CTRL+CLICK CAST #037 Pricing for Profit with Marcus Neto

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Lea Alcantara: You are listening to CTRL+CLICK CAST. We inspect the web for you! Today Marcus Neto returns to the show this time to talk about pricing for profit. I'm your host, Lea Alcantara, and I'm joined by my fab co-host:

Emily Lewis: Emily Lewis!

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Emily Lewis: Joining us today is our is our friend, Marcus Neto, who has been a guest on the show in the past who talked about EE. Today though, we're talking about one of the more challenging aspects of running a business, pricing. We got today Marcus when he was director of sales and evangelism for EllisLab. He's now the owner and direction of Blue Fish Design Studio, which is an interactive design studio on the Gulf Coast that especializes in mobile first and responsive web app design, web marketing and branding. Welcome back to the show, Marcus.

Marcus Neto: Yehey!

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: I'm totally ecstatic to be here. This is awesome.

Lea Alcantara: Awesome. So Marcus, can you tell our listeners a bit more about yourself.

Marcus Neto: Sure, as you mentioned, I run a design studio called Blue Fish Design Studio, and we've been in business for about eight years now. I did take a small break while I went and worked at EllisLab for about a year and a half, and since leaving EllisLab, I've kind of stepped on the accelerator and I'm starting to build out the business and kind of stretching myself as well as just the company and seeing what we can accomplish. You said to give some personal information, so like you mentioned I am on the Gulf Coast. I live down near Mobile, Alabama. I am originally from Washington, DC. I got tired of working in the giant hairball known as Washington, DC.

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: And so we moved down here to be closer to family and to get closer to the beach, and I don't regret it one bit. My commute is five minutes to my office.

Emily Lewis: [Laughs]

Lea Alcantara: Nice.

Marcus Neto: Yeah, I know. It doesn't get much better than that. I used to spend anywhere from two to three or more hours a day.

Emily Lewis: [Agrees]

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Marcus Neto: And I don't envy any of you all that might be listening to this on your daily commute. I apologize for the heavy traffic.

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: Hopefully, your ride will be comfortable and you'll enjoy the banter.

Emily Lewis: [Laughs]

Marcus Neto: But now, I work out of an office here I share with another business, and one of the things that we've been dealing with lately is because we are growing, we are looking for some space and there's a possibility that we might actually be getting our own building, which sounds a lot bigger deal than what it is. But I'm happily married. I've been married for, well, 18-plus years.

Emily Lewis: Wow!

Lea Alcantara: Wow!

Marcus Neto: And I have three boys aged 14, 12 and 8, and that keep me quite busy, so when I'm not behind a computer, I'm watching baseball or lifting heavy things at the gym with my couple of buddies or just spending time with my family and just chilling out at the beach, so it's a rough life.

Emily Lewis: Yeah. [Laughs]

Lea Alcantara: [Laughs]

Emily Lewis: I totally hear you on the leaving DC, that's what I did myself when I moved here to Albuquerque eight years ago.

Marcus Neto: Yes.

Emily Lewis: I couldn't take the area, traffic.

Marcus Neto: We've had this discussion before, I think, but remind me, where did you grow up?

Emily Lewis: I was born in Virginia, and then kind of went back and forth between Northern Virginia and Southern Maryland throughout my childhood. I ended up going to college at St. Mary's which is in Southern Maryland.

Marcus Neto: Yeah.

Emily Lewis: But yeah, the Beltway, the Metro, the traffic, ugh.

Lea Alcantara: [Laughs]

Marcus Neto: For those of you in the DC area, I grew up in Woodbridge.

Emily Lewis: [Agrees]

Marcus Neto: I went to Woodbridge Senior High School. I graduated and went to James Madison University. I did spend about a year at the Northern Virginia Community College, and then I went to James Madison University, so yeah, I love DC. It's a great place to visit with, but the Lord knows I would never want to live in it...

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: But for those of you that are still stuck in the city, escape.

