

Freeing^{up}
potential

The freelance career ladder

Seven business models to help plan the journey

A special report produced for National Freelancers Day 2010



PCG
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The voice of freelancing

Foreword Dr James Bellini Futurologist, author and broadcaster



We need to change the vocabulary of everyday working life and catch up with the digital age. “Career” comes from the old French word for “racecourse”, “job” from the verb “to devour”. Chancy, violent and in no way suitable for the fluid, flexible, trust-based, and collegiate concept of work that will increasingly shape our wealth-creating practices in the years to 2020 and beyond.

But then, such outmoded ideas are merely blips in the longer story and belong in the dustbin of history. For a couple of centuries from the 1750s, industrialisation brought us static employment practices, our working years spent in the same fixed place executing the same repetitive function.

For generations this was the eternal norm. But it was never more than a short-term aberration. Before factories and offices, most people worked in agricultural communities, sharing tasks and tools in the fields as the seasons dictated. There were no jobs, nor lifetime careers – nor management gurus and business schools. Rush hour commuting [Britain currently spends 4.6 million hours a day at it] and the horrors of 9-to-5 were unknown. And now, thankfully, for most of us they will soon be gone again.

Economic evolution, driven by an ever-expanding array of connective, knowledge-based technologies, is transforming the shape of the working machine. Adam Smith’s Wealth of Nations – with its focus on the power of individual specialisation – is giving way to the wealth of networks.

Work is being set free from hierarchies and geographical confines. Specialisation will be steadily replaced by collaborative work ecosystems, dependent on contingent freelancers. By 2020 some 80 per cent of UK working adults will no longer travel to the same, inefficient, under-utilised desk each day. They will work where and when needed, just like the old days. The freelance ideal will again be in vogue.

Analysts in the US refer to this emerging model of working practices as “gigonomics” – an economy where everyone has “gigs”, or short-term contracts. There will no longer be the safety nets, pensions, health insurance or assured monthly income of old-style employment. The freelance worker of the future will need to be a self-governing, self-marketing one-person enterprise. And there will be many who may not be able to make the transition from old to new because of lack of the right skills, wrong temperament or simply the absence of the freelance spirit. It will take a generation or more to absorb these frictional challenges.

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by Dr James Bellini

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About PCG

Introduction

This report has been produced by PCG, the professional association supporting the interests of freelancers in the UK. It provides an insight into the varied approaches being used by freelancers to achieve their professional and life goals.

The content is based on the results of three initiatives launched by PCG in the run-up to National Freelancers Day 2010 as follows:

1. The top tips campaign

Freelancers were invited to submit their best advice for other freelancers on starting out, running and growing the business, client handling and working with freelancers.

The tips are available to view on www.nationalfreelancersday.org.uk

2. The Mastermind Sessions

Groups of freelancers gathered around the UK to brainstorm career building strategies. Events were held in Manchester, Brighton, Edinburgh, Bristol and Watford. People came from very diverse backgrounds; engineering, film, graphic design, project management, IT, PR and change management, to name a few. You can see some of the strategies that the groups came up with at www.nationalfreelancersday.org.uk

**the mastermind
sessions**

3. The Ying-Yang survey

In November 2010 PCG conducted the largest survey of its kind – 1624 freelancers and 668 clients participated. They were asked parallel questions to find out how closely the thinking matched between clients and freelancers.

The feedback gained from these initiatives captures the collective experience of the freelance community, providing a fascinating snapshot of the imaginative ways that freelancers use to free up their potential.

For the purposes of this report we have pin-pointed seven business models being used by freelancers to commercialise their services. In reality freelancers are likely to move fluidly between these seven business models, often merging several of them together. However, we hope that by dividing them into a simple list, whether you are a new or established freelancer, you will be able to take a step back from the day to day delivery of work, have a look around and take in what other people are doing. Is there anything in here you could apply to your own situation? Or could it serve as a reminder to implement something you had already considered, but temporarily forgotten about?

As a rule people tend to move into freelancing once they have developed an expertise in their particular area as an employee first, as demonstrated by the fact that 92% of PCG's 20,000 members are over 35 years old. This report doesn't therefore cover how to acquire the relevant expertise. It is more about different ways of applying the expertise you already have.

Of course this document is just the tip of the iceberg – it is designed to focus the mind and to provide a signpost of where to look for further information, with relevant links where appropriate.

We also intend to conduct follow-up research to explore these issues in more detail – if you are interested in updates on this, please subscribe to PCG's newsletter at www.pcg.org.uk/newsletter

75% agree that freelancing is a long term career choice

Three in five business leaders agree that it would be difficult for their business to operate without freelancers

Source: PCG survey November 2010

Setting the scene: results from the Ying-Yang survey

Do freelancers and clients think the same?

In November 2010 PCG conducted the largest survey of its kind¹ – 1,624 freelancers and 668 clients were asked a series of questions to find out how closely the answers matched between the two groups.

Why do organisations use freelancers?

Freelancers say

“To buy in skills they don’t have in-house”

Clients say

“To manage peaks in workload”

What are the most important factors when selecting a freelancer?

Freelancers say

“Other career history, recommendation and personality”

Clients say

“Qualifications, price and evidence of training”

What are the least important factors when selecting a freelancer?

Freelancers say

“Website or online presence”

Clients say

“Website or online presence”

(But clients still rate these higher than freelancers do, along with “evidence of training” and “membership of a trade association”)

What qualities are important for freelancers to have?

Freelance		Clients
(59%) Most popular	Flexibility/adaptability	Most popular (47%)
(54%) 2nd	Good communication skills	2nd (46%)
(47%) 3rd	Problem solving	5th (31%)
(35%) 4th	The ability to quickly create a rapport within a team	6th (29%)
(22%) 5th	Enthusiasm	4th (36%)
(21%) 6th	Ability/confidence/experience to challenge the status quo	9th (9%)
(20%) 7th	Good time management	3rd (40%)
(14%) 8th	Fitting the company culture	7th (22%)
(12%) 9th	Good listening skills	8th (16%)
(9%) Least popular	Good leadership skills	Least popular (7%)

¹ For full survey results and methodology please see www.pcg.org.uk/research

Some more market intelligence from the survey...

