

## FREELANCE

## BY THE NUMBERS

Keep tabs on your finances by tracking 5 business basics, and you'll end each month with more money in the bank.

If you're like most creative freelancers, you love making your living doing what you love. The pesky business stuff that goes along with it? Not so much.

To run a profitable and healthy business—one with high-quality clients, interesting projects and a strong foundation that doesn't collapse the moment the economy shifts—you must learn about doing business, including dealing with numbers and tracking metrics.

What? You're not a numbers person? Your head goes fuzzy when someone starts talking about financials? You're not alone—but there's hope, as this is not a genetic condition.

Numbers simply refers to what you charge, what you spend and how it all comes together. It's also called metrics—a corporate-sounding word that you may shy away from. But if you can get through the fog and learn to deal with a few key figures, your business will thank you. Start by tracking these basic numbers:

**NUMBER OF CLIENTS**

Do you have enough clients? If you only have a couple of big clients, and they keep you pretty busy, your plate may be full today. But you also should be thinking about what would happen if one (or more) disappeared—and they tend to disappear quickly. How would you replace them?

Needless to say, it's a precarious position to be in. The rule of thumb is that no client should make up more than 25% of your income at the very most. As a freelancer or solopreneur, you need at least four clients, ideally more, so that you're not dependent

on any of them. This is challenging because there's a delicate balance between providing excellent service and not overloading your resources—especially if you want to keep your business small and manageable. And making time for client acquisition when you're already busy requires the discipline to be constantly marketing yourself.

**TYPES OF CLIENTS**

Do you have enough different types of clients? Diversity in client base also is critical, but presents another challenge: to temper the need to focus on a target market (or two) without putting all your eggs in one basket. When the economy shifts, as it has recently, serving two niches (say, medical practices and day spas) helps insulate your business from sharp downturns in either market. How can you diversify your income so it's not all coming from the same source? That's the question to not lose sight of. Don't wait for crisis to teach you this important lesson.

**BILLABLE HOURS**

Are you charging enough and bringing in enough money to cover your time and expenses? If you aren't watching these numbers, you probably don't know, even if you feel like you do.

And if you aren't systematically tracking your billable hours against the hours you estimate, you may not even know this disconnect is happening (although you may wonder why you never get beyond living hand-to-mouth). Creatives are notorious for over-servicing their

clients. A common way to lose money—especially if you're a perfectionist—is to spend too much time on projects that don't pay enough. You love the creative process and want to do your very best—it's a point of pride—so you finesse every last detail and stay up way too late, just to finish a project.

Unfortunately, most clients can't tell the difference between mediocre and excellent design. That's why you must know when you've spent the allotted time, when what you've produced is good enough, and when it's time to move on to the next paying project.

Going the extra mile once in a while, whether the client notices or not, is fine, and can even add value to your business. It's very gratifying when clients recognize and appreciate the polish you bring to your work, especially if that appreciation comes in the form of a premium fee. But if you're regularly spending 20% more time than you can bill, it may be time to rethink either the hours you invest or the way you estimate projects—or both.

## PRODUCTIVITY

Is enough of your time billable? Or do you get distracted with administrative tasks (or Facebook)? To know, you must track your time, whether you use a web-based software or do it on paper.

The standard for freelancers should be in the range of 60% to 75% billable hours and 40% to 25% for everything else. Try reaching for the higher goal and put systems in place to “chunk” your tasks for better efficiency. Some creative freelancers dedicate Mondays as “Marketing Monday” or do all their invoicing on the last Friday of the month. Also, there are many online tools that facilitate the process for marketing, billing and everything else (see Web Extras).

## PROPOSALS CONVERTED

Are you writing too many proposals that go nowhere? Aim for a win rate between 25% and 50%. If you're winning more than one or two out of every four proposals, you're probably not charging enough. And if you're winning fewer, you're probably not qualifying your prospects well enough.

Even if you have a standard template that you tailor for each project, proposals take a long time to write. Don't agree to submit one unless you know the client can afford you and you have a good chance of winning the project.

A corollary metric is to know how many proposals you need to write per month (and of what average value) in order to achieve your annual sales goals. From there, you can figure out how many serious prospects you need to meet with or talk to in order to yield X proposals. Then, break down your marketing tools and tasks to determine how much you need to do to drive that number of serious prospects into your pipeline each month.

If you've been freelancing for a while, you should be able to figure this out based on experience; if you're just starting out, it may take a year to determine (but start with an educated guess).

Most of these numbers are common sense. You don't need an MBA to track them, and you don't have

## FREELANCE SPOTLIGHT

Kathy Piersall, A Blue Moon Arts LLC  
Tulsa, OK; [www.abluemoonarts.com](http://www.abluemoonarts.com)

I have a laundry list of things to track, but to pause and pull it all together takes about 3.5 hours at the end of every month. My top metrics are:

**Projecting income/expenses.** My goal at the beginning of each month is to project expenses for that month and the following month. I use the Your Business Overhead worksheet from “The Designer's Guide to Marketing and Pricing” (see Web Extras) as the basis for these projections, which I use in my yearly planning, as well. I've been able to keep more money on hand, which is a good thing for cash flow. Projecting expenses is one of those tasks that's easy to put aside in favor of client deadlines, and it can seem less urgent when I know I have a decent amount in the bank to cover expenses.

**Monthly accomplishments.** I like to track what I actually get done each month, for both marketing and billable work. I track my time and often succeed at spending the recommended 10% to 20% of my time on marketing, calling prospects, following up, attending networking events and more.

**Size of active mailing list.** I have a growing list of prospects, clients and people I meet, and I need to make time to make sure everyone gets on the list each month. I use the Marketing Mentor Marketing Plan + Calendar (see Web Extras) to track marketing activities. I list what I want to do and then note what actually gets done. I also have financial goals, but I don't keep them in front of me all the time. I have tried that, but I'm a compulsive list-maker, so I end up with a wall of notes that's just visual noise. It doesn't make me any more effective.

to be rigidly systematic about it. You just have to make the time on a regular basis to look at them and reflect on what they say about the health of your business. Then use that information to grow. [HOW](#)

*Ilise Benun, founder of Marketing Mentor and co-producer of the Creative Freelancer Conference ([www.creativefreelancerconference.com](http://www.creativefreelancerconference.com)), works with creative freelancers who are serious about building healthy businesses. Sign up for her Quick Tips at [www.marketing-mentortips.com](http://www.marketing-mentortips.com).*

### » WEB EXTRAS

Find practical reviews of different time- and project-tracking tools at [HOWdesign.com/projectmanagementusers](http://HOWdesign.com/projectmanagementusers)

Download the Business Overhead Worksheet at [HOWdesign.com/overheadworksheet](http://HOWdesign.com/overheadworksheet)

The Marketing Mentor Marketing Plan + Calendar is available from [MyDesignShop.com](http://MyDesignShop.com)