

Subjectivity Index

A theory for valuing jobs in creative industry

This pamphlet was supposed to be yet another thread on the topic of the pricing policy for creative industry. When I was half through the text, I realized, that posting a thread this long would kill it before it got interesting. So here is why it took form of an essay, which I am happy to share with everyone interested.

The reason behind this theory was my intention, primarily for my own sake, to investigate the question of value of a creative job and make it flexible and, as after-thought, to trigger some practical, open-minded discussion on the topic.

Every theory gives you this simple formula: direct costs + indirect costs + overhead + “what you want to earn”.

Being basic, this formula still lacks something, which is being referred to quite often within creative fields – subjectivity. Any creative job should be relevant to the client and to its subject, but being a work of mind, a creative output cannot avoid being judged subjectively. So why not put this aspect into the mentioned equation?

Another thing absolutely not obvious for anybody starting out (and I am talking primarily about start-ups), is how to foresee the number and type of jobs one is going to do in a given period of time. For a business plan, one could use number of billable hours and see, if it makes any economical sense. But then one could also go as far as saying “I need this many billable hours for that kind of client and that kind of job”.

Is such thinking more practical?

Here is my point.

Basically, the idea is to have a scale, say, from 0 to 2 (5, 10, 100, if you wish) for every client and job. The scale should help reflect the subjective side of the business in a service industry without firmly prescribed rates. It is, finally, about the client who you have to deal with and the job you are faced with: what is the client’s business and how big is it, what are the prospects for further collaboration and on what level, what is his industry and how appealing is it for you, how big could be the exposure for this job, etc. Certainly, your experience plays quite a role, too. And, of course, the old good direct costs, indirect costs and the overhead.

AGD, Alliance of German Designers, actually does have something similar in action. They call it “usage factor” and have defined four fields, where it should be applied: type of usage (simple, exclusive); usage region (regional, national, european, worldwide); duration of usage (1, 5, 10 years and unlimited); and scale of usage (low, medium, large, substantial). All of this criteria use factors from 0,1 to 2,5, which are then being added up to form the overall usage factor which is then multiplied by the normal hourly rate.

www.agd.de

The Subjectivity Index I am talking about goes a bit further, and – as I do not represent an alliance or a guild and just thinking out loud – hints on the scope for the index to be applied upon. The core idea is to calculate it in regard to the client and, fairly enough, to yourself.

Let's say we have this client briefing you in a very simple manner: "Oh, I need, like, a logotype. Maybe a nice website, too".

The business this client (and at the same time, the boss) represents is:

- a wholesale company, selling office supplies;
- 10 people staff;
- 1 office;
- 2 years on the market;
- undisclosed turn-over;

And the client in person is a regular business man, talks no fancy stuff, dresses without looking defiant. Do you think he could bring more job to you? Yes, but not much.

Your experience is 2 years and you staff is 1 (just yourself).

client's aspect	value base	factor
industry	industry rankings	0,1 - 2,0
staff	for every dozen	0,1 - 2,0
business scale	offices, POS, etc.	0,1 - 2,0
time on market	for every year	0,1 - 2,0
turn-over	for every 100K euro	0,1 - 2,0
collab prospects	intuition!	-2,0 - 2,0
your aspect	value base	factor
experience	for every year	0,1 - 2,0
staff	for every dozen	0,1 - 2,0

<http://money.cnn.com/magazines/fortune/fortune500/2008/performers/industries/profits/>

Why end with 2,0 if there turn-over could be 50 000 000 € and there could be 700 points of sales for one client? Because, let's face it, the index can grow really big, taking you out of competition just because you thought you were "fairly subjective". It's a subjective subjectivity index, if you want.

