

Heart Internet Presents

THE BUSINESS OF WEB DESIGN

Discover how much to charge, the best pricing and budgeting strategies, and more!

Heart Internet

An ebook version of this book is available at:

<https://www.heartinternet.uk/blog/business-web-design-free-ebook-download/>

Contents

| | |
|---|-----------|
| Foreword | 4 |
| by Oliver Lindberg | |
| The Business of Web Design | 6 |
| by Cole Henley | |
| Hourly Billing is Killing Your Business | 22 |
| by Jonathan Stark | |
| 6 Easy Budgeting Tips From a Freelancer | 34 |
| by Rosa Koolhoven | |
| The 5 Principles of Bootstrapping | 40 |
| by Nick Swan | |
| Tips and Tricks for Scaling a Web Design Agency from Scratch | 46 |
| by Matthew Pattinson | |



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Oliver Lindberg is an independent editor, content consultant and founder of new web events series Pixel Pioneers (<https://pixelpioneers.co>), based in Bath, England. Formerly the editor of .net magazine, he's been involved with the web design and development industry for more than a decade and helps businesses across the world create content

Foreword

by Oliver Lindberg

It's one of the trickiest decisions any agency or freelancer has to make: what should you charge for your services? You don't want to undersell yourself but you also don't want to charge too much and scare away prospective clients that you're keen to work with. People generally don't share what they earn, so the niggle at the back of your mind remains: are you charging more or less than the industry average?

To help you approach your business in the right way, Heart Internet has surveyed hundreds of their web design, development and agency customers, the results of which you can find in this guide. It's a unique snapshot of the current state of the web design and development industry in the UK.

We also look at different pricing strategies and discover why software consultant Jonathan Stark thinks hourly billing is killing our business. Elsewhere, we round up budgeting and bootstrapping tips for freelancers and startups and examine how you can scale a web design agency from scratch. Our advice will put you on the right track to run a profitable and prospering business.

Enjoy!

THE BUSINESS OF WEB DESIGN



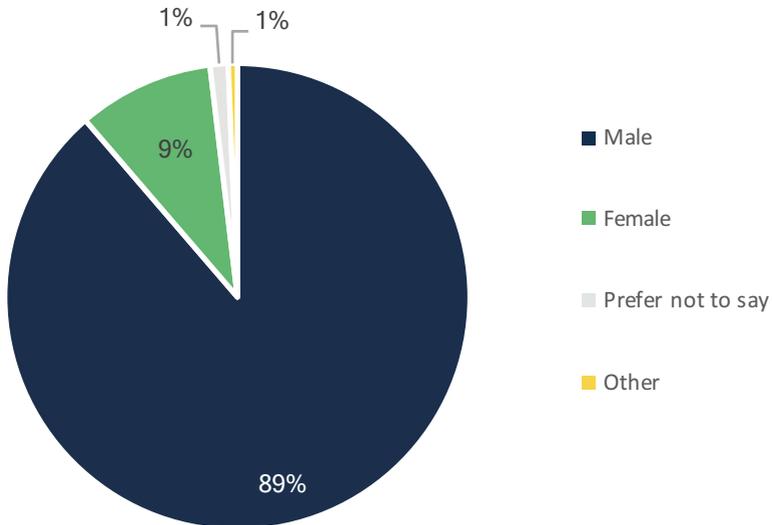
The author
Cole Henley

Cole Henley is technical director at digital agency Mud (<http://ournameismud.co.uk>) based in Bath. After a fledgling career as an archaeologist he moved to the web, where he now spends most of his time tinkering with Craft CMS and overseeing an annoyingly talented team of developers.

Demography (who, what, where)

In the Business of Web Design survey, Heart Internet polled 636 freelancers, employees and business owners within the UK to get an understanding of the current state of the web industry. Ours is still a young industry, so surveys like this one provide an important insight into the health, strength and direction of those involved in making websites.

What gender do you most identify with?



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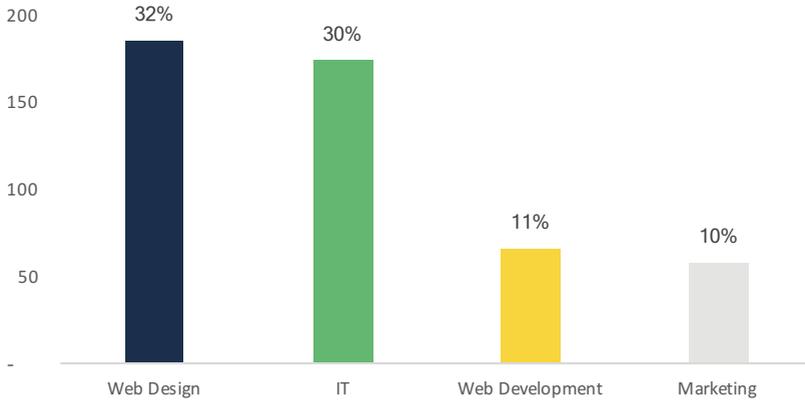
In the Business of Web Design survey, Heart Internet polled 636 freelancers, employees and business owners within the UK to get an understanding of the current state of the web industry. Ours is still a young industry, so surveys like this one provide an important insight into the health, strength and direction of those involved in making websites.

Of the respondents the majority were male (89%) and 'middle-aged' (61% aged 35-54) with 2% under 25, 4% over 64 and the remainder pretty evenly spread. This age pattern perhaps supports the data on years of experience from the respondents' chosen field with 77% having over 10 years and a quarter (26%) over 20 years experience.

In an industry that has worked hard to promote gender equality in recent years, sadly only 9% of respondents identified as female - less than the 13% of females identified across the STEM (Science, Technology, Engineering and Maths) workforce [1]. This compares to women representing just under half (46% in 2014) of the total labour force in the UK [2].

