



Three Important Chapters to Read Over and Over Again:

- **Legal Rights and Issues**
Chapter 2, Pages 20 - 46
- **Essential Business Practices**
Chapter 5, Pages 88 - 125
- **Contracts**
Chapter 6, Pages 128 - 140
Contract examples: Pages 365 - 405



Pricing and Negotiation:

Negotiation:

*Negotiation is covered in the “Essential Business Practices” section
Chapter 5, pages 88 - 98*

- Preparing to negotiate
- Ask the right questions
- Determine your requirements
- Determine the client needs
- Research the client



Pricing and Negotiation:

Value is Perception Based

How do you back up your quote to communicate the value and reasoning behind the number?

Competition is tight in today's marketplace and perceived value is driven by the competitiveness that's out there.

When trying to defend the value you bring (which is really defending your pricing), see the "Professional Relationships" section. (*Chapter 1, pages 2 & 7*)

These two pages give a concise description of what a graphic artist does from an illustration point of view and a graphic designer point of view. Adapt the language to your own words so you can explain the value a professional graphic artist brings as opposed to a crowdsourcing site or a bidding site.



Pricing and Negotiation:

To Show Value At Different Levels Of Pricing:

When giving a quote via email, what's the best way to imply that I am willing to negotiate, so as to not scare someone off with a quote beyond their budget, but at the same time sound confident about the legitimacy of the quote?

To show value at different levels of pricing, break down the project into different ranges, showing what the client will get at the different pricing levels. This may help the client decide what they need.

Be willing to play around with pricing points and usage rights that are included – the more flexible you are, the more likely the client will hire you. Just make sure you know what you need for the project to be worth your while. That's why you need to do your homework with regards to direct and indirect business costs – they affect what you charge. (Chapter 5)



Pricing and Negotiation:

Biggest, key question to consider when looking at a project and determining pricing in today's competitive marketplace is:

WILL DOING THIS PROJECT BRING ME A PROFIT THAT WILL SUPPORT ME AND MY BUSINESS?

You're in this for the long haul, aren't you? Then you need to ensure that projects you take on can sustain you and the business.



Pricing and Negotiation:

If a specific job or project is not listed in the book:

How do you apply the pricing guidelines for project types not included in the handbook? I was asked to quote on a senior level resume' layout and wordmark design for an individual... How do I determine the value of something like this and choose a price that would be appropriate for an individual vs corporation or organization?

How do things that are not explicitly mentioned, like form design, fit into the recommended pricing structure?

You can approach pricing in two ways:

Method 1

Extrapolate by using something in the book that comes close to what you're trying to price.

Method 2

Use an hourly rate especially if you think the project will not take that long.



Pricing and Negotiation:

Developing a accurate quote:

Your considerations when developing a quote are:

- Overhead – Utilities, Rent, Computer hardware and software, copyrights
- Time - Do you have an hourly price?
- Material – Does this job require special paper when printing is required
- Outside services you may need to hire
- Usage (*page 98*) – will the job be used on the web, licensed, on all corporate material
- How the job will be published (digitally or print)
- Who is the audience?
- What are the expected deadlines?



Pricing and Negotiation:

Hourly Rate Formula*

Direct and Indirect business costs:

Annual rent, utilities, insurance, employees' salaries and benefits, advertising and promotion, outside professional services, equipment, transportation, office and art supplies, business taxes, entertainment and other expenses:

Add a reasonable salary:

Total:

Divide by 1,610 hours worked per year:**

Add 10% - 15% profit margin:

Hourly Rate:

\$_____

* Based on direct/indirect business costs

** Divide by 900-1350 hours if graphic artist is self-employed to allow for time spent on non-billable work such as writing proposals, billing and self-promotion.



Keep Written Records:

Keep thorough, written records of every negotiation and project, including:

- The initial checklist that should include a job description
- Due dates
- Fees and expenses
- Notes on the person representing the client
- Records of follow up meetings and phone calls
- Hours on the job
- Sketches or layouts
- Contracts
- All invoices
- All e-mail correspondence
- Memos and business letters

This is the “job packet” that provides a paper trail in the event that a disagreement or misunderstanding interferes with completing the project and receiving payment.



Contracts:

Using a Contract:

While oral agreements can be considered binding, in this day and age you better have a written one.

Most questions we get from members and non-members about contracts arise because there is NO contract.

You need a written contract, even if it's only a letter of agreement. (simplest type of contract.) -Page 395 *"Illustrator's Letter of Agreement"*.

The Graphic Artists Guild website also has a Letter of Agreement.

The web address is:

https://graphicartistsguild.org/tools_resources/letter-of-agreement

Contracts: Chapter 6, Pages 126 - 140



Contracts:

Why Use a Contract?

Using a contract is a way to protect yourself and your client. A simple contract will avoid potential problems by covering all the terms and expectations in advance.

A well written contract should leave no room for interpretation. This is where you are specific about what the client receives and agrees to pay.

Contract examples: *Pages 365 - 405*

Members have access to digital copies of contracts in the members only section of the web site.



Contracts:

Including Kill/Cancellation Fees in your Contract:

Chapter 6, Page 133

Contract Example: Pages 381, 384, 391, 393, 395, 403



Contracts:

Work-for-Hire:

One of the most pervasive contract clauses in today's marketplace is the work-for-hire clause. As an organization, the Guild is against work-for-hire for independent contractors. Having said that, the only person who can determine whether or not signing such a contract makes sense, is the independent contractor reviewing the project and the contract.

You have every right to cross out the work-for-hire clause in a contract. Negotiate what to give in exchange, i.e., broader usage rights, exclusive rights to the work for 20 years, etc. If you want to do the work and the client is adamant about the work-for-hire clause, then negotiate something in your favor, such as a credit line on everything the work will be used on. You might even be able to negotiate a royalty depending on the work, but royalties don't happen very often with work-for-hire.

Chapter 2, pages 35 - 38 covers work-for-hire.



Getting Paid:

You have to bill the client in order to be paid.

Take one day out of the week or month, and dedicate it to billing your clients. Take another day during the month and dedicate it to following up on outstanding invoices.

If you don't stay on top of your billing process, you won't have a sustainable business.



Getting Paid:

- For large projects, a book project for example, best practices dictate for Graphic Artists is to include in the contract payment in thirds. One third when you and the client have agreed to the terms of the contract, one third upon presentation of comps and one third plus expenses at the completion of the job. This is something you write in the contract.
- For smaller projects, Net 30 makes more sense.



Not Getting Paid?

- Did you send an Invoice to the client?
- Direct negotiation
- Extension of final payment time
- Final Notice letter - *page 110*
- Graphic Artists Guild Grievance Committee - members only
- Mediation & Arbitration
- Collection Services - step by step strategy - *page 108*
- Small Claims Court
- Hiring a Lawyer - Volunteer Lawyers for the Arts - *page 357*