- **Three quarters of business leaders (73%) who engage with freelancers think opportunities for freelancers within their organisation will stay the same or increase over the next 12 months.**

Just 17% think they will decrease.

- It is apparent that opportunities for freelancers are more likely to decrease among larger organisations. **A quarter of business leaders from companies with over 500 employees think that opportunities for freelancers will decrease over the next 12 months.** This compares to 13% of business leaders from companies with between 200 and 499 employees and just 6% of organisations with less than 20 employees.

- **A third of businesses (33%) recruit freelancers every 1-3 months,** while one in ten organisations (12%) never recruit freelancers.

- Generally, **the majority of companies (58%) find freelancers through recruitment agencies.** Two in five companies (42%) find freelancers through referrals, while around a third (32%) find them through their own personal network.

- **Around half of businesses (46%) contact previous clients, or review previous examples of their work.**

- **Almost two thirds of freelancers (60%) have an average daily rate of up to £500 a day,** while the most frequent average daily rate is between £401 and £500. Just 1% of freelancers charge more than £1,000 a day.

Contracting via an agency

The logic

Don't spend all your valuable time trying to find work. Let an agency source the juicy projects for you instead – it is after all what they're good at.

Variations on the theme

In many cases the freelancer bills the agency and the agency bills the client, adding their percentage on top. However not all agencies work this way – some will charge the introduction fee to the client and then let the freelancer invoice the client directly. More online job boards are also appearing, offering a digital alternative to the traditional model.

The upside

It can be a good way of controlling cash-flow and minimising exposure to credit risk as many agencies offer regular payment terms, so you don't have to wait for the client to pay your invoice. In some cases it's also the only way of reaching the really big clients. If you develop the right relationship with the agencies, they can become your marketers. Many contractors make a 30+ year career out of this way of working and are able to make a very comfortable living (billing anywhere between 60-150K a year ²) in a reasonably low stress way. It is particularly common in certain industries such as IT and Oil & Gas, but not exclusive to these – and of course not everyone in these industries works this way.

The downside

There are some excellent agencies out there, but there is also word on the street of a few unscrupulous agencies taking unreasonable percentages, completely out of line with the market. It is important to check the agency and to get recommendations (between 5-25% is a fairly typical and perfectly acceptable agency commission). In turbulent economic times it can also be a challenge getting put forward for projects, as the agencies have so many freelancers to choose from – you have to work harder at developing a strong relationship with your agent.

Things to be aware of

Some of the larger end-clients, such as the big banks and insurance firms, have a policy of only dealing with freelancers via an agency. Also, if you are invoicing the agency it makes sense to set up a limited company so you can receive the payment gross (without PAYE and NI deducted). For this to work it is essential to understand the concept of being *In Business On Your Own Account* ³ and to have the proper contracts and working practices in place so as not to be "deemed employed" by the tax authorities. Also, some freelancers warn of the potential for a Chinese whispers effect when discussing the initial project specifications. In theory the agency should discuss the contractual terms with the client, leaving you free to discuss the actual project deliverables directly with the client before you start on the project. However, anecdotal evidence suggests this doesn't always happen in practice and the project can be vulnerable to communication breakdown if you aren't able to have a direct line to your end-client at the crucial stages.

²Source: PCG annual membership survey

³For more information about UK tax rules concerning freelancing, agencies and employment status please see page 7 of the PCG Guide to Freelancing at www.pcg.org.uk/guide



“ If you work via an agency, the recruitment consultant is your client. Choose an individual within the company, nurture the relationship and get back to them fast when they contact you. I achieved that with two agencies and was kept busy. ”

Talking tactics

Chris Bell, a freelance project manager, on maximising income in a sustainable way

“ I tend to work as part of a programming team within a project. I don't usually work on contracts less than six months, so I'll be working with a single client during that time, although sometimes I'll be working on up to three projects simultaneously within the same organisation.

In terms of my own business goals, I'm more interested in financial growth that creates the income needed to be happy, rather than growth for growth's sake. I want to be able to take time out to do other stuff and to have the freedom to pick and choose projects, to have interesting and varied work. It's about maximising my income in a sustainable way.

I could earn £750 a day as a consultant, but there is more responsibility, which equals higher stress. You also work less days at that rate. I prefer to seek out longer term contracts at around the £550 rate. It's less stressful and strikes a balance between revenue and quality of life.

I don't pay myself everything my limited company earns. I allow money to accumulate in the account and in a normal year I can build up enough reserves to survive for six months without working. That gives me a buffer while I'm looking for work between contracts, and I find it's better to look for work while I'm out of contract.

Continuity of income is important, so I'll make tactical decisions to preserve that continuity. For example I was recently offered £660 a day to stay at my current role within the public sector, but looking ahead I knew the role could be doomed due to the planned government cutbacks. I therefore accepted a lower rate in the private sector to pre-empt that.

Long term planning for me is pointless – when I'm reaching the end of a contract I start surveying the scene and make tactical decisions based on what is happening in the industry at that point in time, having built enough reserves to give myself the time for a considered view. If there are no opportunities in the UK, there are others in India and China – there's always a slant.

I use the phone a lot to build and maintain relationships with agents. I also use the online portal Jobserve. I think it's important to be very clear about how you will market yourself. When I started out I had a long list of things that I could do but was in danger of being seen as a jack of all trades and expert in none. My "silver bullet" was to market myself as a project manager. Clients understand what this means. Once you are in the organisation you can turn your hand to lots of other things - once they get to know and trust you. You have to establish yourself first with a new client to gain trust through what you can do and bring to the party.

I treat my business as a business and run it as such. It sounds trite, but how many of us take time out for training to keep our skills up to date or regard time spent at networking or other events as valuable marketing expenditure to expand our contacts and grow our opportunities for renewals. Thinking of yourself as "Jo Smith Ltd" and doing all of the things that companies do to increase their presence in the market place does, literally, pay dividends.



Contracting direct to the client

The logic

Why involve a third party when you could land contracts directly yourself?

Variations on the theme

Your “direct” client might not always be the end-client. Often consultancies or creative/digital agencies sub-contract work out to freelancers. These layers of sub-contracting can get quite long – make sure you know where you are in the food chain - generally the lower down you are, the less money there is for you, as so many parties have taken a slice out of the budget before you!