Emily Lewis: So I'm really dying to talk about today's topic, but I'm also equally curious to find out from you first. So you mentioned you sort of took a departure from running your own business working for yourself to work at EllisLab for a period of time, and then after a year or so, you went

back. What was that process like? Why did you decide to go work for someone else, and then why did you return to working for yourself?

Marcus Neto: Sure, and and that's a great question. So I have been using ExpressionEngine for over – I don't know – eight years or so. I could look at my profile and see when that was created. I think it was probably around 2006 or something like that. I was just joking around with Matt Weinberg one day on Twitter, and Les Camacho or Leslie Camacho sent me an email and said, "Well, are you serious?" Because I was joking about going to work for Matt because Matt is awesome, and who wouldn't want to work for him.

Emily Lewis: [Laughs]

Marcus Neto: So Les sent me an email and said, "Are you serious?" And that started a conversation about the possibility of me coming on board at EllisLab. I did not, and Les would back this up, I didn't do it because of the money. I didn't do it because of the fame.

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs] Oh, the fame.

Marcus Neto: Exactly. I did it because I really believe in the product and I wanted to make a difference.

Emily Lewis: [Agrees]

Marcus Neto: So the time at EllisLab was well spent. I learned quite a bit business-wise. I felt like I knew what the hell I was doing before going to EllisLab, and there were some things that I knew. I mean, obviously, I had run an agency at that point in time, and I had used my agency at that point in time. I think that's important to today's discussion. So Blue Fish, prior to EllisLab, was me and some contractors occasionally. It was never anything really all that big.

Emily Lewis: [Laughs]

Marcus Neto: But I felt like I was running a successful business because I had been in business at that point in time for four or five years, I guess, and I had always done fairly well and had a good client base and so on and so forth, and so when I went to EllisLab, I kind of put that on hold. I really felt it was important to make a difference. Going to EllisLab, I wanted to see some things changed, and I don't really want to go into the time there and whether it was actually all that effective or not, but I very much valued my time there because I learned a bit more about the business of running a larger company and what's that like.

Emily Lewis: [Agrees]

Marcus Neto: And then also, there's a very important aspect, because they are a distributed company as well, and so for those of you that aren't familiar with me or Blue Fish, I am located in North Alabama, and I have one other part-time employee that works here in the office, Kara (Wilbourn), and then Tad (Ward) is our front-end developer. He lives and works in West Virginia, and then Keaton (Taylor) is our lead designer and he lives and works in Joplin, Missouri, and so it took away that fear of working with people that were not necessarily in my local area, which was good.

Lea Alcantara: [Agrees]

Marcus Neto: But then I saw what's kind of interesting because talking to folks, and one of my roles was to talk to folks in the community and just kind of see how they were doing sales-wise, if there was anything that we could help them with. I would get anywhere from – I don't know – three to five demos a week, sometimes four people. They may not have the strongest sales abilities, and so I would get on a conference call with them and actually do a demonstration of ExpressionEngine and its capabilities to their prospect, and I demonstrated ExpressionEngine to everybody from GE to

gizmo web designer, and Timbuktu, and it was a valuable lesson to me of what ExpressionEngine is capable of doing and what agencies are working on.

So prior to that, I would have told you, "Man, you know, really expensive website would be like $60,000 or $70,000." And working at EllisLab told me that, "No, it's really actually over a million dollars and it can go up from there." And that a good majority of the larger agencies are working on projects that are six-figure projects, and so when I left EllisLab, I decided that I wanted to build an agency that was working on those types of projects that the dollar amount was higher and the amount of time that was invested in doing an awesome product really well and taking into account all of the various details that oftentimes in smaller projects get left to the wayside.

Emily Lewis: [Agrees]

Marcus Neto: That we would have the budgets that would allow us to do that because we're fully capable of doing it, but oftentimes budget equals time, and if you don't have that larger budget, you're not able to pay attention to the small details.

