

# STRATEGIES WHEN WORKING INDIRECTLY (SUBCONTRACTING)

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or most readers the best projects, fewest hassles, and most money come from working directly for clients—the corporate or end-user market.

The middleman market—working indirectly through another creative firm—can mean less control and smaller invoices. Nonetheless, it can be an important income source, especially for freelancers. In some fields—ad copywriting, illustration, and back-end Web development come to mind—it's the source of most or all income.

## UNDERSTANDING THE MARKET

The middleman market has a different dynamic than the end-user market. Not the least of the differences is that small creative firms are often occasional buyers and seller themselves: sometimes hiring freelancers, sometimes accepting subcontracting work from larger firms.

**Easier to pitch.** Opportunities—primarily advertising and PR agencies, and design and interactive firms—are numerous and easily identified. Most use outside help, many frequently. A simple portfolio review is all the presentation normally required. And hiring decisions are made by like-minded souls, typically a principal or creative director, not a business executive.

**A premium on speed.** The ability to work fast and under pressure, often after hours and over weekends, is a high priority. Agencies (we'll refer to all outsourcing creative firms this way) usually hire outsiders when they are in a jam. That is, they can't

meet deadlines with their current staff or lack the specialized skills a project requires. Since strategy and direction have often already been determined, output usually takes precedence.

**Buyers control.** Excepting an occasional high-level assignment (e.g., concept generation), this is a buyer's market. That's due to lots of competition. Many freelancers, and some firms with a "studio" orientation, focus their efforts here because they don't have the confidence or experience to pursue work elsewhere. Little client contact is involved when working for agencies, and business skills are generally not as important.

**Lower pay.** Except for those few highly-regarded freelance specialists, agency assignments tend to be of a low-skill production type. In addition, agencies expect to be able to mark up outside labor from 50% to 100%. (Example: billing out a freelance expense of \$1,000 at \$1,500 to \$2,000.) Given this and competitive pressure, it is often difficult to charge an agency (middleman) client what a corporate (end-user) client can be charged. (Also, see "Pricing and Billing" on page 7.)

**Anonymity is expected.** Contract help normally has to be willing to work for little or no recognition. Agencies are understandably reluctant to acknowledge that an outsider, not their own staff, was responsible for anything significant. The higher the level of work produced, the more this holds true.

## DIFFERENTIATION

Setting a business apart from others is an important factor in developing a presence in any market. It is more so in the middleman market because of the competition and assignments.

**Marketing.** There's no less need in the middleman market. Regular activity, such as quarterly mailings or monthly e-bulletins, introduces new and better clients and modifies perceptions. Relying on referrals or buyer memory alone never accomplishes this.

Firms whose primary business is the end-user market should also include all local creative firms. It can lead to subcontracting business, particularly if they have employees with unusual talent or style. Even if not, it will make the firm appear to be more formidable to its competitors.

**Branding.** It is also more important in the middleman market to establish a strong identity. Subcontractors not associated with unusual talents or skills are likely to be treated as interchangeable, little more than pairs of hands.

Subcontractors with strong identities end up on agency "A lists"—more calls, greater negotiating potential, and higher pay. Where an agency might pay an indistinguishable production designer \$50 an hour, one with a (perhaps self-generated) reputation for speed and exactness might easily command \$70.

**Discouraging drop offs.** Regardless of how impressive a portfolio is, it is more likely to be remembered when it can be connected to a face and personality. Besides, the ability to take direction, and to work fast can only be conveyed in person. When faced with an agency drop off policy respond this way:

"I'd prefer to show my work in person. As good as I believe it is, without me there's no way for you to get to know everything else I bring to an assignment, such as speed and the ability to get it right the first time.

“I promise I will take less than half an hour, and I can fit it in around your schedule, including before or after hours.”

Sometimes being assertive will work, sometimes not. But it always makes a positive impression about confidence and one’s professionalism.

### VETTING OPPORTUNITIES

Middleman work doesn’t necessarily have to be highly paid to be worthwhile. The reward of some assignments could be primarily career-building—making contacts, building a portfolio, learning new skills, or gaining experience.

**Dross or gold?** There’s great variance in the way agencies treat subcontractors. The local creative world is also small. And creatives talk. So nearly every one that hires subcontractors has a reputation. Ask around before accepting a substantial assignment.

Subcontractors who can be taken advantage of often are. Turning down agencies that pay poorly, pay late, or make unrealistic demands is usually better in the long term. Those with a take-it-or-leave-it attitude will likely be problematic later. If you have to depend on this type of agency for work, you haven’t done enough marketing.

**Who’s best?** As in the end-user market, larger middleman clients are usually better—assignments are bigger and more stimulating, deadlines less severe, the pay greater.

Small advertising and public relations agencies are usually the worst middleman clients. Assignments are likely to be deadline oriented, growth opportunities few, and there is often pricing pressure.

An exception can be a startup formed by principals who used to work in a larger agency. They need help, and they have the background to appreciate talent. They also tend to pay well because with minimal staff and the need to grow a reputation

they are more likely to view hiring good subcontractors as an investment in building a stable of good clients.

The best type of middleman client is usually a design firm. They have more need because they are less likely to have the variety of internal staff found in agencies. Their assignments also tend to be more stimulating, longer term, and less deadline oriented.

### PRICING & BILLING

Many agencies are relatively small businesses and are prone to cash flow problems. Working with an unfamiliar one always raises concerns about being paid well and on time. The following will mini-

10 hours @\$100 an hour	\$1000
Professional discount	–\$ 250
Total	\$ 750

**Offer to bill directly.** It is a way an outside subcontractor (versus one working in-house) can make its fees more affordable. It is especially appropriate when the client is aware that the agency doesn’t have the needed staff and will be subcontracting. (Example: a design firm using an outside copywriter.)

When the subcontractor bills directly the agency’s client pays less because there’s no markup. This allows using a higher level outside talent than might otherwise be affordable. When promoted as a way the agency works

This is a crucial market for some, a good supplemental market for others.

mize chances of being taken advantage of.

**Provide a professional discount.** Be proactive. Take the pricing initiative by offering agency clients a 25% discount from your normal pricing. It will set you apart from competitors and make any agreed-upon price appear lower. It will also demonstrate recognition of the agency’s budget and markup needs.

When negotiating for hourly fee work, for example: “My hourly rate when working directly for clients is \$100. For agency work I normally charge \$75 an hour, or a 25% discount. This allows them to charge a higher markup.”

When negotiating a project fee: “My estimate on his project for normal clients would be \$6,000. But for agency clients I provide a 25% professional discount to allow a higher markup. Therefore, the estimate for you is \$4,500.”

Invoices should show both the normal and discounted price. For instance:

to keep costs down for its clients, it can have a significant marketing benefit.

**Get progress payments.** The middleman market is more volatile than the end-user market. Agency plans often get changed by their clients. Subcontractors can easily be left in the lurch when this happens. To guard against it, insist on an upfront and later progress payments—a third of the estimate to start, a mid payment, and a final payment. Chances are the agency will have collected from their client before paying you.

**Insist on 30 day terms.** To protect cash flow, some agencies delay payment until the client pays them. This penalizes subcontractors for things outside their control, such as client/agency disputes, tardy billing, misplaced invoices, etc. Make it clear that one of the conditions of accepting the assignment is on-time payment despite when the agency’s client might pay.