The upside

With the agency’s percentage out of the picture you can charge your client a higher fee, while still saving them money. You also have more control over your relationship with the client, the rate negotiations and contractual terms. Several contractors we spoke to said they never use an agency and all their work is direct to client, usually via word of mouth – it was notable that some of these came from areas where agency contracting is seen as the norm, such as IT. One freelancer even said that she has a strict policy of only working directly with the decision maker – in her experience having other layers in between, be they other organisations or even just layers of people within one organisation, can be fraught with problems.

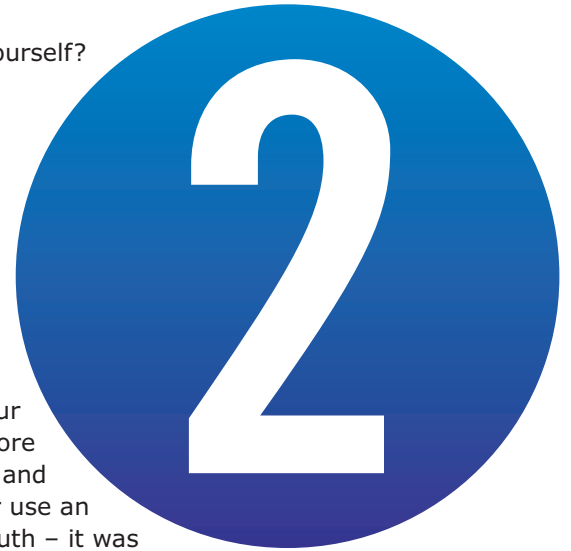
The downside

Agencies exist for a reason. If you want to bypass the middleman you have to put in the legwork to land your own contracts and work your way up the chain. It can sometimes take several years to achieve that.

Things to be aware of

Some clients may be unwilling to work with you if you are an unincorporated business such as a sole-trader, as it could expose them to the risk of you being “deemed employed” by the tax authorities if your working practices don’t meet certain criteria.⁴ Setting up a limited company removes the risk for your client, but puts the burden of risk on you (under the IR35 legislation). Again, it’s important to fully understand the principles of employment status.

⁴ For more information about tax rules concerning UK freelancing, IR35 and employment status please see PCG’s Guide to Freelancing at www.pcg.org.uk/guide



““ The higher the rate, the less the client negotiates. It was clear to me that I had to get out of the lower price bracket fast... ””

Multiple client consulting



The logic

Develop a portfolio of clients, working on several projects at any one time, as opposed to contracting nine to five with a single client for several months to several years.

Variations on the theme

Some freelancers mix and match - they might have a long term contract or retainer to do two days a week with one client and then use the remaining days for ad-hoc consulting with others.

The upside

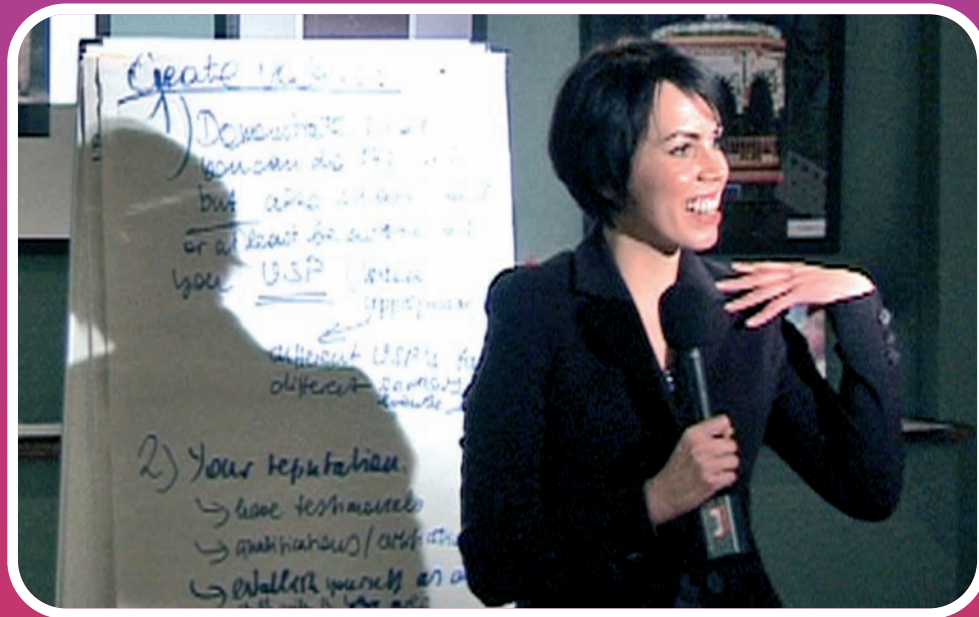
Having a portfolio of clients keeps it varied and interesting, and ultimately provides greater security as you're not reliant on a single source of income. The increased variety allows you to build up a great deal of expertise and helps you to take a broad, objective view on problems. The more your expertise builds, the higher the rates you can charge.

The downside

You have to be good at juggling several projects at a time and to handle the increased pressure that comes with being called in as an expert.

Things to be aware of

Clients often engage consultants because they need a trusted adviser, so it's important not to go in with an employee mindset where you expect to be told what to do.