Lea Alcantara: I think that's a good transition to the topic of the day, having larger budgets, et cetera, and so forth. Theoretically, it can lead to a larger profit, which would lead to you and your family having the great life that you have right now. But before we dive into the, say, nitty gritty of specifics about profits, et cetera, let's start with the basics. What is profit, and what is a profit margin?

Marcus Neto: Sure. So when I looked this up because I was like, "Man, if I get this wrong, that's kind of like totally sucks."

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: So profit at its simplest is the amount of money left over after all of the expenses for a business are paid, and profit margin is that number represented in percentage form. It is calculated by dividing net profit by revenue. So let's say if I'm a freelancer and I'm running a business and I may think, "Well, my expenses are my coffees at Starbucks and my laptop computer that I get the new version of every two years, and I have to subscribe to Adobe Cloud and I have a couple of other things. Shoot, man, my expenses are probably only $200 a month or something like that." Well, the reality is your expenses are probably a hell of a lot more than that, and you just don't realize it because you have to take into consideration vacation time because we would all like to have some time off.

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Emily Lewis: Right.

Marcus Neto: You have to take into consideration all of the time that you spend that is not productive, that you're not billing. You have to take into consideration all of your professional expenses from memberships that you may have with local chamber of commerce organizations. Anything that you might have as an expense gets added to that column, and then you have to exceed that in order to even pay yourself and then beyond paying yourself, you still need to show some sort of profit beyond that, and that is what in most businesses, that's the difficult, it's just figuring out, "Okay, well, the expenses are X, I ineed to do Y in order to keep this business functioning at a high level and also progressing forward because if you're a business and you're not moving forward, then you may actually be dying.

Emily Lewis: I think those less "tangible" expenses are the hardest to remember to keep track of, like you're saying, vacation time and your time that you're spending running the business. That kind of stuff I think that's been the hardest for me personally to keep track of.

Marcus Neto: Absolutely. I mean, it's a difficult thing, but the reality is that nobody can bill 40 hours a week.

Emily Lewis: [Agrees]

Lea Alcantara: Right.

Marcus Neto: Right. I mean, that's just ridiculous. I mean, even at Blue Fish, we don't. I only make them bill 39-1/2 hours a week.

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: That's a joke, by the way. But I mean, it's just ridiculous to think that you could bill for 40 hours a week or even more. There are just so many hours in it, and I guess unless you're just single and really like Mountain Dew.

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: But if you have any kind of family life and you're not addicted to sugar and caffeine, then the chances are, you're probably billing somewhere in the 20 to 30 hours a week range, and if you're actually running the business, then it's probably lower. It's probably towards that 20 hours a week range.

Emily Lewis: [Agrees]

Marcus Neto: And so with all the other extraneous things that go into that, so you attend a chamber event or you go and meet with your accountant for your tax filings at the end of the year, or all of

those things are things that eat away from your time, and you need to factor that in to your hourly rate and your hourly rate gets factored into how much you're actually charging for projects.

Emily Lewis: What do you consider to be like a healthy project margin, particularly for the web industry like for a medium- or small-sized agency?

Marcus Neto: Yeah, just recently I had this completely blown out of the water. If you had asked me a month ago, I would have told you 40% as a reasonable percentage.

Emily Lewis: [Agrees]

Marcus Neto: So for those of you that are following along with the calculator, say you have expenses to the tune of a $100 an hour, well, then you would have to bill at a $140 an hour in order to be profitable at 40% just to keep the math simple.

Lea Alcantara: Simple.

Marcus Neto: And the reason why I say I recently had this completely blown out of the water is because I just recently attended Owner Summit.

Emily Lewis: [Agrees]

Lea Alcantara: [Agrees]

Marcus Neto: Which is just a fantastic thing, and Greg and Carl put this conference together, and it's called Owner Summit. It was in Austin in early January, and the reason why I say it blew me out of the water is because I'm sitting around a table, and I don't know if I'll go into great detail because some of the stuff was we're not supposed to repeat the exact details.

