire you.
Now, you can also take note of what is not currently being offered by your peers and take advantage of that and offer it yourself. **What can *you* offer that the rest is not offering?** A good example of this is Background artists. They're always in big demand because there are so few of them! But character artists? There are lots (comparatively).

So consider doing whatever sells the most right now (what people seem to need the most and are willing to pay for), or pick what other people are not doing and offer it yourself to get an advantage.

Time, effort and expertise

Take a look at your work.
You're proud of it, correct?
Now… how long did it take you to make that work? One hour? One day? One week? One month?
How hard was it to do? Did you struggle? Did you have to go over it several times to get it right?
Did you have to study and learn things you didn't previously know to do it? Was it fun?

Yes, all of this you may have to consider when charging for a piece of work. Some people just charge by the hour, no matter what they do, but consider this scenario:

> Person A and Person B both charge $10/hour and both offer service X.
>
> Person A, has done service X many times and it takes them 3 hours to produce a piece of work of Y quality.
> and
>
> Person B, that's not experienced in service X and it takes them 6 hours to produce the same Y quality piece.
>
> (Consider also that Person A, in the 6 hours it takes Person B to do what they do in 3 hours, can produce a work of Y+n quality.)

It'd be fair to pay $30 to Person A and it'd also be fair to pay $60 to Person B, correct?
The client will probably pick Person A to do job X, and won't pick Person B, unless they either lower their prices closer to what Person A charges and/or Person A is too busy to take their work and they don't want to wait for them to be free.

Now, what Person A can do, and probably will do, is to **raise their prices to account for expertise.**

The huge printing presses of a major Chicago newspaper began malfunctioning on the Saturday before Christmas, putting all the revenue for advertising that was to appear in the Sunday paper in jeopardy. None of the technicians could track down the problem. Finally, a frantic call was made to the retired printer who had worked with these presses for over 40 years. "We'll pay anything; just come in and fix them," he was told.

When he arrived, he walked around for a few minutes, surveying the presses; then he approached one of the control panels and opened it. He removed a dime from his pocket, turned a screw 1/4 of a turn, and said, "The presses will now work correctly."After being profusely thanked, he was told to submit a bill for his work.

The bill arrived a few days later, for $10,000.00! Not wanting to pay such a huge amount for so little work, the printer was told to please itemize his charges, with the hope that he would reduce the amount once he had to identify his services. The revised bill arrived: $1.00 for turning the screw; $9,999.00 for knowing which screw to turn.

In this new scenario, Person A charges $60 for X and Person B charges $45 per service X (the latter has lowered their prices a bit to be able to compete and get work).

What the client will choose is now not as clear.

They may go with Person A if they recognize their work and feel safe working with them, OR they may choose Person B, because they're cheaper and/or maybe to give the chance to a new face to get their work out there (some clients do that!).

And here is where looking at the market will give Person B an edge, since they may be able to offer the potential client something that Person A doesn't offer them, even if they're faster and have more experience.

So, bottomline: consider how much time it takes you to produce X amount of work, how much experience (and/or education and training) you have doing what you're offering and how much trouble or fun it is to do X (some people may lower their prices for a specific project if they like the subject or raise them if the opposite is true!)

Expenses

This is where all things come together, especially if you live as a freelancer and your primary source of income is the work you do for clients out there (I personally don't recommend this until you've freelanced part-time for a while and you have at least a few loyal clients).

So… **how much do you *need* to make from your commission work**? If you need to pay for something specifically, that's your answer "I'd like some spare cash, any is fine, really", "I need $200 to buy my girlfriend a present", "I want $800 to pay this bill" or even "I need $1500 to pay for all my expenses this month" are all valid answers.

Now, consider **how much time you actually can devote to make that much money**. 2 hours? 5 hours? 30? 160? This will give you an idea of how much to charge, whether you do it on a per/hour basis or you know how long it takes you to do X.

What I need to make / how many hours I can devote to work = hourly rate

So let's say I need $670 to cover my monthly expenses, so my timeframe is one month. I decided I'll devote 15 hours a week on freelance work, which is roughly 3 hours a day. let's say a typical month has 22 working days, so that gives me 66 hours in my month.

$670 / 66 hours = $10.15

Now, to make those $670 I'd need to charge about $10 an hour.

I have my ideal hourly rate for my expenses, hurray!

Now… can I get away with charging $10/hour? If work X takes me 3 hours, I'd have to charge $30. Considering my work quality, competitors, what clients seem to be looking for and my own expertise, will I be able to get work by charging $30 for X?

If the answer is "no", **I'd have to consider lowering my expenses somehow, or working more hours so I can lower my hourly rate** to something I can realistically charge for my work.

If the answer is "yes", then it's all good! I can set my prices based on my hourly rate and that should be it. Now, the answer could also be "yes, and people are charging more than this even" and that would allow me to raise my hourly rate to, say $15/hour; that way I'd make $990 on the same 66 hours, I'd cover my $670 expenses and have some extra to spare (or save, *please save!*)

A good rule of thumb is, if you can afford it, **set your hourly rates at minimum wage**. That will be different depending on where you live; for example, minimum hourly wage here in Chile where I live is US$2.02/hour, while in US is US$7.25/hour.