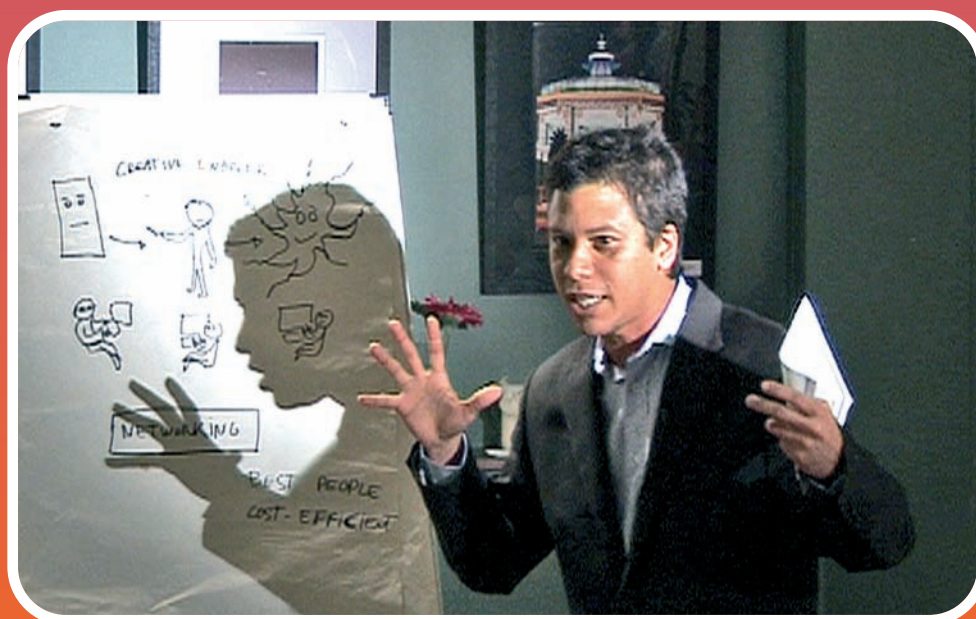


“ The first thing is to establish a unique selling point, a specialism to demonstrate that there is something in you that no-one else can do. To give you my example, I’m not British, I’m German, I speak several languages, so if I work with a client who needs PR and communications in Europe, involving other languages, I can ask for a much higher rate. The next thing is your reputation... you want to talk about this specialism, unique selling point... contribute to a blog, Twitter is fantastic... you want to be seen as what we call in PR a “thought leader” in your field. ”

Katharina Winkler, PR Consultant

“I want to be a creative enabler... bringing people together from design, from content, from coding, from all sorts of specialities, and having an understanding of creative projects... I'll do that through networking and then selecting all the best people.”

Designer Rodrigo Amorim describes how he intends to raise his perceived value at Brighton's Mastermind Session, October 2010.



You can view this and other Mastermind Sessions presentations at www.nationalfreelancersday.org.uk

Talking tactics

This freelancer (who asked not to be named) works all over the world consulting to very large companies. He has a social networking platform that he's been using for 40 years: a piece of A4 paper.



I never bother pitching directly to clients to win business, it's a waste of time. Here's what you do: you get a sheet of A4 – divide it landscape into three columns and set the font size to 8 point (or even 6 point). Over both sides you can fit 600 telephone numbers. Then you phone two a day, every day.

It does take time - it took me 19 years to build the list. I started it while still an employee and reached 600 by the time I was 39 (I'm now 60). You have to be totally brutal about who goes on the list, they have to be completely reliable. I wouldn't want to go for a pint with some of the people on my list, but I know I can completely trust them. And if you cross anyone on the list, you'll never work again.

The whole system of 600 names, which connects to a wider global network of between three and five thousand people, means that at any one time, someone is having a conversation with a client that uncovers a particular problem that someone else in the network can solve.

So I never say no to anything. My particular field is corporate governance, but let's say that during the course of a project a client asks me if I can help with their holiday booking systems, the answer is "yes". If they say "we're thinking of making a documentary film", I say "I can help you with that, one of my colleagues is an ex BBC producer". If I don't know how to do something myself, I nearly always know someone who can, because my list covers such a broad spectrum of skills. The arrangement is that I take 5% of my colleague's fee, as well as having some involvement in the project, unless it really is so far removed from my own expertise that I'm essentially redundant, in which case I just take the 5%.

When a group of us works together we brand ourselves as a larger company to present a credible face that allows us to compete with the bigger consultancy firms. We have a website listing our profiles and there is a limited company – none of us have shares in it, it's purely used to bill the client.

There's a lot of work out there, there just aren't many jobs. If you can't find work in the UK, go elsewhere – it's a global market. There's lots of work right now in Malaysia, Australia is good, Chile is up and coming. There are two ways of dealing with a problem – you can either tackle it, or you can evade it altogether. I prefer to do the latter.



The team

Business model No.4

The logic

Break through the income ceiling by landing bigger projects as a team of people.

Variations on the theme

Some freelancers see themselves as a small business, with ambitions to build a larger company. They might start by engaging freelancers to help them deliver projects and then eventually start employing people when they need a full time resource. The alternative is a "collaborative network": a collective or group of associates, where the members of the group don't plan to grow into a company, but they do present themselves as a single team, often going as far as to operate under the same logo and branded email addresses. They may even set up a limited company to bill the client through, without actually becoming shareholders in the company.



The upside

Opportunities for growth – you can move beyond the limitations of what you can deliver on your own.

The downside

As soon as other people are involved, your reputation can be affected by the performance of others. You could also end up becoming more of a manager, with less direct involvement in the delivery – this becomes a problem if you love working on projects. Equally, if you're both managing and delivering, it can become very stressful and you could be putting in a lot of hours.

Things to be aware of

When you work with others in the UK you need to understand and define the relationship between you in tax and legal terms - the nature of your contracts and working practices. Check there are no issues in which one of you could be "deemed employed" by the other without you realising it.⁵ Also, who is the project leader? Agree who will liaise with the client and a code of practice between you.

⁵ Please see the section on IR35 on page 63 of the PCG Guide to Freelancing at www.pcg.org.uk/guide

“ By 2020 I want to have realised a sustainable business with an associate model, that's got decent capital value, that's a niche player that knows exactly what it's doing, that affords me a secure lifestyle, and that I will know when it's time to get out. ”

Roz Harwood, HR Consultant

Networking

“ Don't sit back and wait for things to happen. You have to get out there and talk to people. It's never who you know, it's who other people you know might know and who they're prepared to introduce you to.

The key thing is trust – if you recommend someone, you're lending them your reputation. You both need to understand the influence and risk of that - by lending someone else your reputation, they can destroy it or damage it very easily. That's fine, provided that you all “play fair” and understand it.

All the interesting work I've ever done has come about as a result of some kind of referral and trust. Someone somewhere has trusted their judgement to bring you into their organisation. That person has to some extent put their career on the line to involve you. Understand that and behave accordingly towards them and their organisation.

Colin Butcher
Consulting Engineer

In terms of networking, one of the things I've actually done is to create groups where like-minded individuals come together. We meet up on a monthly basis and we actively discuss what's going on, “OK what are you doing? Can I actually upsell something with my skills? What am I doing? Do I actually need some Java skills or some Six Sigma skills?”