Geographically there was a spread of respondents across the UK but with a specific focus on England as well as concentrations across the major cities of Wales, Scotland and Northern Ireland. Unsurprisingly, the greatest densities of respondents were focused in the largest population foci across London, the Home Counties, the West Midlands, the North West and Glasgow. The regional spread across the United Kingdom reflects the results of this year's Tech Nation report [3], where nearly 70% of total UK digital tech investment in 2016 was in regional clusters beyond London.

What industry do you work in?



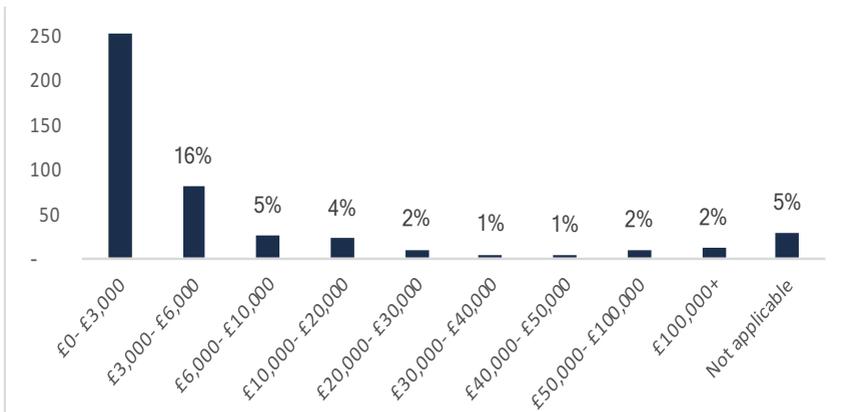
Across the respondents a third were sole traders, a third represented small businesses (as both business owners and employers), and 15% were contracting or freelancing. The remainder represented larger businesses ranging from 5 to 250+ employees. The majority of companies and employers had been in business for 6 or more years showing a relatively mature picture for our relatively young industry with less than a quarter established during the last 5 years.

Almost half of respondents identified as working within web design or development (43%), almost a third worked in IT (30%) and 10% worked in marketing. Whilst over half (51%) described themselves as having a mixture of skills (with an otherwise fairly even spread across design, development and management skills), over a third (37%) of respondents were directors, with 14% designers and 10% owners.

The business of web design

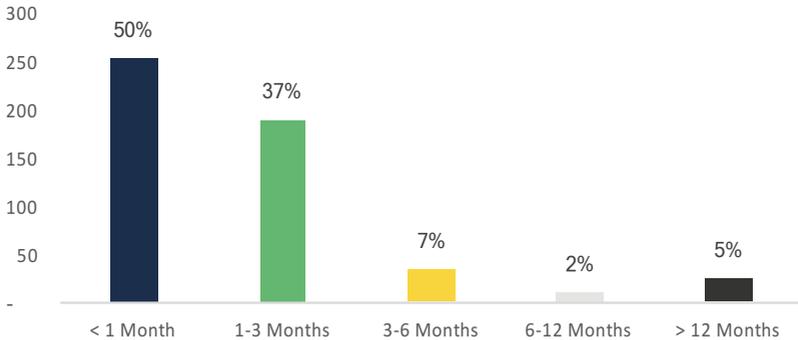
Together these figures give an impression of an industry (at least as far as our respondents are concerned) chiefly comprising of a small, agile workforce primarily working for and/or by themselves, and offering a wide range of services. This is perhaps unsurprising given that smaller teams and sole traders will be more likely to need a broader range of skills (with larger teams instead demanding increased specialisation). It also reflects the relative infancy of our industry where roles are less explicitly defined and shift with the evolution of technology and techniques.

What is the average value of projects you work on?



This interpretation is perhaps supported when we start to examine the nature of the work that we do. Around 60% worked on projects averaging £3,000 or less. Over 80% of projects averaged less than £10,000 and by contrast only around 12% on projects worth more than this value. 60% of those surveyed spent most of their time

What is the average time spent working on a project?



working directly with clients, with just over a quarter working in-house and 10% working with other freelancers or as sub-contractors.

This supports the idea of a less-specialised or focused workforce, suggesting full service work that demands a range of skills rather than the more focused skills of the specialists which might be more likely to work with other freelancers or as sub-contractors.

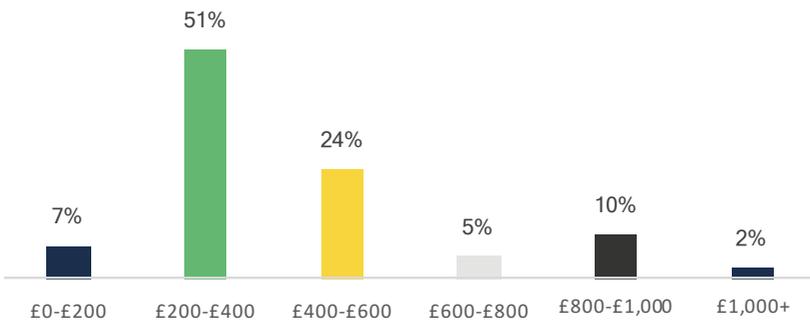
Half of respondents spent on average less than a month on projects, with almost 90% working three months or less on a project. This suggests that the preference is for working little and often, rather than to invest overly in bigger projects, as supported by the average project value. This makes sense given the greater risks associated with working on larger projects, as well as the need for a more structured approach to regular payment.

Billing and charging

This leads us nicely on to how we charge for the work we do, and our approach to business. When we work for ourselves, it can too often be tempting to see the year as 365 working days. Time, after all, is money, so there is the potential to earn as much as you are prepared to charge for as long as you are prepared to work. However, the reality is, if we factor in business development and day-to-day running, weekends, holiday, sickness, skills and training, we are actually left with less than half that [4].