I'd personally recommend **starting with minimum wage and then raising your prices with time as you improve and start getting more clients**. You don't want to charge too much you don't have enough work to cover for your expenses, nor you want to undercharge so you too much work and/or can't cover your expenses.

Also I'd recommend having different rates for different things, if it's not too much trouble for you to figure it out:

- Paid by piece.
- Paid by hour.
- Commercial work.
- Non-commercial work.

Paid by piece: this is the standard. You offer work X and client pays you $Y for that work. To calculate how much you should charge for this:

Your hourly rate * (number of estimated hours*1.2)

Why the 1.2? Because always, *always* things end up taking a bit longer than you think they would. the 1.2 accounts for 20% more of the time you initially estimated.

So let's say my hourly rate is US$11 and I think this commissioned work will take me… 3.5 hours.

US$11 * (3.5 hours *1.2) = $46.2

You can go ahead and round it up to $47 or even $50 if your previous research shows you can still get work if you do.

Paid by hour: I don't recommend this unless you're working on a project and/or with a trusted client! (same goes for commissioners working only with trusted creators for this!!).

This can be paid upfront "I'd like to buy 20 hours of your time for this project" or "Here, I'll pay you US$500 for this", or paid after (only with trusted clients!!) "This took me 20 hours, and you owe me $X"

What you may charge or bill your client is:

Your hourly rate * (number of estimated hours)

or, to get the number of hours you devote to work for them:

What the client pre-pays you / Your hourly rate

So if my hourly rate is US$11…

US$11 * 20 hours = $220

If my client pre-pays me US$500…

US$500 / US$11 = 45.45 hours

Commercial vs non-commercial rates

Non-commercial means the person buying your work/service from you is not allowed to sell it or use it in any work that will be sold. The creator (you) retain the commercial rights, meaning that if the commissioner wants to make money off your work at any given time, they need to buy those rights from you. You also have the right to distribute and showcase the commissioned piece and in some case make money off it as well. All this SHOULD be discussed and put down in a contract beforehand if you are unsure what your rights as creator or clients are over non-commercially commissioned work.

Most people just use the formulas up there for this kind of work.

Commercial means the person buying your work/service is allowed to use it as they see fit on anything they want and make money from it. The rights are theirs and not yours. You can negotiate using the work yourself in some things, though (some clients that commission artwork for their projects will allow you to display work on your portfolio or to make prints you can sell at conventions, for example - this also doubles as advertisement for them as well!)

Some people may charge US$50 to US$100 per hour or have % fee for commercial work, usually anywhere between 50%+ and 300%+.

So, say I still charge US$11/hour and a piece that I think takes me about 3.5 hours.

Non-commercial price:

US$11*(3.5 hours *1.2) = $46

Commercial price at $50/hour:

US$50*(3.5 hours*1.2) = $210

Commercial price at 50% fee:

US$11*(3.5 hours *1.2) * 1.5 = $69

**1.5 = 150% the original price (100% + 50% fee)*

Other pricing rates for non-artists

Usually, artists get away charging per hour or per drawing/art asset, but if you are a different kind of creator, you may change how you price things.

Writers and editors

Usual rates: per word or per 10k words.

Number of words / time it takes you to write or edit = Words per hour.

Hourly rate / Words per hour. = Price per word.

So, let's say I can write 10k words on a week, and I devote 15 hours a week to writing.

10.000 words / 15 hours a week = 667 words per hour.

Now, to calculate my hourly rate, I can either set an hourly rate or calculate it like we did before with money I have to make / hours I can devote . Let's say my hourly rate is $US11.

US$11 / 667 words per hour = $0.0165

In this case it'd be better to charge per 10.000 words, which would be $165
A lot of writers charge $0.04/word, which is $400 per 10.000 words.

Musicians/composers:

Usual rates: per track or per minute.
Modifier: complexity.

hourly rate * time it takes to make the track / length of track in minutes = rate per minute.

rate per minute * length of the track in minutes * complexity = final price.

Usually simpler tracks take less time and more complex take longer, so if you're charging hourly this will reflect it no problem. If you're charging per piece, you'll want to add a complexity multiplier, with 1 being the average complexity, numbers lower than 1 (0.8 for 20% less) for things simpler than what you usually do that will probably take less time than usual and numbers higher than 1 (1.2 for a 20% increase) for more complex tracks that will probably take longer that usual.

note*: I'm no musician/composer and I have no idea how much they usually charge for their work or how long it takes to make a track. The numbers below are just for illustrative purposes!*

Say I keep charging US$11 per hour and I can usually make one minute of music in, say, 2 hours.

US$11 * 2 hours / 1 minute = $22

I have a base now to start pricing things. Let's say I'm asked to make a track that is 3.5 minutes long and the complexity is high.