Manav Mehan
Change Management Specialist



I've had a lot of success with LinkedIn, I'm told some people have had hit and miss with it, perhaps it's just the way I'm using it, so seek advice.

”

Kenny Phipps
Project Manager

The duo

Business model No.5

The logic

Run the business with your husband, wife or partner to keep everything under one roof, making work and home life a single continuum where you both share the workload, risks and rewards.

Variations on the theme

In some cases one of the partners will focus on client delivery while the other will handle the administrative side of the business. Where both partners are equally qualified to deliver client work, they might agree who will be the account handler for each client.

The upside

By having less rigid distinctions between home and work tasks, you can split the overall life workload fairly between you. Joining forces with your significant other is a way of building a small team with someone you know and trust. You can keep more of the business in-house because there are two of you to run it, so you don't have to outsource as much.

The downside

Unless you are disciplined about it, the lines between work and home life can become too blurred and start to impact negatively on each other. You have to make sure your business relationship is aligned and compatible with your sentimental relationship.

Things to be aware of

Twice the number of people doesn't necessarily mean half the work. It's essential to establish clear communication between the partners to streamline the business and keep it running professionally and efficiently - living under the same roof is not always a guarantee that key bits of business information will be exchanged at the necessary time. Make sure you both share the same vision for the business. Also, from the tax perspective, the UK tax authorities have historically challenged businesses that distribute earnings to both partners when only one of the partners is what they describe as the "fee earner". Make sure you understand the rules and read up on the history of the Family Business Tax.⁶

⁶ For more background on the Family Business Tax and the Arctic Systems case, please see the tax advice section at www.pcg.org.uk/resources

“ My husband is also freelance, and for several years we ran the two businesses independently of each other. However, in 2006 we realised our skills, industries and offerings were so compatible that we merged it into a single business. This helps us share the workload and achieves economies of scale as we're running one business rather than two. ”

Growing the business

“ Easy peasy one. Christmas cards. Send them to agents, ex-clients and people who you think might be clients. It doesn't have to be cheesy, just has to say best wishes and remind them that you still exist. Sounds too simple? It is, but the return on investment is fabulous. Every January I get lots of contacts back in return, some of which turn into business. But even those that don't are usually worth it as a way of keeping in touch.

Kelvin Prescott, IT Consultant

One of the things I always do in my contracts is to say that I can always present the work I have done as a case study to others.

Manav Mehan, Change Management Specialist

When doing new business, contact three or four highly targeted organisations which you can see need your skills - call them and then follow up by email with testimonials from existing clients. As a general rule my conversion rate is 75%. It would be significantly lower and more time intensive if I was blanket emailing or calling hundreds of prospects. Build new business into your working life – I once got a great brief from someone I met on a plane while travelling with two young children and far too much hand luggage.

Charlie Bradburn, Commercial Copywriter



Above: Mastermind Sessions, Edinburgh, November 2010



“ I look for two to four year contracts on three days a week so I can spend two days a week writing screenplays. ”

Erinma Ochu,
Film Producer and
Educational Consultant
describes her long term
plan at the Manchester
Mastermind Session,
October 2010

You can view this and other Mastermind Sessions presentations at www.nationalfreelancersday.org.uk

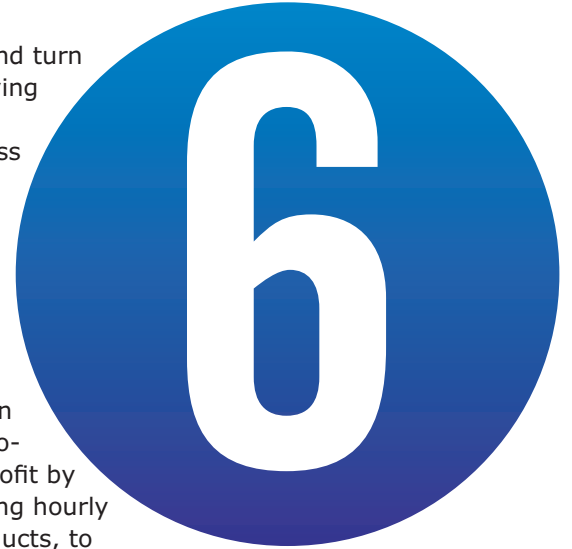
Moving from service to product

The logic

Free yourself from the time-money trap. Stop billing by the hour and turn your service into a product with a fixed price tag. So instead of saying "I charge £700 a day plus expenses for my strategic consulting services", say "I will provide a strategic action plan for your business - it costs £12,000".

Variations on the theme

Once you start thinking in terms of product rather than service, you can start to build your own intellectual property, opening up a range of possibilities. A report produced for a particular client can become the basis of a book. A piece of software developed for a project could sow the seeds for building an app for sale on the open market. Some freelancers also use the principle to turn their one-to-one consulting model into workshops or seminars, making more profit by selling one-to-many. Others combine services with products, offering hourly consulting at a premium rate along with a range of fixed price products, to balance the risk and cash-flow.



The upside

This is a useful way of growing the business beyond the limitations of your rate. Packaging your services as a product moves the focus away from your rate – clients are more inclined to focus on what they get from the product, instead of "how much can this person do in this amount of time". Clients benefit because they are working to a fixed budget. Also, the faster and more efficient you become at delivering the product, the more you earn.

The downside

The risk of investing more in time and/or materials creating the product than you get back: if you get it wrong it could be very costly.

Things to be aware of

If you are delivering a fixed price project for a client, you have to know how long things are going to take, what could potentially go wrong and how much margin to allow for any unknowns. You also have to consider who owns the intellectual property in any given situation – if you are creating a bespoke product for a client, what elements can you then use for your own purposes elsewhere? It's best to discuss these issues amicably up front and agree it in writing.

“If you aren't at the top of the ladder, work out who is and find out what they are doing differently.”

Talking tactics

Colin Butcher (www.xdelta.co.uk) is a consulting engineer specialising in mission critical systems. He favours fixed price work where appropriate and is continually developing and communicating his skills and experience.

“ The environment we all work in is never static. Survival is all about continual adaptation and improvement. Reputation and referrals are by far the best source of business, however you need to stay current and you need to ensure that potential clients know that you exist.

