So You’re Thinking About Consulting? Think About This…

Lynn Cherny, Ph.D.
GhostWeather Research & Design, LLC
Topics I’ll Cover

- Why me? What do I know?
- Top 10 Considerations for Consulting
- Useful References
Thought I had a fair shot at it…

12 years experience:

- Research and publication credentials
- Known companies (TiVo, Adobe, Autodesk, Excite, AT&T Labs)
- Prior consulting company experience (in France)
- Portfolio materials (kind of)
- No dependents.

- And I like interviewing.
Setup (Software and Office)

1.
Office Equipment

- Printer
- Computer (or 2)
- Fax & Scanner
- Good Chair
- Calendar, Cell Phone…

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I brought it all in myself...
On another (home) job... Emergency Staples run!

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Software is expensive.

<table>
<thead>
<tr>
<th>Software</th>
<th>Cost</th>
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<tbody>
<tr>
<td>(Adobe Photoshop)</td>
<td>($300 - $600)</td>
</tr>
<tr>
<td>(Adobe Acrobat Professional)</td>
<td>($288)</td>
</tr>
<tr>
<td>(Adobe Dreamweaver)</td>
<td>($270)</td>
</tr>
<tr>
<td>OR Adobe Creative (Web) Suite CS3</td>
<td>OR $1533 (new)</td>
</tr>
<tr>
<td>Office Professional 2007</td>
<td>$215</td>
</tr>
<tr>
<td>Visio Professional 2007</td>
<td>$279</td>
</tr>
<tr>
<td>Axure RP Pro</td>
<td>$589</td>
</tr>
<tr>
<td>Tableau (for stats)</td>
<td>$500</td>
</tr>
<tr>
<td>Concordance Software</td>
<td>$99</td>
</tr>
<tr>
<td>XLM Data Miner</td>
<td>$90</td>
</tr>
<tr>
<td>Adobe Premiere Elements</td>
<td>$73</td>
</tr>
</tbody>
</table>
To Incorporate or not?

2.
Types of Incorporation

- Sole Proprietorship, Partnerships, LLC, S-Corp...
- Online resources like
  - IncorporateFast.com
  - http://smallbusiness.findlaw.com/

Get a financial advisor and small business tax person!
I went LLC, because...

- Credibility with (big) clients
- Separation of business and personal financial records for risk reasons

Accounting 101

Cost in MA for LLC: $500/year with annual report filing
What to charge? Calculations.
Models for Charging

- Project – seems to be the norm in design

Input for your calculations:
- Last annual salary (or realistic target)
- Cost of life (do you know what you need/spend?)
- Insurance and other non-benefit necessities
- Expenses and unpaid work time
- Days off (biz working, holidays, vacations, sick…)

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Other Factors to Consider

- How hot is the market
  - Gauges: incoming queries, your peers, job ads out there, competition for pitches, rate haggling…
  - How many yeses vs. no’s on your rates
- Short term vs. long-term rates
- Magic psychological numbers like $100

Not all jobs are alike:
  - Project will help you as much as it helps them…
VERSUS
  - Project is really difficult with tough stakeholders and lots of unrealistic expectations going in.

Remember it can be hard to raise rates later on a client you had.
Charging models for hourly rates

- Aim for a specific figure (your last annual salary or net?) and divide by work days/hours to figure rate + expense allowance on top.
- Work from what you need to live with the expenses and insurance etc. and see what it works out to
Ex: Calculations up from last annual salary

5 days * 52 weeks = 260 base weekdays
Minus 6 national holidays, 10 days vacation, 2 personal days, 5 days sick leave = 237 working days

Assume work day of 7.5 hours (lunch isn’t paid time): 1777.5 hours.
Assume last annual salary: $100K

This means you were making: $56/hour

Now you add on your calculations for other costs…
Add into this rate…

- Health insurance: min $400/month
- Software: $5000
- Conference: $2000
- Computer: $1000

estimate at least $12800K for expenses

Missing assumptions that are also crucial:
Higher tax rate (self-employment rate), SEP IRA not 401K
Unpaid days for business overhead (proposal writing, etc) - reduce working days by 10-20 or more.
Calculations change from days/hours alone:

5 days * 52 weeks = 260 base weekdays
Minus 6 national holidays, 10 days vacation, 2 personal days, 5 days sick leave, 15 unpaid work days off = 217 working days

Assume work day of 7.5 hours (lunch isn’t paid time): 1627.5 hours.
Assume last annual salary plus expenses: $112.8K

This is approx: $70/hour

Without the extra tax and retirement calcs too!

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Some local hourly rates for individuals

- $175
- $100-$125
- $80
- $60

McKinsey and the Big 5

~$300

same goes for senior folks at UI consultancies (billable, not take-home)
The sad truth… we are all bad at work accounting.

- Most of us don’t know what we spend our time on when we’re working
- Most CLIENTs don’t know
  - what is needed to get a job done
  - don’t know what overhead time is involved in email alone
  - And don’t VALUE it.