Emily Lewis: [Agrees]

Marcus Neto: But listening to some of the stories of what people are charging in the industry and the profit margins that they're seeing, some people don't even consider profit margins because that assumes that you're either charging by the hour or that your project is based by the hour or that you're doing some level of tracking, right?

Emily Lewis: [Agrees]

Marcus Neto: I know we'll probably get into value pricing as part of this discussion.

Lea Alcantara: Right.

Marcus Neto: And there are some people that when you get into value pricing, like you can't even calculate it. It's just like "what is this worth to you" type conversations, and that could be anything. So you could see profit margins of 60 to 70% easy, and I heard stories about on the Owner Summit which was really cool and very inspiring.

Emily Lewis: Wow, okay, so...

Lea Alcantara: [Laughs]

Emily Lewis: I know I'm...

Lea Alcantara: You sound a little shocked. [Laughs]

Emily Lewis: Well, yeah, like I'm not anywhere near that. [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: Yeah.

Emily Lewis: But I think profit margin may be like an uphill incline, like your profit margins may not be so big in the beginning of a business when you're starting it up and you're putting a lot of investment into the business.

Marcus Neto: Absolutely.

Emily Lewis: Like for example, we rebranded last year. That was half of our year. That was a huge amount of just not billable hours, and so last year's profit margins were not 60%. [Laughs]

Marcus Neto: Yeah, and we can totally relate to that. I mean, we invested in a number of different properties last year, so I'll plug at least one of those because it applies. We relaunched Show-ee last year.

Emily Lewis: Oh right.

Lea Alcantara: Right.

Marcus Neto: Yeah, and so that ate up considerable time, and we had some others. We rebranded ourselves, which was extremely important, and then we also built out a local tourism site called easternshoreal.com, which is a website for local busineses here where I'm located. So if you are to look at our margins last year, they were not great at all, so I completely relate to that.

Emily Lewis: [Agrees]

Marcus Neto: But I do think that it's important to keep that in mind as we're pricing projects and budgeting what we're trying to attain as a business because without that proper margin, then just like personal finances, it can be very difficult to continue the business if something happens, right?

Emily Lewis: [Agrees]

Marcus Neto: So if you get sick and you can't work or if a project is lost, then you're much more susceptible to having either go out and find a job or just have real financial difficulties, and so there are some things that we do at Blue Fish and that I do personally just to kind of insulate myself from that, and we can talk about those in a little bit if you'd like.

Emily Lewis: Yeah, well, let's first talk about some of the narrow stuff about pricing services. So do you bill hourly weekly? Do you do flat fees?

Marcus Neto: Yeah, so we do a mix of all of those, depending on the situation, and so we have some clients that we've been working with for years that don't need us that often, but it's not something that would warrant a retainer agreement, and so we bill those hourly.

Emily Lewis: [Agrees]

Marcus Neto: And sometimes we will elect to bill hourly or weekly if we're not sure of the scope of a project.

Emily Lewis: [Agrees]

Marcus Neto: But most of the time we're trying to do our due diligence upfront and figure out what is involved in the project and then charge a flat fee, and that flat fee would have the percentage that we're trying to earn, and also there is some value pricing like, for instance, if I'm meeting with somebody and I think this is going to be a great benefit to them and it's only going to take us 30 minutes but it's worth four or five hours of our billable time in dollar amounts to them, then we're going to charge what it's actually worth to them. We're not going to charge them $50.

Emily Lewis: Right.

Lea Alcantara: Right.

Marcus Neto: It's not fair to either one. Because they're not just paying, and some people may say, "Well, you're gouging or whatever," and I really don't. I think what it is, we as an industry have forgotten that it's not just our time, it's our expertise.

Emily Lewis: Right.

Lea Alcantara: Right.

