

So You Want To Be A Freelancer

By Elena Fawkner

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A Home-Based Business Online <http://www.ahbbo.com>

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What's the difference between running your own home-based business and freelancing? (tick, tick, tick ...) Give up? Me too. If you want to work for yourself from home and have a special talent or skill that you think others would be prepared to pay for on an hourly or per-project basis, why not stop thinking in terms of the traditional "home business" paradigm and start thinking in terms of freelancing instead?

WHAT IS A FREELANCER?

Quite simply, a freelancer is an independent contractor who earns his or her living by contracting for projects on a project by project basis. A freelancer is not an employee of anyone and so he or she must actively seek out work, negotiate the terms and conditions of the project (the contract) and complete the work to the satisfaction of the client. Once the project is complete, the freelancer seeks out and enters into another contract for another project.

Alternatively, the freelancer may have obligations under a number of different contracts with different clients at the one time.

Another variation involves the freelancer producing work and then seeking buyers for that work. A freelance writer of magazine articles, for example, would fall into this category.

WHO HIRES A FREELANCER?

Those who hire freelancers are as diverse as freelancers themselves. In some cases, companies will hire freelancers to complete a short-term project as an alternative to hiring

a new employee. This is often the case where the work in question is spasmodic or ad hoc and the company cannot justify hiring an employee for such work. Companies also hire freelancers to help smooth out the peaks and troughs in workload. Again, where there is a temporary oversupply of work, the company will hire the freelancer on a short-term basis to help cope with the backlog.

In other cases, companies hire freelancers for their special expertise in a certain area. A company may want to create a new website, for example. Hiring a freelance website designer for such a project makes more sense than hiring a website designer as an employee since once the website is complete, the function will no longer be required.

Magazine and newspaper editors also hire freelancers or, more precisely, buy rights to freelancers' work. A freelancer in this type of situation may write a piece and submit it to a number of different editors in the hope that his or her work will be "picked up" by that editor and published, in return for which the freelancer receives payment. By its nature, such an approach is speculative since the freelancer can't be sure that anyone will actually buy the work. Of course, once the freelancer has been published, it is relatively easier to get the editor to buy the freelancer's work in the future and, as the freelancer's reputation grows, so too do the opportunities for future business.

WHAT QUALIFICATIONS DOES A FREELANCER NEED?

To be financially successful, a freelancer obviously needs marketable skills. A freelancer therefore needs the same qualifications, skills and talents as someone who had been hired as an employee to do the job would need. In other words, if you are seeking work as a freelance website designer, you must possess the same skills and qualifications that a full-time employee website designer would possess.

IS A FREELANCER RUNNING A BUSINESS?

In short, yes. If you do not have an employer, if you have to source your own work and negotiate your own terms, if you have to chase payment, if you have to pay your own taxes (i.e. no one is withholding them from your check), you are, in essence, self-employed. Ergo, you are running your own business.

There are a number of consequences you need to think about. The first is taxation. You need to set aside from every payment you receive an amount sufficient to cover your state and federal taxes on the income you receive. Likewise, you need to keep proper books and records so you can claim the deductions and expenses to which you are entitled as a self-employed person.

As a freelancer, like any independent contractor, you will also be expected to provide your own equipment and supplies. If you are a website designer, you need to have your own computer, software and other tools of the trade. The party hiring you will not provide this stuff for you. Similarly, if you are a freelance editor, you will be expected to have all the reference materials and style books, word processing programs and other sundry items any editor would need to do the job.

From a legal point of view, you should also give some thought to the legal entity of your business. Will you be a sole proprietor or will you incorporate? If you incorporate, will you choose S-corporation status? There are important tax consequences of each of these alternatives so be sure to get advice from your accountant before starting and then talk to your lawyer about incorporation.

Think also about what licenses you may need as well as insurance (health, life and liability depending on the nature of the work).

WHERE DOES A FREELANCER FIND WORK?

OK, onto the nitty gritty. You've decided to start work as a freelance website designer. You have the appropriate qualifications, training, experience and equipment and you've consulted your accountant to determine the most tax-effective business structure and your lawyer to set up your new company and advise you in relation to issues such as business licenses and fictitious business names. You're ready to hang out your shingle. Now what?