My ambition is to be one of the best in the world in my field. I've invested in my own lab facilities and thus am able to give clients clear directions and definitive advice based on practical experience and "proof of concept" testing. I have remote access when with clients or speaking at conferences. I can also loan equipment to clients for temporary use – it's all part of the service.

I enjoy teaching and explaining complex subjects by giving seminars and lectures. There are a number of less obvious benefits that have directly helped me professionally:

- Learning to explain things more clearly and in different ways to different people;
- Gaining a better understanding of the subject matter;
- Becoming better at structuring the way you present information.

This has helped me to communicate more effectively at all levels and do a better job of bringing clarity to a situation, thus being better able to "get things done".

Public speaking is a useful way of building a reputation provided that you help others by giving useful information, not by directly selling services. Within most communities knowledge sharing is a valued way to behave, while overt marketing is poorly received. Other ways to share knowledge and information include publishing articles, contributing to podcasts, giving webinars and video.

In 2009 I invested in the professional production of a video case study about a large project. This was used as part of the entry for an international design award, which ended up taking me to San Francisco for the Awards event with help from UK Trade & Industry. That video keynote has been used at international industry events that I could not attend in person, has been instrumental in securing extra business and has resulted in more invitations to speak at international events.

I prefer to work on a fixed price basis for projects. It gives me the freedom to do whatever needs to be done. For example, on one project there was a potentially serious problem which couldn't be dealt with through e-mail or telephone calls. I simply booked a flight to Sweden, met with the relevant people - and that was the problem solved. That ability to know what to do, be decisive, do the right thing and get the job done is, after all, what the client is paying for.

For fixed price to work well, you have to accept risk and limit that risk. The art of estimating effort and defining the scope of work is about building the project in your mind, understanding enough about the grey areas, allowing for the expected, but not overdoing it and becoming too expensive. If the risk is unquantifiable, you either put more effort in up front, or undertake a separately funded scoping exercise. You also have to manage "scope creep". For clients with whom you have a really good working relationship, you'll go a long way to help them – and vice versa.

What you're delivering has to be something that the client understands and values. For a potential project I spent several days of pre-sales effort to understand and define the scope of work. If all goes well it's about 6-7 weeks serious effort and travel spread over about 3 months. It will be good value for the client because I'll be helping them to understand how to design and deliver the core systems for a multi-million project. If the project happens, then I will be using subcontractors I know and trust to help in specific areas - but it remains my responsibility. The value of independent expertise and leadership is that it brings cross-fertilisation of ideas and different ways of looking at solutions to problems. Clients generally find this to be of great benefit and it often leads to further interesting work.



Business model No.7

The gain-share model

The logic

Bill a lower rate in return for a share in the profit or gain created by the project you delivered.

Variations on the theme

You can offer the client two options. Option A: a discounted rate plus a share in the gain. Option B: the project cost at your normal (or premium) rate.

The upside

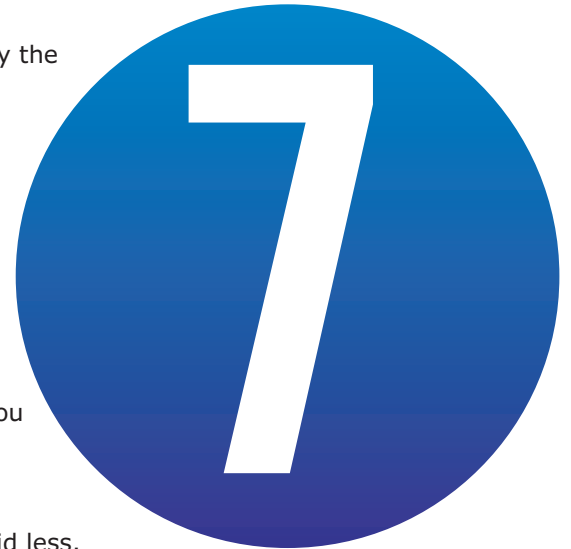
It helps you differentiate yourself from the competition because you create an alternative "value-added" proposition for the client. At the same time, you have the potential to share in the success you helped create.

The downside

If you don't deliver a gain, you either don't get paid, or you get paid less.

Things to be aware of

There are many methods out there for evaluating a project's success – financial gain is one metric, but by no means the only one. Some freelancers provide project evaluation metrics as part of their service. Talking to other freelancers can help generate ideas for ways of quantifying the "gain" that you provide. Bear in mind that the project's results could also be affected by factors unrelated to your work, which could lead to contention with the client – your agreement should therefore handle this eventuality explicitly.



Talking tactics

Independent consultant Don Koulaouzos of www.sky-trek.com discusses the ins and outs of the gain-share model

“ A contractor who is willing to put part of the fee at risk by putting ‘skin in the game’ is effectively giving the client a performance guarantee. The contractor has greater motivation to deliver excellence, and the client doesn’t risk paying a premium for poor performance. Sure, it puts the burden of risk on the contractor – so it’s not for everyone and you need to understand the traps. But for contractors who have the track record and are confident they can deliver, it allows you to claw back earning power that has been eroded by the recession.

I once worked on an extremely demanding project and ended up saving my client £130m! On that occasion I was on the traditional day-rate fee model, but even a tiny percentage of that saving would have been a very welcome compensation for the substantial time and effort I devoted to the client and I know the level of savings would not have happened without my input!

How do we measure the project gain?

Clearly with some projects it’s easier than others. A new business drive may have a well defined sales uplift or a procurement project may have a tangible cost saving target that can be objectively measured. Other “gains” will be more subjective, such as the value that a designer delivers to a brand. However, even subjective areas can have Key Performance Indicators (KPIs) assigned to them if you’re creative about it.

Here are just some KPIs that could be used in a gain-share model:

- On time or ahead of time delivery
- Cost saving
- Increased turnover
- Increased profit
- Column inches or influence scores
- Web traffic
- Reduced wastage
- Customer response or conversion rates
- Customer or stakeholder satisfaction

It should be down to the contractor to design the gain-share model and sell the proposition to the prospective client. It is vital to ensure the measurement parameters are clearly defined and agreed by both parties in writing before work begins and that the ongoing performance measurement task is simple to manage and easily understood by all. ”

Talking tactics

The most effective and time efficient ways to find work: Ed Gandia, a freelance copywriter and founding partner of *International Freelancers Academy* (www.InternationalFreelancersAcademy.com), describes the tactics that helped him build a six-figure freelance income in 27 months.