$22 * 3.5 minutes * 1.5 (50% extra per complexity) = $115

or (using the same formula to calculate price per piece for artists)

US$11 * (2 hours * 3.5 minutes)* 1.5 = $115

Programmers:

They usually charge per hour, though if they know how much it takes them to program a certain piece, they can also charge per piece using the formulas above, like

Hourly rate * time it takes them to do the piece * extra % of time just in case = final price.

In the case of Visual Novels, they may charge **per screen (main menu, GUI, etc)** and have a **complexity modifier** (that takes the extra time % modifier's place), **charge per custom system** (stats raising, schedule system, battle system, etc) that they know beforehand how much it usually takes them (a week, 2 weeks, etc) and also include **directing (adding expressions and sprite movement) per line of dialogue**.

Voice Actors:

Usually charge per word or line (up to x amount of words).

Graphic designers and GUI artists:

Like other artists, they can charge hourly or per piece (per logo, GUI element, screen, etc)

Payment

Now that you have set your rates and/or prices per piece (of whatever you're offering), you put yourself out there and wait until a commissioner shows up!

Now, you have to negotiate payment.

From a creator's perspective, you want the money asap, right? You don't want to work hard on your commissioned piece, deliver it and then your client running away with it without compensating you. This sadly happens to a lot of people starting up with commissions.

Now, before we all start demanding upfront payment, consider the opposite scenario, where a commissioner pays upfront and the creator never finishes the piece, or they agree to work for X hours but they charge their commissioner for X+n.

So we need to find a healthy balance, so our commissioner does not run away with our finished work nor is our commissioner scared that we may run away with their money.

Upfront payment

Risk for creators: **Low**
Risk for clients: **High**
Best suited for: Creators with previous commissioning experience towards first time clients, or trusted creators with clients pre-paying for time ($X per Y hours of work to be done).

In this scenario, the creator sets a price and the client must pay it before any work is done.

The client may trust the creator since they have a good reputation and is willing to take the (low) risk of them running away with their money. This is also the preferred method for creators wary of new clients.

Rough first, then upfront payment

Risk for creators: **Medium-low**
Risk for clients: **Medium-high**
Best suited for: Clients not sure if they like what the creator may do for them, so they may need some concepts/roughs/sketches before deciding to go on with the commission.

In this scenario, the creator will have to invest some time working for the client before any payment can be done; there may be a chance of the client dropping the commission and the time spent going to waste; to make up for this, some people have a non-refundable commission fee to be paid upfront to make up for this time even if the client drops the deal.

The client will have a guaranteed amount of work before paying anything, so risks of the creator not doing the job and losing the money are lower than full upfront payment.

Half upfront, half later

Risk for creators: **Medium**
Risk for clients: **Medium**
Best suited for: Most people, since it cuts the risk in half for both creator and client.
In this scenario, the creator protects themselves by asking half payment upfront and the client only risks half of the money.

The deal can be arranged so the payment is made after the work is completed and delivered (higher risk for creator, lower for commissioner) or before the work is completed and delivery of the final work is done upon successful payment (higher risk for commissioner, lower for creator)

Full payment upon completion

Risk for creators: **High**
Risk for clients: **Low**
Best suited for: First time creators and/or with trusted clients, or trusted creators with trusted clients working on an hourly basis ($X per Y hours of work already done).
In this scenario, the creator is the one taking all the risk, since the clients will only pay after all the work is done and they could get away without paying. One way to prevent this for some kind of creators is only sending a demo or watermarked version of the finished work and only sending the final piece upon successful payment.

This is usually the preferred method for clients wary of new creators..

You may also negotiate other payments if both parties are comfortable with it, such as payment at the end of the month for recurring clients likely to commission pieces one or several times monthly, or payment plans for trusted clients that can't make a full payment right now.

As for payment methods in terms of how to transfer the money to the creator, the preferred one for creators and clients alike is **PayPal**.
Other methods used but not so widespread for payment are **Amazon Payments** and **Payoneer.**

While commissions are usually informal transactions between people, some people may also require invoices for tax purposes. PayPal offers them in their website, or you can just make one yourself on google docs and save it as a PDF to send to your commissioner.

Addendum: What are art commissioners looking for (particularly anime style commissions)

Finished pieces: This means Sketch/Lineart/Full Color with Background. Commissioners need to know you can do an entire piece by yourself.

Multiple Styles: More than just chibi/regular. This shows you have strong basic skills. Alternatively if you do more with your pieces than just the illustration that can also work. Things like animations, comics, etc show you are not overly specialized in one area.

EMAIL: Please have a business email available where commissioners can contact you! Not everybody likes dealing with twitter DMs, tumblr asks or deviantART notes.

Active Gallery: You update your gallery or portfolio regularly and remove old pieces when your new stuff is clearly better. You can still have it available, but the main gallery shows your best work. Always include work you've done for others if you have permission.

Hope this little guide has helped you in some way!
And let me know if you have comments, suggestions to change or fix something, etc :)

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