Marcus Neto: And the more that we can get away from just looking at, "Well, they're only getting an hour of my time," no, sorry, they're getting your weekends. They're getting your nights where you're spending time investigating and trying to figure out like, "I'm going to lift out this code here for just a second and tell you that I'm just now going down the process of learning version control." Blue Fish has been using it for a while, but I personally needed to learn how to do it to help projects move along and just be involved in the development process and stuff like that, but that wasn't billable time. That was just something that I needed to do.

Emily Lewis: [Agrees]

Lea Alcantara: Right.

Marcus Neto: And so it's basically me on a Saturday and a couple of nights during the week getting familiar with the tools and the software and the pieces that we're using to do that, and that's what they're paying for. They're paying for your experience.

Emily Lewis: So you mentioned most of the work is flat fee, and you're doing your due diligence to define the scopes that that fee is reflective of the scope. Do you do like a discovery that's a separate fee before you define that flat fee for the rest of the project or is that early fact finding that you're doing. That's just your investment in the business to get the project.

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Marcus Neto: Yeah, oftentimes it's just me investing in the business. It's just part of the sales process. If it's a project that somebody comes to me and I think it's going to be, say, $50,000-plus, I'll kind of use my best judgement as to whether we need to do a discovery or not. There have been a couple of instances in the last year and a half where we've done a discovery for the project, and then we don't normally a whole lot because it's really just you having a bunch of conversations with people and trying to figure out what their requirements are.

Emily Lewis: [Agrees]

Marcus Neto: And the one thing that I'm very kind of cognizant of is that I come from a background and DOD projects, so I worked on a hundred million dollar projects for the Department of Defense, and they would have a very rigid requirements-defining process and then you would development and then you would go into testing, and the requirement-gathering process was always something that we kind of going on in the background, and those requirements may change as you're developing and so on and so forth. We don't have that luxury in this industry oftentimes.

Emily Lewis: Right.

Marcus Neto: Even on really, really big projects, oftentimes it's just, "Well, here's what we want to do," and then you just go off and you do it.

Emily Lewis: [Agrees]

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Marcus Neto: And the requirements kind of change as you're building out in the product. I wish it would change. I wish that mentality would change. I wish more people would accept when we go to them and say, "Well, we really don't know your requirements, so we would like to walk down this process with you." But it's just not there yet, we're not mature enough as an industry.

Lea Alcantara: I'm curious in regards to the shifting priorities with projects, and sometimes the scope does change after discovery or as you're working, a client has an idea or whatever. If you base your code on a value-based pricing and the scope changes and you're using a flat fee, like how do you handle that?

Marcus Neto: Change request, baby.

Emily Lewis: And that's just hourly?

Marcus Neto: No, the change request would be a re-analysis of what has changed about the requirements and what the difference is going to be, and you would, even quite possibly, try to build in some level of either value pricing or margin for yourself there, and then you have them increase. You're basically increasing the budget to cover what they've uncovered. So we've only had that happened a couple of times this last year. So for us, it hasn't happened that often. Normally, we'll try to work with them and say, "Well, if you go down this path, then it's going to be a number of different hours greater, but here's a happy medium that we can probably do, and then we'll just steal a little bit of time from over here and we'll just kind of move on."

Emily Lewis: [Agrees]

Marcus Neto: You just kind of keep that flexibility, and that makes you kind of a hero in the client's eyes because everybody that you do business with, more often than not, they've had some bad experience in the past where somebody has said, "Well, I'll do the magic number right. I'll do your website for $1,500."

Emily Lewis: [Agrees]

Lea Alcantara: [Agrees]

Marcus Neto: And then next thing you know, it's like, "Well, you ended up with a WordPress template that doesn't have any kind of content in it. Well, okay, we'll write your content for $500."

Lea Alcantara: [Agrees]

Emily Lewis: [Agrees]

Marcus Neto: And then they're just chipping away at it, and it's like they don't want that. They want you to just be honest with them and say, "Hey, if we can come to a happy medium and move on, then we will."