= Approach Your Warm Market

Start with who you know. Where did you get your website design experience? If it was with an employer, consider whether that employer may not be a source of business for you. That will obviously depend on the circumstances under which you parted company but if you left on good terms and didn't burn any bridges on your way out, by all means contact your former employer and let him or her know that you are now in business for yourself and ready, willing and able to take on new projects. If possible, get a reference or testimonial too. That will come in handy when it comes to touting for new business from strangers.

Next, turn to your network of business associates you developed while working for your former employer. Note, we're NOT talking about clients of your former employer, rather your own network of colleagues. Contact them and let them know about your new venture and your availability for project work.

Be extremely cautious about approaching clients of your former employer if your current business puts you in even indirect competition with that employer. In fact you may be contractually constrained from approaching former clients if you signed a non-compete covenant in your employment contract, for example.

= Create Brochure/Resume

Go to the time and expense at this stage to prepare some sort of resume of your experience and services. Get this professionally printed as a brochure and send it, together with your business card, to your former employer and colleagues as a follow-up to your conversation. By giving them something tangible about you, it is more likely that you will come to mind when next they have a need for your services. If you've already provided them with your brochure/resume, when the time comes, the person concerned will think "hey, Joe's doing this sort of thing now. Where's that information he sent? Oh, here it is. I'll give him a call and see if it's something he might be able to do for us."

= Approach Your Cold Market

Once you've approached your so-called "warm market", it's time to start on the cold. Start by gathering up a list of businesses in your local area or industry that you think would have use of your services. Prepare a letter of introduction and send it, together with your business card, to your list of prospects. Your letter of introduction should make it very clear why you are writing. Identify yourself and the specific skills that may appeal to the reader and why.

Follow up in a week with a telephone call to make sure the materials arrived safely. If the other person is approachable, try and strike up a conversation about what you could do for the business. Otherwise, thank the person for their time, ask them to keep you in mind for future work and calendar to contact them again in 30 days' time.

Continue to work your market like this. Remember, persistence pays off. Don't be discouraged if you receive little warmth or interest in response to your approaches to your cold market. It takes time and persistence. Just don't take it personally. A good way to approach it is to tackle a fixed number per day. Start out by making a list of, say, 300 businesses you want to approach. Develop your list from the Yellow Pages, local library and the web to start with. Calendar to approach 10 businesses a day for the next 30 days. That means ten calls a day, followed by 10 letters of introduction (together with a copy of your brochure/resume and business card) and a follow up phone call a week later.

Where there is interest, you may be able to schedule a

meeting. Where there is no interest, schedule for a further follow up call in 30 days. If there is still no interest, schedule for a further call in 90 days. Or maybe you would prefer to do something else to stay in contact. A good way is to publish a newsletter for your clients and colleagues. Make it relevant to the recipient and it's a good way of keeping your name in front of your prospects. A quarterly newsletter is probably frequent enough. Send it, with another of your business cards, to your list and, over time, you will see that it will start paying off in the form of business.

= Samples

Another idea to think about is to produce a set of samples of your work; a portfolio if you will. Make 8.5 x 11 copies of your work and keep them in an artist's portfolio for presentations when you're able to arrange face to face meetings with potential clients.

= Advertising and Promotion

Next comes advertising. If you're a website designer, possibly your best advertisement is your own website. But don't stop there. Advertise in the publications your target market reads.

Another good way to generate business is to join associations and groups affiliated with your industry. Chambers of Commerce are a good place to make handy contacts.

You will probably find that in the early stages of your freelance career you spend more time marketing yourself and your services than you spend actually working. There's a financial cost to that, of course. How do you finance your marketing if you don't have any money coming in? For this reason, the early days will be lean and mean. Make sure you have the financial wherewithall to survive this period.

HOW DOES A FREELANCER MAKE MONEY?