The amount of money we make depends on two criteria: productivity (the amount of work we do) and profitability (the efficiency of that work). From the survey there are a number of factors we can see that affect these. Productivity will usually be related to the 'doing' - billable time that can be served to clients. But profitability is often more about how good we are at charging for work and also at getting paid.

What do you charge daily?



A good hour or day rate should factor in not only skills and experience but also the availability for work touched on above, factoring in overheads, operational costs, etc. This of course will depend on whether you are working directly with clients, running a small company or regularly with a supplier or as a sub-contractor (a less regular, reliable stream of work would often necessitate a higher day rate). However, it also depends on how you bill to clients.

Over 40% of those surveyed billed on a project basis, with 29% on an hourly rate and 8% on a day rate. For those that billed daily, over half billed between £200 and £400 per day, with a quarter £400-600, 7% less than £200 and the remainder more than £600/day.

Average daily rate by top locations



We cannot speculate on how these break down across type of work (e.g. freelancer or agency, skills offered, by location, etc).

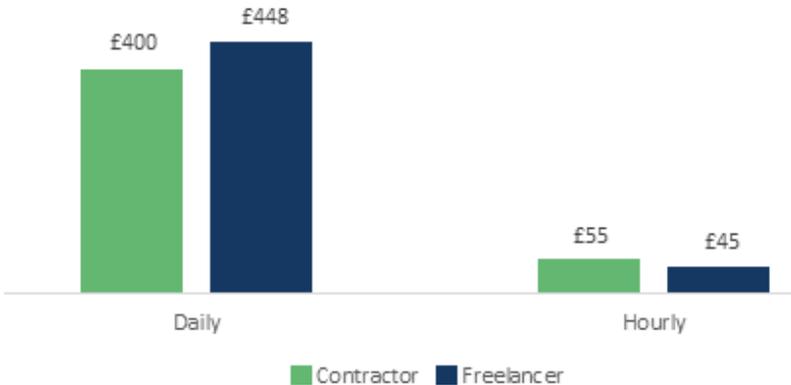
However, these figures give us a clear impression that there is a wide range of rates offered but that the majority fall within a range of £200-400. This corresponds with average day rates from the

The business of web design

Freelance Rates surveys that I have carried out in the past [5], at around £300. If we look at hourly rates, over three quarters charged less than £60/hour and 42% less than £40.

Project-based billing (i.e. fixed value work) can be very reassuring for clients (especially if you are predominantly working on smaller, lower-paid projects) but it can also be very difficult to manage in terms of deliverables and scope creep.

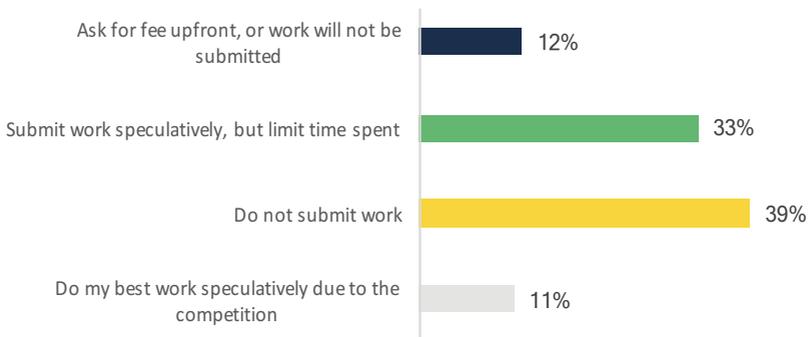
Freelancer and Contractor rates comparison



A more defined project length (e.g. the half who predominantly worked on projects of one month or less) minimises the risk here but this is dependent on there being clear systems in place for billing and payment.

One question we asked was how people treated up-front 'pitch' for 'speculative' work. So if we are predominantly billing on a project basis how do we factor in the cost of winning work? 39% refused to do unpaid or speculative work whilst a third would do speculative work but with a defined time limit on the amount of time spent. 12% would charge for speculative work whilst 11% feel they have to do speculative work because of competition.

How are you getting paid for 'pitch' or speculative work?

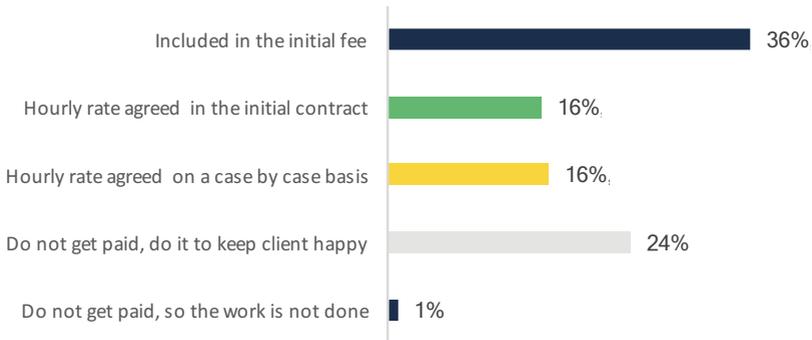


The business of web design

Once a project had been won, two-thirds of those surveyed expected a deposit ahead of work, with 44% of respondents requesting at least 20% of a project cost before commencing work. However, a third started work without a deposit. The lack of a deposit can have a massive impact on profitability and cashflow within a business, particularly if the delivery of a project is less predictable (as can often be the case when working on lots of smaller projects because these tend to be less structured).

Another factor affecting delivery of projects (and therefore our ability to charge for work) is how we factor in support and bug-fixes. Over a third of respondents (36%) included fixes within their initial fee whilst a quarter did it without expecting payment ("to keep the client happy"). Another third carried out support work at an agreed hourly rate (16% on basis of initial contract, 16% on case-by-case basis).

How are you getting paid for 'bug fixing' after a project is complete?