More time is needed for admin and overhead than anyone ever expects, on both ends.
Expense Tracking

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Do it formally – including cell phone, mileage, food/entertainment including meals while working, marketing stuff.

Especially if you’re an LLC like me.

Tips:
- Mileage is worth a lot
- Per diems for cities are also good news (no receipts needed)
- Meals/entertainment good at only half the value
- Never go on a purely non-work vacation again
Financial Big Picture
Big topic, but some reminders

- Have a big cash cushion – 3-6 months living expenses
- Need to keep reserves for quarterly taxes
- April tax time requires large output of cash: tax you owe, estimated first quarter, anything for SEP IRA or penalties
- Long term disability insurance isn’t free, but is a good idea if you can get it.
- SEP IRA can save you big on your taxes and keeps you working towards retirement.

Get a financial advisor and tax accountant who knows small business/self-employment and IRS tricks.
Marketing: Web and Net
Things to Do for PR online

- Website with resume and work samples, keywords
- Blog
- LinkedIn (get reviewed), Plaxo Pulse etc
- Presence in forums, blog posts, interaction design lists, consulting directories, etc
- Publish; show it off online (Slideshare etc)
- Talk at conferences and local events
- Elance.com bidding…
- Keep your resume up to date on job sites like Monster, Hot Jobs etc. (you get pinged when you refresh it)
Get found by others: SEO basics

- Use real page titles (<title> tag), make them differ across pages.
- Put the words you want in your important page titles (“Boston UX consultant” etc)
- Use H1, H2, H3 for tagging important content
- Use good, plain, catchy titles on posts and documents
- Put alt tags on images in your document that help it be indexed
- Link and be linked to (post your url in comments on other blogs, etc)
- Have good text content! And refresh it.
Some Offline Stuff to Do

And Eat/Drink.

“My short-term goal is to bluff this job interview. My long-term goal is to steal a time machine so I can go back in time and change everything I’ve said.

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### What do you sell?  
### Types of Sales Package

- Workshops, brainstorming
- Project delivery
- Long-term design support
- Expert reviews with upsell
- Persona creation
- “Facilitation”
- “Innovation”

### What do you want to be?

### Skills to Sell

- Data analysis (web logs, etc)
- UI wireframes and specs
- User testing
- Reviews of existing sites/designs (heuristic/expert)
- Prototyping
- Web design + Dev
- Brand studies
- Customer research

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Who do you talk to?

- Engineering
- Marketing

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What does everyone else offer?
What does your business card say?

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“Data-driven”

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Headhunters vs. Going Direct
Headhunters / Recruiters

**Pros**

- They find you, usually
- You can use them to filter for you (sometimes)
- They are useful in slow times to get the net out
- A good one will be your advocate – and you can both benefit from the network effects.

**Cons**

- They add a surcharge, which reduces your take-home
- Don’t necessarily understand what you do and perform a good filter
- They may be misled about the job / time / skills / need
- They are often pushy and not out for your best interests, but theirs.

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Finding work yourself

- Allows for better filtering – you know what you want (after a few bad jobs)
- You set the rate and take it all home.

But: It’s more work. You need to have the connections and input to choose from. Plus be great with email. A history helps.

&

Not all leads turn into jobs – a fraction do. Budget for this in your finances and time planning.

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Portfolio and Interview
In brief:

**Have a portfolio when you interview.**
Check for examples online.

- Show your strengths
- Highlight range and depth of client work
- Have a large amount in high fidelity
- Make sure it’s work you personally did and can speak to.

You must be a rockstar!
(Freelanceswitch.com ebook)
Proposals, contracts, agreements
If your potential client won’t sign a general engagement agreement before you start, you may be at risk.

Use your discretion on whether to require it.

**Engagement letter**: Establishes your rate, estimate for the project and deliverables, and overtime rate (if you do project basis). See elance.com example.

You are probably required to sign an **NDA**. Review what you sign carefully (especially terms for ending work engagement and having other clients simultaneously).
Proposals

Lots of prospects/clients don’t read them
   Or honor them
       So be wary of how much time you put into them.

But they’re necessary, in some form.

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So is it for you?
References for More Info

- Training: Lynda.com, ACM courses
- Critical look at your life and starting business: “The Four Hour Work Week”
- Design consulting info, rate calculator, ebook on setting up for work
  All at Freelanceswitch.com
- “Talent is Not Enough” by Perkins
- 12 breeds of client and how to work with them (freelanceswitch post)
- Biznik.com for small business owners, office nomads (etc); chi-consultants list
What Else-?

- Get my slides?
- Have coffee with me?

Want More? Workshop with more on Consulting:

- This summer
- Co-run by me and Greg Raiz, from Raizlabs
- Offered via the local UPA

Contact me for info.

Pass me your card!

Lynn Cherny, Ghostweather R&D
Thanks from
GhostWeather Research & Design, LLC

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