Personalities play quite a big role at a start-up level and knowing that a client may bring you more work (or new clients) should get reflected in the invoice. The "perspectives" factor goes even as far as to be a negative number. If it is obvious, that a client brings you more work, the fact should get reflected in a negative factor for the "prospects" aspect, pulling the whole Subjectivity Index down thus making the overall proposal more plausible for a client. Sure, it is hard to get the right picture after the first meeting. But then, it is not about deep psychological analysis, so the first impression would be fine. A totally arrogant client will uncover himself after the first 30 seconds of the dialogue, so you won't miss that one, for sure.

A douche bag would get an index of 2; and Angelina Jolie an index of -2 without contemplating.

Back to the job. The client seems to need the following list (and you better make sure this is it, before you go out with your offer):

- a logotype;
- business cards for 10 employees;
- a Word-template and an Excel-template;
- letterhead – one pack of 500 sheets on a "nice" stock with a logo for "important" correspondence;
- a simple and clean layout for the website;
- proof-reading the copy for the website;

No idea how to handle php, mysql and set up email accounts? Your buddy IT-freelancer Joe will thank you. Kate, the journalist and freelancer, could do the proof-reading, too.

- images for website (and for further communication);
- CMS-based website, maybe even SEO ready;
- 10 email accounts (setup on the workstations included)

I'd say, this is a quite common first "big" job situation.

Based on our previous assumptions (or even exact facts) about the business we are dealing with, we now have $0,4 + 0,1 + 0,1 + 0,2 + 0,1 + 0,5 = 1,4$ factor for the client's business aspects and another $0,3$ factor for your business aspects. All in all we have $1,7$.

This is the Subjectivity Index.

I would also divide every phase of the job into creation or tooling. The former takes your creative powers in question; the latter is a routine you would apply evenly across any and every of your clients and jobs.

So, for this creative job I'd need a day for the concept development (inspiration, if you want), couple of days to sketch half a dozen of concepts for a logo, which would probably all end up in the litter bin. I'd need another day to make 2 more concepts, which could be shown to the client for further feedback. Same time would go for the website layout.

Apart from these two aspects, everything else is tooling. Even a layout for a business card – only if this is not a work, which is done explicitly to submit to a design competition, you are not going to spend a week of full-power days on a layout for a business card for your every client. There are two dozens of layouts, which work for a

business card, and that is enough. Really few jobs require fancy stock or unusual materials to be used. So you have to pick up a 300 g/m stock and a day to mix it with your selection of colours, typefaces and a logotype. It's more tooling then creation, really.

The same goes for the website. Two ideas, three pages deep, a change here, a change there and when signed off – it's just tooling.

Here is a quick overview, of how long the job could take one to do.

job phase	creative	tooling
concept development	8	
logotype	10	½
business card layout		3
MS Office templates		½
letterhead		2
image re-search		4
website layout	15	1
proof-reading, website copy		2
website programming		30
email setup @ workstations		1
project management		8
SUBTOTAL	33	52
TOTAL		85

All in all we have 85 billable hours. For the sake of example, let's assume the hourly rate is 50€. I won't go into how and why you calculate you hourly rate, but 50€

Oh, if you do get a brilliant idea for a business card – do not throw it away, just because it is not going to a contest. Do it!

I say "a day" and calculate 8 hours for it, although I know, that I will probably spend more hours on and off, taking a break, going out for a cig and working far into the night – but all in all a full work-day is fair to bill with 8 hours.

These are of course pretty personal assumptions. I just assume that I work fast.

<http://www.google.com/q=calculate+hourly+rate+designers>

seems also pretty fair for me, even if you are starting out. In fact, I have met no one charging less than that.

<http://freelanceswitch.com/rates/>

Out of the earlier calculated 85 hours, only 33 hours require your creativity; the other 52 hours are dedicated to pure tooling, which is the same for every job you do. I'd even go so far to assert, that the quality of a creative job seen from everyday perspective lies in the quality of tooling and not wholly in the quality of the creative work.

Finally, we are at the point where this theory gets into focus. There are two ways to apply the Subjectivity Index.