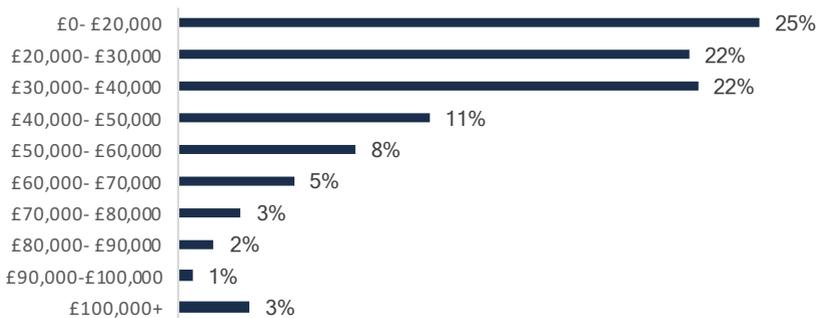


Ironing out bugs can be one of the biggest barriers to delivering a project and getting paid for work. However, it is very rare to expect payment immediately on completing work. Of those surveyed, most respondents expected full payment for a project within a specific timeframe, with half expecting it within 15-30 days, a third less than that and only 14% longer than 30 days. Only 16% expected payment for work within a week of completion.

The business (and satisfaction) of web design

So having looked at how we work - through productivity and profitability - we come onto whether this is all worthwhile. The dream of working for ourselves (as most respondents do) is to achieve financial independence whilst enjoying a healthy work-life balance. What we need to live depends on a range of factors but generally, almost three-quarters of respondents (69%) earned less than £40,000 a year, pretty evenly divided between £0-20k, £20-30k and £30-40k. Higher salaries tail off; 11% for £40-50k, 8% for £50-60k and 5% for £60-70k.

What is your annual salary?



The business of web design

Obviously we don't know what salary participants aspire for so cannot see if this is more or less than expected (or desired) but it gives us a broad picture of the states of salaries in our industry. This pattern is broadly reflected in the data available for taxable income nationally [6] , although the drop off for our sector is less sharp with more higher earners (direct comparisons are limited by the limited granularity of lower salary ranges from our survey).

Another factor to consider is how salary has increased over time, especially given the rising costs of living and housing in the UK [7] [8]. Over half of respondents earned the same or less than they did three years ago with almost a quarter experiencing a moderate increase in income (£0-5k), 13% £5-10k and 8% more than £10k.

Of those surveyed, over half worked more than the national average of 33 hours per week [9] with over a quarter (27%) working more than 46 hours per week. But does this make for a happier person? Well, if time is money and money can buy happiness, then the answer is yes. Over three quarters (76%) were satisfied with their current job/role with 31% very satisfied. In contrast only 6% were not satisfied. With this in mind then working for yourself - whether as a freelancer or in a small team - can really be seen as a cause for job satisfaction.

Conclusions

Overall the survey shows us a generally healthy industry with earnings above the national average and high job satisfaction. This is perhaps not that illuminating given how many of us started our careers through a hobby or personal interest. However, this 'labour of love' is also reflected in the long hours worked on average, and the lack of salary growth (although this can be seen in a broader context of economic stagnation). It is refreshing to see that most surveyed ask for a sizeable deposit (20%+) to commence work but the majority also tended to have long payment terms (15+ days) on completion, although the tendency to work across lots of smaller projects may alleviate some of the financial pressures this may create.

Perhaps the biggest concern (albeit not that surprising) within the results was the low number of female respondents (9%). We have in recent years prided ourselves on efforts to promote gender equality and inclusivity, part of a broader effort in society to encourage women into STEM roles [1]. Even recognising the small sample size this is something we need to work on collectively.

Resources

[1] STEM Graduates Women in STEM

<https://www.stemgraduates.co.uk/women-in-stem>

[2] Women in the Workforce: UK | Catalyst

<http://www.catalyst.org/knowledge/women-workforce-uk>

[3] Tech Nation Report 2017 - Key Findings

<http://technation.techcityuk.com/>

[4] Making a living making website // Speaker Deck

<https://speakerdeck.com/cole007/making-a-living-making-website?slide=19>

[5] Freelance rates survey, 2014. What do freelancers charge?

<http://ournameismud.co.uk/blog/article/2014-freelance-rates-results-what-people-charge/>

[6] Income in the United Kingdom - Wikipedia

https://en.wikipedia.org/wiki/Income_in_the_United_Kingdom#Taxable_income

[7] UK consumer price inflation- Office for National Statistics

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/may2017>

[8] House Price Index, UK- Office for National Statistics

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/apr2017>

[9] HOUR03: Average hours worked by industry- Office for National Statistics

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/averagehoursworkedbyindustryhour03>

HOURLY BILLING IS KILLING YOUR BUSINESS



The author
Jonathan Stark

Jonathan Stark (www.jonathanstark.com) is a business coach who helps software developers increase their profits. He is the author of *Hourly Billing Is Nuts*, the host of *Ditching Hourly*, and a regular panelist on *The Freelancers' Show*. Jonathan disagrees with the notion that time is money and has made it his mission in life to rid the earth of hourly billing.

If you're like most web designers, you bill yourself out on an hourly basis. This is a terrible practice and is bad for everyone involved. It holds your business back, damages your client relationships, and prevents you from doing your best work.

In this article, I'll explain why these things are true and I'll describe an alternative method called value pricing.

Why question the logic of hourly billing at all? It's what your clients expect, right? It's how your competitors do business, right? Not to mention other professional service providers like lawyers, accountants, and psychiatrists. If it works for them, why won't it work for you?

I'll tell you why: hourly billing is corrosive to client relationships across all professional services. This includes digital disciplines like graphic design, user experience design, copy writing, software development, and so on. You can not truly partner with your clients if you're billing by the hour, which means that you can't do your best work, which means that your clients aren't loving you as much as they could.

There are lots of reasons why this is the case. Here are a few:

- Hourly billing misaligns the direct financial incentives between you and your client
- Hourly billing allows you to get started before knowing your client's goal
- Hourly billing discourages you from becoming more efficient

But the biggest drawback to hourly billing is this:

Hourly billing places an artificial limit on your income.