You will only make money as a freelancer if you charge more than it costs you to do the work in terms of your time, expenses and materials. Factor in a profit component to every job you quote for and make sure that that profit component is in ADDITION to an allowance for your time. For more on pricing your services, see "Pricing Yourself To Get and Stay In Business", at <http://www.ahbbo.com/pricing.html> .

Some freelancers charge by the hour and others by the project. In reality, you will probably use a combination of both methods depending on the nature of the job and the client.

You can get an idea of current market rates by surveying your competitors. Don't be obvious about it though; competitors are, naturally enough, reluctant to divulge information about their businesses to their competitors. So you'll probably need to

employ a bit of subterfuge here by posing as a potential customer, for example. In fact, it's in your legal interests that your competition doesn't give you pricing information if it knows you're a competitor. Such conduct can be construed as price fixing which can land both of you in extremely hot water. So, keep it safe and use circuitous methods of obtaining pricing information from competitors.

PROTECTING YOURSELF

A question often asked by freelancers is "do I need a contract?". Well, to start with, once you've negotiated a deal with a new client you have a contract. The question is whether it's oral or in writing. An oral contract is just as enforceable as a written one but the problem becomes one of proof. How do you prove the terms of your contract if all you have is one person's word against another's? For this reason, a written contract is always a good idea. It needn't be anything too elaborate. In fact, even an exchange of letters will do. Just be sure to include the basic terms:

= Describe the job

What must you do to perform the contract? Be as specific as possible here and try not to be open-ended. "Create a website for client" is too vague. What would you do if the client came back after you'd finished and said, "but there's no shopping cart, there's no feedback form?" and you hadn't quoted your time for these things in striking the price? Better to say, "Create website at client's direction consisting of (a) home page; (b) products and services page; (c) order page; (d) shopping cart and (e) feedback form". By requiring the client to be very specific about what it is they want from their website, how they want it to look etc. you can go a long way to avoiding misunderstandings caused by vagueness.

= Set the price

State in unequivocal terms the price you are to receive for the job. This can be either a project cost such as \$5,000 or an hourly rate such as "\$150 hour or part thereof; minimum of ten (10) hours" or whatever.

= State time for performance

Performance means not only when you will complete your part of the bargain (i.e. delivering the completed website to the client) but when the client must complete his or hers (i.e. by paying you).

FROM THE COAL FACE

Here's what real-life freelancers have to say about the freelance life ...

= Once you leave the workforce and start freelancing, it can be very difficult to get back in and the older you are the harder it is. Once you've been out of corporate life for any length of time, the more likely it is that employers, rightly or wrongly, will see you as not "corporate" enough to fit back into the traditional 9 to 5 routine.

= Isolation and loneliness. No surprise there. It's the same bugaboo that anyone working alone from home must face. For ways of overcoming the isolation monster, see "Overcoming Isolation In Your Home Business" at http://www.ahbbo.com/Overcoming_Isolation.html .

= Procrastination. Again, a common problem for many who work from home without a boss to crack the whip. For ways of overcoming procrastination, see "Overcoming Procrastination In Your Home Business" at http://www.ahbbo.com/Overcoming_Procrastination.html .

= Hard times with no checks in sight.

= Pay is usually better. A very good freelancer can generally do much better than the average employee doing the same work but it takes time to develop a reputation that people are prepared to pay a premium for.

= You have to chase payment. Not everyone is going to pay you merely because you tender your invoice so be prepared to have to spend precious time chasing payment from slow payers. For more on getting paid see "Getting Paid ... Minimizing Bad Debts In Your Home Business". It's at <http://www.ahbbo.com/gettingpaid.html> .

= If you don't like cold-calling, selling and marketing yourself, freelancing is not for you. A good proportion of your time will be spent doing exactly that.

When you think of all the things the freelancer must do to generate business and income, it quickly becomes apparent that freelancing is really just another term for working for oneself. It brings with it the same challenges and opportunities as any home business and really doesn't introduce anything new to the mix. Hopefully, though, this article may have got you thinking about YOUR skills and talents and how they could form the basis of a home business of your own. For all you know, you may not need to go out and find widgets to sell to start your own business. Start with what's already in your own head and everything else will surely follow.

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