Variant 1: You multiply creativity hours by your hourly rate and by the index we've added up earlier $33 \times 50\text{€} \times 1,7$; the tooling hours multiplied by the regular hour rate $52 \times 50\text{€}$ add up which totals in 5.405,- euro.

The reasoning: the tooling is the same for every client.

How subjective can the command of your trade get?

Variant 2: You apply the calculated factor to all hours you spend on the job. $50\text{€} \times 85 \times 1,7 = 7.225,-$ euro. That's 25% more than in the first variant.

The reasoning: you've spend time and money to get everything in place, learning the tools included; so it should pay off, be it tooling or creativity.

These two figures may give you a fork, where you know, that you would be most happy and absolutely comfortable to go with the highest one, but you would also not feel screwed, if you are set with the other lower rate. You

may even go further and say "Look, dear client, I could have charged you this much, but because [of these reasons], I'd give you 25% discount on this first job". The next job is most probably yours, too.

Frankly, if I would do the job I've described and used my own rates and the theory, I'd end up between 9.500€ and 12.500€. And for today, I'd be happy with an invoice of this value. But then again, I once did almost the same job for 2.000€ and that was pretty fair for me at that time.

How this job could vary across clients? Let's see:

client's aspect	a kiosk	a printer	a toy factory
industry	0,0	0,1	0,4
staff	0,1	0,2	1,0
business scale	0,1	0,1	0,3
time on market	0,1	0,3	1,0
turn-over	0,0	0,1	1,5
prospects	0,1	0,2	-1,0

your aspect			
experience	0,2	0,2	0,2
staff	0,1	0,1	0,1

calculations			
total index	0,7	1,3	4,5
variant 1	3.755,-	4.745,-	10.025,-
variant 2	2.975,-	5.525,-	19.125,-

An index under 1 still gives you a fork, although the other way around.

Certainly, a small toy factory would require more than just a simple website, whereas a kiosk would probably require no website at all. But the difference in mere index progression is pretty clear.

Oh, and I've forgot, but you shouldn't.

The initial proposal would include at least 500€ for the royalty-free CD with 100 pictures of "happy generic clients". Also, don't forget to actually pay the fair amount of the subjective hours to your IT-freelancer Joe, who fixed those emails, as well as for the copywriter Kate, who in fact proof-read the texts for the website!

Getting back to the Alliance of German Designers, it would be interesting to see how the two indexes compare. Here are the previous four examples with AGD usage factors applied. To fit them all in one tiny table, I have cut the names: K-kiosk, P-printer, W-wholesale, F-factory

type of usage
simple: 0,2
exclusive: 1,0

duration for
all examples:
unlimited

usage aspect	K	P	W	F
type of usage	1,0	1,0	1,0	1,0
region	0,1	0,3	1,0	2,5
duration	1,5	1,5	1,5	1,5
scale	0,1	0,3	0,7	1,0

calculations

overall factor	2,7	3,1	4,2	6,0
hourly rate, €	50	50	50	50
hrs required	85	85	85	85
value, €	11.475	13.175	17.850	25.500

for the sake of
clean comparison
of indexes
only, I've left the
hours and rates
unchanged

Clearly, the Subjectivity Index is competition ready and will win you jobs in the beginning of your career. A quick-witted designer will certainly not charge 11,5K euro to a kiosk owner just because the usage factor says so. But then it will harder for this designer to define what he is going to talk about.

It would be interesting to see if this theory has a potential for discussion.

Some initial criticism from myself.

Obvious pitfalls:

- the Subjectivity Index may rocket into the sky as one finds more and more subjective points to validate;
- the required hours estimation may vary strongly;
- the hourly rate used for these calculations is rubbish;
- might seem as an over complicated method...

© 2009 Alexey
Lysenkov,
www.xtati.com

Typeface used:
FF Good OT
Light from
FontShop;
downloaded for
free thanks to
the FontShop
newsletter.