There are only so many hours in the year, and you can only charge so much per hour, right? Let's say you wanted to double your hourly billing income. There are really only three ways to do this, and they're all pretty bad:

1. Work twice as much
2. Double your hourly rate
3. Hire a bunch of junior employees

I'll break down each...

1. Work twice as much

Working twice as much is obviously not going to be attractive to anyone. You probably feel like you're working too much already. In any case, it's unsustainable and doesn't scale your business in a meaningful way. Working more will decrease your productivity (and therefore produce diminishing returns) and eventually lead to burnout.

2. Double your hourly rate

Increasing your rate significantly will make it tough to close deals because the new rate will appear unfair or offensive in comparison to old rate or market rate for similar services.

Existing clients - Significantly increasing your rate will be unattractive to your existing clients because you have conditioned them to believe that you are worth \$X per hour. If you suddenly

announce that you now cost \$2X per hour, they'll likely consider this an unfair increase and start shopping around.

Prospective clients - Assuming that your rate is more or less in line with other folks in your industry, doubling your rate will make you the premium option. If you don't have anything significant that differentiates you from your competitors, you are not going to close many deals.

3. Hire a bunch of junior employees

Hiring juniors is probably the most seductive of the three growth options so I want to take a second to dispel any fantasies that might be floating around out there. If you hire junior employees, you will no longer spend your days doing the thing that you love; instead, you will become a manager.

Sure, you can build a big profitable firm by hiring a bunch of junior employees. And if that's the lifestyle you want, then great! But if you don't want that lifestyle and are only considering it because you think it's your only option for growing your business, I'm here to tell you that there is an alternative: value pricing.

What is Value Pricing?

Value Pricing is like fixed bids on steroids. Unlike a typical fixed bid quotes - which are based on cost-plus or time and materials calculations - the prices in a value priced quote are based on the client's perceived value of the project outcome.

Hourly billing is killing your business

But what exactly do I mean by value? I like this definition which I found from Ron Baker:

“Value is the maximum amount that a consumer would be willing to pay for an item”.

I find this to be an extremely elegant definition because it concisely illustrates the inherent subjectivity of value. Value is not an intrinsic property of an item - it's a vague sense of “what something is worth” to a particular person in a particular situation.

Many people are uncomfortable with the fluid nature of value but embracing this truth is the key to scaling your business in a sustainable way.

“Wait a sec... are you talking about fixed bids?”

Yes, value pricing results in you providing a fixed price quote to your client.

And now I hear you screaming...

“NOES!!! I’LL DIE OF SCOPE CREEP!”

No, not if you do it right you won't.

I've talked to a lot of professionals who have dabbled with fixed bids and gotten burned. In every case, they had based their fee on time and materials or cost-plus calculations. If you make this same mistake, then yes... you will probably get killed by scope creep because you'll set your fee way too low every time.

If you base your fixed price on the client's perceived value of the project outcome instead of your estimated labor, you can set your fees significantly higher, deliver more effective results, increase customer satisfaction, and more.

How to set prices based on value

How do you figure out what something is worth to your clients? You can't exactly - even they couldn't give you a precise dollar amount - but you can get close enough to drastically increase your fees. This is another gray area that folks are usually pretty uncomfortable with, but it's the key to closing deals.

At a high level, the process for dealing with a prospect goes like this:

1. Have a conversation about goals
2. Estimate your costs
3. Estimate the client's perceived value and divide by 10
4. Present higher of two numbers

1. Have a conversation about goals

My first contact with a prospect usually arrives as an email in my inbox. In the message, the client typically says something along the lines of:

"We need to do THING, and heard that you are the go-to guy for that. Can we set up a time to talk?"

In this example, THING will be some sort of activity like a responsive redesign of a website, setting up a REST API, building a mobile app prototype, migrating a homegrown SaaS to AWS, and so on. This is a fine place to start the conversation, but it is my responsibility to dig deeper. Here's why:

Hourly billing is killing your business

The prospect has done a self-diagnosis and prescribed their own solution. As an expert in my field, I feel a moral obligation to push past the prospect's self-diagnosis, to understand their underlying issue, and then decide whether I think their chosen course of action is appropriate.

I'll give you an analogy... Imagine someone walks into a doctor's office and says, "Hey doc, I need a triple bypass!" Is the doctor going to say, "Sure! Hop up on the table and I'll go get my scalpel!" Of course not. In fact, any doc who did would be kicked out of the profession.

What the doctor would actually do in a situation like this is ask a bunch of questions, unearth the underlying issue, and come up with a diagnosis. Then and only then will the doctor make a determination about what course of action to take.

With this in mind, I reply to the prospect saying that I'd love to set up a call to discuss the project. I also include a handful of high level questions to help me understand their business, their customers, and their motivation for the project.

Once we get on the call, the prospect will usually begin with a more detailed description of the project - things like features, deliverables, milestones, deadlines, etc. This can easily go on for 20-30 minutes during which time I listen intently, take notes, and mostly keep my mouth shut. If I do pipe up, it'll be to indicate that I'm understanding the info and/or to trigger more brain dumping. I want the prospect to feel like they have shared everything they know about the project and that I have absorbed it.

Once we both feel that we have explored every known aspect of the project, I can start trying to uncover the underlying motivation for the project. I refer to this as a “Why Conversation” because it involves me asking “Why?” over and over again.

For example:

- “You mentioned that that you’ve known about this issue for almost a year. Why are you guys looking to fix it now? Did something change?”
- “You mentioned that you just discovered this issue. Why not monitor it for 6 months and see if it’s actually going to cause a problem?”
- “Why not do this in-house?”
- “Why not outsource this to India?”
- “Why not use an off-the-shelf solution?”

It probably seems counter-intuitive to ask questions like these because in a sense you are trying to talk the client out of hiring you.