Effective and time-efficient tactics

These give a lot of bang for the time and money invested in them:

- Tapping your current network
- Approaching previous clients or past employers
- Approaching a past employer's competitors
- Referrals from happy clients
- Direct mail
- Setting up a website with a clear call to action
- Developing a niche
- Nurturing longer term opportunities by staying in touch with prospects who have expressed an interest
- Going deeper with existing clients



Effective but time-intensive tactics

These are still very effective, but you have to realise that they're also going to require more time (in some cases a lot more than you might think):

- Going to relevant, smartly targeted networking events
- Article writing
- Blogging
- Newsletters
- Cold calling
- LinkedIn answers
- Online forums
- Posting comments on select blogs
- Targeting large companies

Time efficient, but choose wisely

The idea here is to choose wisely because, while there's little time involved, their effectiveness is somewhat questionable. If you're going to choose some of these, I recommend limiting them to only one or two:

- SEO
- Pay-per-click
- Advertising
- Paid directories (online and offline)
- Twitter
- Other emerging social media

Wasteful – avoid these tactics

This is where I find many freelancers unknowingly spend their time: targeting businesses that just don't understand the value of what you bring to the table. That's a waste of time, as is calling random businesses in the Yellow Pages or businesses that would be more trouble than they're worth:

- Unfocused networking
- Unfocused cold-calling
- Unfocused direct mail
- Targeting businesses that "Don't get it"
- Unfocused/unproven Social Media

Talking tactics

Charlie Bradburn is a commercial copywriter. While still a teenager she worked selling leather coats in Florence market, which taught her some essential negotiation skills she's been using ever since. Here she discusses her journey as a freelancer.

After University I was employed by a fast growing marketing agency. I was promoted quickly and it had its perks, such as training programmes which I thoroughly enjoyed. But I soon found being an employee was too rigid for me, it felt claustrophobic and the quieter times when you still had to be at your desk were frustrating and boring. So against all advice I went solo with just three year's experience. That was eight years ago and I've worked every single day that I have wanted to since then.

For the first couple of years I worked via agencies and either worked for a single client for a few months or more typically a number of different clients at any one time. I was paid a daily rate and tended to work from the client's offices. My role was broad: marketing and events. I accepted most projects I was offered but set a minimum daily rate.

After a few years I started to land more work directly with clients, largely through word of mouth and in particular three or four key contacts who recommended me for projects. My confidence grew and I started to pick and choose projects. You start to spot the projects which will take you ages (generally when the brief is very unclear or it's an individual who is unable to clearly communicate what their business actually does). With a young daughter I didn't want to be commuting, so I started working from home.

And then I made some important changes:

- 1** I dedicated pockets of time to updating my skills so that I could fine tune my offering. It's vital to keep ahead of the game and it's also interesting.
- 2** I created a niche – commercial copywriting with a focus on case studies for learning and development organisations. I could still apply my marketing skills to my work, but by being specific about what I do, it has made it easier to sell myself to clients and for them in turn to refer me.
- 3** I have started developing a second niche as an expert in interior design. The rationale for this is that it's something I would like to do more of in the future, so for now it's a hobby but I can see it evolving into a business once my children are older.
- 4** I have started charging some projects as a fixed fee, rather than by the hour, and find this works well.

Five years down the line I'd like to be commanding a higher project fee and spending two days per week on my commercial writing and then a day or two on interior design projects. Other time will be spent with my family and doing sport.

I've learnt to spot the patterns and work them to my advantage. For example I tend to be very busy from September to June. So I recharge my batteries in the summer; work on my travel blog www.mallorcanotebook.com, do some targeted new business and get my admin in order. In the next few years I'm hoping to use this time to take short sabbaticals.

I plan to work even if it's one day per week for the rest of my life, it keeps your mind active, introduces you to interesting people and keeps the pennies coming in. Freelancing is a lifestyle choice. I've weaved some exciting experiences into my life thanks to the freedom it gives me.



Taking the plunge

“ It is easy to delay and make excuses about not being sufficiently prepared. I'd say if you have a clear idea of what you want to be doing, the skills to do it, and you have a financial buffer in place, just jump in and give it a go. I honestly think one of the biggest hurdles to starting out is worrying too much about being prepared. It can't hurt to read a few guides and talk to people, but when it comes down to it if you're suited to freelancing, you'll soon find out. If not then you can always just find yourself a regular job – nothing wrong with that. Long story short, just get out there and do it.

Frank G.

Seek proper professional advice from specialists in freelance business. Shop around until you're convinced that you know that they know what they're talking about. There's lots of advice out there, but not all of it is good advice.

Michael Darby, Branding Consultant

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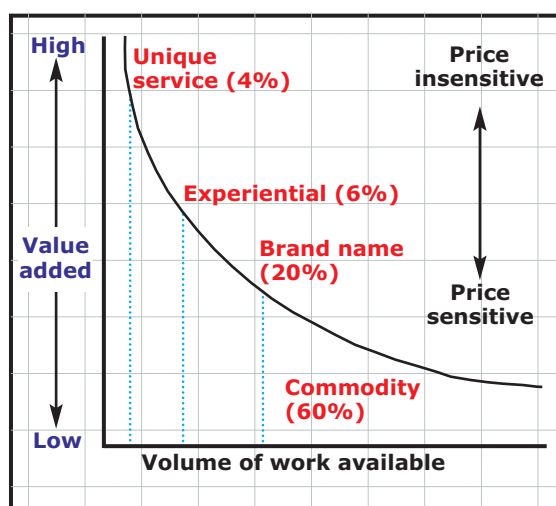
Talking tactics

John Niland, a coach at *Success 121* and co-founder of the *European Forum for Independent Professionals*, talks about the need for a change of mindset to escape the commodity end of the market.

William Cobb, an analyst working with US law firms, deduced that, statistically, 60% of any market will eventually become commoditised.

In the case of the independent marketplace this means that anyone offering services below the 60% mark is likely to experience a high degree of price sensitivity – the only way to compete at that end of the market is to drop your rates. Obviously this is not a desirable, or sustainable, place to be.