The flip side of that is that:

- If one of your options is viable but they just hadn’t thought of it or weren’t aware of it (e.g., “There is an off-the-shelf solution that will do this? We had no idea!”), then you’d have been doing them a great disservice had you taken their money.
- If none of your alternatives are viable, the prospect will have just explained to himself/herself exactly why you are his/her best (perhaps only) option. You should take their language and put it straight into your proposal. It’ll be extremely effective in terms of closing the deal.

Hourly billing is killing your business

- Pushing back like this illustrates that you're not afraid to lose the work. This obvious lack of desperation / neediness can be a powerful trust builder. You are demonstrating that you don't want the work unless you truly believe that you are the customer's best option.
- Insisting that your client justify their desire to hire you will usually force them to share the numbers upon which their thinking is based. This is good for everyone because it gives you a tangible sense of whether making an investment with you would be a financial success or failure. If failure is likely, you can (and should) politely refuse the work (or offer a more cost effective alternative).

2. Estimate your perceived cost

Once the client has convinced you (and themselves) that working together is a good idea by sharing their underlying motivation for the project, your next step is to write up a quote. In order to do this, you'll need to come up with three numbers: the cost to you, the value to them, and a price for the project. Let's talk about your cost first.

Your cost for a project is the minimum amount of money you would accept to do the work - i.e., "It's just not worth it to me to do this project for less than \$X" This is your walk-away price.

Your cost for a software project is made up of time, money, and stress. Time is the amount of time you'd have to dedicate to the work. Money is the dollar amount you think you'd have to spend on tools, travel, subcontractors, admin, etc. And stress is squishy emotional sense of how much of a drag the project would be (e.g.,

think of the most high-maintenance client you've ever had and you'll understand what I mean).

In the past, I have created elaborate spreadsheets to calculate my cost for a software project. Every time, the exercise ultimately boiled down to this -

I would enter a bunch of data, the spreadsheet would poop out a number, and I would react to the number.

My reaction would be one of three things: the number is too high, too low, or about right. If the number was too high or too low, I'd twiddle the input until the spreadsheet pops out a number that feels right.

Years of experience have taught me that I could save myself a lot of data entry by using a random number generator. Put another way - it's hard to say what something is worth, but it's easy to react to a price. For example...

If someone asks you, "How much is THING worth?" you almost never can come up with a definitive answer. But if someone asks you instead, "Is THING worth \$X?" your gut will usually react instantly with a thumbs up or thumbs down.

So here's the trick to determining your cost for a software project...

Simply ask yourself "Would I do PROJECT for \$X?" where \$X is a random number.

Keep asking yourself this question until you find a point where your Yes turns into a No. This is your cost.

3. Estimate the client's perceived value

If you have had a proper value conversation as described previously, you will know the client's objective for the project and have some back-of-the-napkin financial numbers about what this outcome might be worth to them. This number will be fuzzy but it should be at least accurate to an order of magnitude (e.g., outcome is worth roughly \$1k, \$10k, \$100k, \$1M, \$10M to the customer).

Next steps

Transitioning from hourly billing to value pricing is difficult and takes time. When you're getting started, try it out with small projects. It will take a few tries to get a feel for having the Why Conversation, calculating a price based on the value, and presenting a value-based proposal. It's not easy but nothing worthwhile ever is.

For more info about how to switch from hourly billing to value pricing, please visit valuepricingbootcamp.com.

6 EASY BUDGETING TIPS FROM A FREELANCER



The author
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Rosa Koolhoven (www.rosakoolhoven.com) is a brand and graphic designer from Amsterdam. She lived in London for the past six years and has been working as a freelancer in the advertising industry for over four years. Recently, she started writing articles for a series on the freelance life for

Tobias van Schneider's blog
(www.vanschneider.com/blog/).

As a freelancer you really need to be on top of your finances. I've been freelancing for the past four years and I want to share some tips and tricks that will also be useful for those of you who are working full-time and receive a salary. These tips are about organising your finances in such a way that they will help you stay on budget every month.

1. The jar system

The jar system is a well-known tool to organise your income and to keep track of your outgoings. I believe it was first presented by T. Harv Eker, author of *Secrets of the Millionaire Mind*. What it means is that you divide every bit of money that comes in into six parts. It can be a paycheck, an invoice or birthday money. Each of these parts will have its own designated 'jar'.

The six jars could be:

- **Necessities** (55%)
- **Play** (10%)
- **Long-Term Saving** (10%)
- **Short-term Saving** (10%)
- **Education and Personal Growth** (10%)
- **Give Away** (5%)

You can be flexible with the percentages or the amount of 'jars' but it's a great system for getting an insight into your finances.

2. Multiple bank accounts

This ties in with the jar system. Instead of actual jars we can just use multiple bank accounts, of course! In most countries it doesn't cost much (if anything at all) to open multiple bank accounts with the same bank.

Even if you are not following the jar system, having multiple bank accounts will essentially help you keep your finances organised. Since I started freelancing I've always had a personal and a business account. For my own piece of mind, I like to keep things separated. And having specific bank accounts designated for specific expenses and savings (my taxes, for instance) makes it much easier to keep a good overview of your finances.

3. My Broke Budget

I like to keep my running expenses account on a tight budget, so I call it my Broke Budget. If I see a low amount in my account, it helps me to not overspend. I put the money that I would like to spend in a month into this account and I keep the amount quite tight.

Even though I have money in the other accounts, I like to think before I spend. You will prioritise better, and you will hesitate to spend it on something not worthwhile.

I will move over money from my short-term savings account when I do feel like spending it on something bigger, but it helps to establish another action, before I can buy it. And it's not so much about not being able to afford the purchase, it's more about putting a little barrier in place to keep you away from overspending.

4. Budgeting apps

Recently I've noticed that lots of banks are upping their game when it comes to apps and services. I'm now with a bank that provides me with a lot of amazing apps and I've started using their budgeting app, which is linked directly to my bank account. I can categorise my transactions, and it will track my expenses for me. I can set budgets for these different categories as well. So I can see how much I've already spent on groceries or in bars. Every country and every bank will have their own well-known apps, so check in your app store, which are recommended for your bank. It might take some time to set up, but it's definitely worthwhile in the long run.

5. Financial cleanse

Once in a while I sit down for a financial cleanse. Don't worry, it is not as gross as it sounds! I have a habit of subscribing to lots of handy apps, new online platforms and cool beta software.

All of these usually don't cost much..€0.99 here, only €2.99 there. But after a while all these little costs add up to quite a bit of money. It's so easy to subscribe to these things, because they are cheap at that moment, but it might help you save some money to get rid of some of these subscriptions. Do you really need five different work-out app subscriptions? Probably not.

6. Pay annually if possible

When there are subscriptions that you know you will use for a whole year, try to pay them in one go. For me as a freelancer monthly bills makes me nervous. What if business hits a dry patch and these bills still need to be paid? So to give myself some breathing space, I like to pay for things annually. Not only does this give you fewer monthly bills, it also usually gets you a full-year discount. So even though it might feel like a lot of money at once, you do save some in the end.

A good example is the Adobe Cloud subscription for designers. You probably already know that you will be using Photoshop and Illustrator for the next 12 months. And yes, that \$700 bill looks pretty big, so you might settle on \$50 monthly payments. But you know what? Pay the \$700 right away and it's out of your mind for a full year. Just make sure you mark it in your calendar a year ahead, when the renewal payment is due.

Peace of Mind

I hope these tips will help you get your finances a bit more organised. I know that for me, having a good overview of my financial status gives me peace of mind. So even though it's not always the most fun thing to do, if you sit down for just half a day and implement some of these tips, I bet you will feel much better at the end of the month!

THE 5 PRINCIPLES OF BOOTSTRAPPING



The author
Nick Swan

Nick Swan is a web developer who enjoys bootstrapping new software products and websites. You can follow him on Twitter @nickswan and see his latest bootstrapped project at www.sanitycheck.io.

Bootstrapping a company is the idea of starting something up without taking existing funding or loans. If the company is to grow by taking on employees, it's done by saving the profits the company makes and investing them back into the business to help it grow. Some bootstrapped businesses remain as just the founder(s) forever.

All you need these days to bootstrap a business is a laptop and a skill someone wants to pay you for. As well as using your skills directly as a freelancer, you may have a software product idea, or even plan on teaching your skill to others via training courses.

I'm currently bootstrapping my third company. These are the five principles I consider crucial for a successful bootstrapper.

1. Begin with the end in mind

This principle has been popularised by Stephen Covey in his book ***The 7 Habits of Highly Effective People***. Beginning with the end in mind is about having a vision for how you want your life and business to be.

The decisions you make at the start of your bootstrapping adventure could have long-lasting implications, and it may be worthwhile to take a day or two away from things to think it over.

If you want to be able to take weeks off at a time, a daily or weekly curated newsletter is not a good idea, for example. If you do not want to deal with clients, consulting or freelancing might not work for you. Do you want to manage employees? If you don't, it rules out tackling certain ideas.

The 5 principles of bootstrapping

Whatever the idea is you are considering, you need to be interested in it to be able to commit a number of years to it. Can you see yourself working on the same kind of thing in two, five or 10 years time?

2. Don't risk everything

Hollywood depicts entrepreneurs as high rollers who are just as likely to visit a Las Vegas casino as spend time on building their business. But in my experience nothing could be further from the truth. The successful entrepreneurs I know are very risk averse, and if it does seem as though they are taking a big risk, it will be well calculated, with potential downsides considered and mitigated against.

What does this mean for your bootstrapping adventure and your current full time job? Do not quit your full-time job! Use your evenings, weekends and spare time to start and build your business. Even if you feel it is time to grow and employ someone full time, it may be better to hire someone to work full time on a freelance basis before you actually employ them.

This is how I started and grew the business I co-founded. We employed three other people full time before we went full time on the business.

If you really do want to quit your full-time job as soon as you start your business, please have a number of months living expenses in savings.

One important aspect of keeping your day job, and bootstrapping at the same time is to check your employment contract. Also if your new bootstrapped business is very similar to what you do in your day job, you should be open about your plans with your employers. I have been in this situation as an employee and an employer, and it is best to be honest when on both sides.

3. Keep costs low and savings high

You can help keep your risks and your monthly costs low, and help yourself sleep at night, by keeping a decent chunk of money in a company savings account.

If you take on an employee, you owe it to them to have a runway of cash in case you end up with a bad payer or some other billing issue, for example PayPal refusing to release funds from your business account.

When Bill Gates founded Microsoft he made sure the company had 12 months worth of expenses in the bank account, so if they didn't sell another piece of software, they had runway to figure something else out.

Getting to 12 months worth of business expenses in the savings account may be over the top for you but pick your number, whether it is three, six, or maybe nine months. I can't tell you how much easier it is to sleep when you have your chosen amount in the savings account.

The 5 principles of bootstrapping

4. Learn to market and sell

Whatever business type and model you decide to bootstrap, you will be marketing and selling something. These are skills that will last you a lifetime.

We are all selling something, whether it's our time, product, or attracting people to sign up for your email newsletter. Selling does not necessarily mean picking up the phone and cold calling. It can be the copy on your website and in your emails, product demos or a webinar.

The best way to approach marketing and sales for a new bootstrapped company is to set aside time to do it. Book a day in your calendar each week to work on it. Give it a name, say Marketing Monday, and do not skip it for anything.

The best book I have come across on this topic is ***The Ultimate Sales Machine*** by Chet Holmes.