The next rung up becomes rather more palatable – developing a strong brand, where the market is less price sensitive. The top 4% of the market is made up of those who provide a unique service and who can raise their rates without a noticeable drop in business.



The Value Curve: source William C Cobb

The question is how to get to that top end – how to create this uniqueness.

The answer lies in developing a new mindset that moves beyond the idea of being a “service provider” and towards the concept of being a “valued authority”. The service provider mindset usually means trying to sell yourself on expertise and qualifications and competing with thousands for every project going. The valued authority on the other hand is someone who develops a relatively scarce niche and is sought after for the outstanding results that clients are able to achieve by working with that person.

Service providers talk about themselves; their experience, skills, methods, availability. They deliver *for* the client and are generally judged on price, whether they compete on price or not. They are assessed by the client – they meet the client’s requirements. They are also *available*.

Valued authorities talk about the client’s world; their issues, results, impact, evidence. They deliver *with* the client and are judged not on price, but on the advantage conferred. They are not assessed – they co-create requirements with the client and evaluate the results. Their availability is scarce.

Some pitfalls to avoid if you want to be seen as a valued authority:

- Re-doing the CV, the website or your brand identity
- Making lots of offers, too readily
- Sending out more emails, more frequently
- Getting more qualifications, more letters after your name
- Being available any time
- Spending hours on proposals, building the offer for the client, rather than with the client

The key to being a valued authority is to invest your time and resources in finding out everything humanly possible about the challenges that prospective clients face and the context in which they operate. The better you understand your client’s world, and the less everyone else in your market understands it, the more of a valued authority you will be.

Creating a niche often concerns freelancers – they worry that it means putting all their eggs in one basket and maybe becoming typecast in a particular industry. A way around this is to have two or three niches – but probably no more than that. If you have too many, you risk diluting the resources that you can devote to researching your client’s universe.

““ An artist is someone who brings humanity to a problem, who changes someone else for the better, who does work that can't be written down in a manual.



No one cares about very good. I can get very good from just about anyone, and certainly cheaper than I can get it from you. We don't have a competence shortage, not any more. No, I'm only going to pay extra for the personal, the magical, the artistic.

There are six billion people in the world. Even if your market is handmade spoke shaves for left-handed woodworkers, there are more people in your market than you can ever hope to track down. There are lots of good reasons to abandon a project. Having a little competition is not one of them. Even if it's Google you're up against.



Seth Godin, one of the world's best known freelancers

Summary

To conclude, freelancing is not for everyone. There are risks. It is not an easy option. In fact, the survey conducted by PCG in 2010 showed that the general population was happier with working hours, time for themselves and time with family, than freelancers.

However, with risk comes reward. In the same survey, freelancers were shown to be happier *overall* than the general population. PCG's annual membership surveys consistently show that most people go into it because they want to, not because they are forced into it through redundancy, while only 3% plan to use it as a stopgap while they find a permanent position. Moreover, two thirds of freelancers continue to work in freelancing because of the autonomy it gives them. During the Mastermind Sessions we heard more mentions of "I never want to retire", than "I want to retire early".

Everyone will plan their journey differently and everyone will have different goals and aspirations. Nevertheless, anyone choosing the independent route will need to make their own career path and consider which business model, or mix of business models, will help them free up their full potential. And anyone already on the freelance path can reflect on the models they are using.

The seven business models mentioned in this report are:

- ① Contracting via an agency
- ② Contracting direct to client
- ③ Multiple client consulting
- ④ The team
- ⑤ The duo
- ⑥ Fixed price projects
- ⑦ The gain-share model

All of these business models need to be supported by some kind of promotional activity to ensure a sustainable level of work. And when it comes to deciding which marketing technique works best, there is no magic wand. There are almost as many views on effective marketing as there are freelancers. As with so many things, you have to take what works for you, adapting the techniques that best fit your style and industry.

It is certainly worth experimenting with different approaches until you are able to narrow down those that deliver the best results. As Michael Jordan famously said in his commercial for Nike:

"I've missed more than 9,000 shots in my career, I've lost almost 300 games. Twenty six times I've been trusted to take the game winning shot and missed. I've failed over and over and over in my life. And that's why I succeed."

It's a good idea to revisit your goals and long term plans regularly, benchmarking your journey and adjusting course if necessary. There is nothing wrong with switching business models or re-inventing yourself completely at different points in your career.

As a freelancer you are, at the end of the day, independent. You're free to choose – don't forget to exercise that choice!

What's next?

Did you find this useful?

PCG is planning to follow up with more research to help freelancers free up potential and refine their offering to clients. If there are any areas you would specifically like us to explore, please email your suggestions to iain.mcilwee@pcg.org.uk

To receive updates from PCG you can subscribe to the newsletter at www.pcg.org.uk/newsletter

You can also follow us on www.twitter.com/insidepcg and the National Freelancers Day page on Facebook.



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Photograph of Seth Godin on page 24, Brian Bloom Photography



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About PCG

PCG, the voice of freelancing, is the cross-sector association for freelance contractors and consultants in the UK, providing its members with knowledge, representation, community and insurance. With around 20,000 members, PCG is the largest association of independent professionals in the EU. It is PCG's fundamental belief that flexibility in the labour market is the key to ensuring Britain's future economic success.

PCG was founded in 1999 by a community of freelancers and is governed by its members. Any member is eligible to stand for election to the Consultative Council, and from there, for election to the Board of Directors.

Representation

Together we're stronger! PCG lobbies the government to ensure that politicians fully understand the needs and wants of contractors and freelancers in the UK. One of our biggest ongoing campaigns has been to bring about change in the endlessly complex IR35 "disguised employment" legislation.

Protection

If you find yourself at the centre of a tax investigation, as a member you are covered by PCG's Professional Expenses Insurance, which assigns you an expert to represent your case at no cost. The expert will be a specialist in tax investigations and will be able to help you and your accountant achieve the optimum outcome from the case.

Advice and resources

Members of PCG have access to free tax and legal help-lines, as well as the extremely active online forums and comprehensive freelance knowledgebase.

Savings

By joining forces as a group of 20,000 people, freelancers gain the bulk buying power of a large organisation – PCG therefore negotiates preferential rates on a range of goods and services from which members can benefit.

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