5. Join a community

Starting a company can feel very lonely, so it's important to have a way of socialising with like-minded people you have a shared interest with. There are many communities and forums online for people who bootstrap startups. Before jumping in with two feet spend a little time reading the threads and seeing what the community is like.

Co-working spaces are becoming really popular in the bigger cities and towns, and even out in the countryside. Do a little bit of research on Google or check LinkedIn for people who work in the same industry. Eventbrite and Meetup.org are good for finding social events near you. And if there isn't anything, consider organising it yourself. Being the organiser of meetup events is a great way to let people know about you and your business.

Summary

Bootstrapping a business, rather than taking a loan or investment, allows you to remain in control and choose the path that suits your personal life and your business ambitions. With the internet, online communication, open source and subscription software, huge sums of money to start a business are no longer necessary. Demonstrate and market your skills or product, build a network, and enjoy the benefits of a bootstrapped business.

TIPS AND TRICKS FOR SCALING A WEB DESIGN AGENCY FROM SCRATCH



The author
Matthew Pattinson

Matthew Pattinson is director of design and marketing agency, CMA Ltd (www.cmagency.co.uk). The journalist, turned freelancer, turned agency head, works to the adage that strategic thinking is the soul of creativity.

"Don't work for the man, be the man," my father attested each morning before trudging off to the factory. The sentiment stayed with me, echoing in my mind's eye during a ten-year tenure as a political journalist in the national media.

I loved the job, but had that sense of unfulfilled potential. That sense I could do this myself. If you have it, you'll know what I mean. Ultimately, an aversion to risk and financial realities perpetually burst those bubbles of aspiration. Then it happened. The department my team had worked so hard to build was sold for millions. Of course, we never saw a penny.

It was one of those Matrix-like moments where you awake from a deep slumber. The business offered me a relocation role as head of content marketing in Leeds. I gracefully declined. It had taken 25 years, but I now understood what my dad meant.

Time to be the man...

Three ways to start your business

Every business journey is unique. How you get from here to there is down to you. Even so, learning from the mistakes and successes of others is a great way to ensure your impending venture doesn't veer off course.

My personal journey, for instance, is landmarked by a transition from freelance copywriter to full digital marketing and design agency. Along the way, I've navigated more twists and turns than a Hitchcock movie. So, hopefully some of my insights will help you. Here are three ways to start up your design agency:

- **Wealth:** You have cash to invest and connections to tap
- **Employed:** You have a full-time job and hustle on the side
- **Unemployed:** Your wallet is filled with hope, not cash

Unless you're Donald Trump, most of us fall into categories 2 and 3. So, with a lack of time and monetary resources, is it possible to build a successful agency? The answer is a resounding YES and the time is most definitely NOW.

Starting up your start-up

The barrier to entry for your new agency is low – it's a limbo pole one can easily dance under. How? Simple. Follow these steps:

- **toffices** are overrated. Physical legitimacy can be added by registering a business address with an office complex.
- **Knowledge:** Acquire new skills, expand your service offering,

grow your business.

- **Business plan:** Understanding competitors informs market virility, niches to exploit and how to set competitive pricing. Remember though: a plan shouldn't be a straitjacket. Act on opportunities in the moment.
- **Brand:** Name your baby, buy a domain and get registered. Starting from scratch? Then soletrader should suffice. After all, limited companies charge VAT, which weighs heavy on your finances, pricing out smaller businesses.
- **Marketing:** Conduct a digital strategy (you can resell this template to new clients). Build a website and set up social media accounts.
- **Pricing:** Commit to a structure and stick to it.

For a small outlay, you'll be up and running.

Capitalising on the competition

There are more design agencies than jelly beans in Willy Wonka's factory. Does the turf war for the same contracts mean you should give up before you start? Think again!

Perversely, this is your gateway to success. How? Well, when I set out as a copywriter, the adage of 'content is king' was trending among savvier web agencies. Content is the nucleus of any end product. It's how someone finds a website and, likewise, whether they click forwards or backwards.

Content was what I knew. It's what I could sell. So I'd research agencies and their services, then devise methods of getting a sit-

Scaling a web design agency from scratch

down to discuss content. In a third party capacity, I landed gigs for brands such as Virgin Media.

Hooking up with agencies wasn't rocket science. They already had the clients. Their clients needed what I could offer. Working in partnership:

- Meant the agency could test the market for content and offer an expanded service
- Generated an income and time to pursue my own clients

Transitioning from freelance to agency

When you max out your time as a freelancer, you face a choice: stick or move. Employing is a big step, so build a third party design network.

But come on, you want your own team, right? Sure you do. Assess customer demand. Employ people against that. Personally, I took a riskier approach. My first employee – Kate – wasn't an outright creative. She'd managed my account at a preferred design agency.

Whilst a web designer was needed, a longer term approach was adopted. In this business, keep one eye on the road and the other on the bigger picture. Kate was and is the bigger picture – someone to build the business around, a manager of people, departments and clients.

6 rapid-fire agency tips:

1. Learning a bit of everything makes you an effective manager.
2. Only recommend things to clients that will produce a result. Don't be short-sighted and lured by money. Play the long game and you'll have customers for life.
3. Developing processes speeds things up, maintains quality and affords your team space within which to create custom products.
4. Cashflow is king so, rather than a loan, consider an overdraft to tide you over in between payments.
5. Always price fairly. If you have a time frame, hit it. Never skimp on quality.
6. Ask customers for referrals.

Nobody said it was easy

Running an agency isn't easy. There's the work. Then there's the business. Not to mention the politics aplay at every juncture. Forget Dolly Parton: there's no working 9-5 here. But nothing GOOD comes easy. And, if you love it, it's never really work.

I'll bring the curtains down with this piece of advice: it doesn't matter how big you get, NEVER EVER forget those who helped you get there. Sorry, one second, just need to make a call ... "Dad, put the kettle on, I'll be round in 5 ..."

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