Emily Lewis: I think to just offer a bit of contrast, so we've thus far, now that Lea and I are together, we pretty much just do those sort of flat estimates for a project, but in terms of something falling out of scope, we'll kind of internally decide like is it a big deal, like is it going to make a difference or is it just like a quick hour of work or something like that?

Marcus Neto: Exactly.

Emily Lewis: But if it's over a certain threshold I guess for us and depending also where it falls in the process of the project, like if this is a week before launch, it's kind of like this isn't going to happen...

Marcus Neto: We've just had one of those.

Emily Lewis: Yeah.

Marcus Neto: Yeah, it's not fun. [Laughs]

Emily Lewis: Yeah, we do it like in hourly kind of change order or an estimate that's from an hourly approach.

Marcus Neto: Cool.

Emily Lewis: But we're also discussing internally what we want. Sparkbox has talked about it where they do that sort of discovery project independent of the project. It's to do the scope, they get paid for it, and then they give the client deliverables, and if they choose to move forward with them, they do, but they could also take those deliverables and go somewhere else or whatever. But yeah, we've been talking internally about trying to do a more thorough discovery process that isn't as high risk for us as a business where we may not get the project where they're just paying for that process.

Marcus Neto: Yeah, and the more that you can do that as kind of a product offering, the better off you'll be.

Emily Lewis: Right.

Marcus Neto: So hey, our discovery process is whatever, $5,000 or $10,000 or whatever. That makes it a little bit easier for the client to swallow versus, "Yeah, we're going to walk down this path with you, and we're just going to charge you by the hour and we really don't know how long it's going to take."

Emily Lewis: Right.

Marcus Neto: But just going back to what you said, I'm betting that you and I see similar sized projects, and I'm betting that in your hourly rate, you have profit margin built in, or at least I'm hoping you're going to say yes, right?

Emily Lewis: I mean, I do now. Lea kind of schooled me a bit when she came on board. [Laughs]

Lea Alcantara: Yeah. [Laughs]

Marcus Neto: [Laughs]

Emily Lewis: Because I wasn't charging enough for stuff. But yeah, I do, but I don't feel like I think about it as often as I should. I think about it at the end of the year when I'm preparing my tax stuff.

Marcus Neto: Right. Like, "Damn, I did all this work for what?"

Emily Lewis: Yeah, right, exactly.

Lea Alcantara: Right.

Emily Lewis: So you and Lea have both brought up value-based pricing a couple of times already. Can you, Marcus, give us a little bit of a definition for our listeners, a little definition of what that means really?

Marcus Neto: Yeah. I hope I do justice to them all. I had a presentation at Owner Summit that's just like completely blew my mind, and I have the book that all of this is based off of that's sitting on my desk, and I'm getting ready to read that. But the value-based pricing, basically, you are asking the client what the changes you are preparing to make, and this may not just be a marketing website, it may actually be like an application kind of situation where you're going to show them some lowering of cost or increasing their business. The idea is that you try and tease that out of them, and maybe tease is the wrong word, but you try to get that out of them....

Emily Lewis: Draw.

Marcus Neto: Draw it out of them. Very good, thank you. You try and draw that out of them as part of the discovery process in your sales process, and then you're making a guesstimate as to what that will actually benefit them in a year, and so the idea is that if you can show them more value, if you can show them more increase in either business or in lowering of their costs, then they are actually earning significantly more money oftentimes than what they are currently.

Emily Lewis: [Agrees]

Marcus Neto: And then you're just asking for a higher percentage based on that. So if you're both increasing, there's not really, and I wish we had like graphics because I could actually draw those better than I can describe it. But if you imagine a bar graph and the bottom part is your cost and the top part is a different color and it's their increase, then the more that you can make their increase of revenue or their costs go down, the more you can make their top part increase, the more part of that bar graph you can ask for.

Emily Lewis: God, that sounds really hard to figure out though, man. That would be, you'd almost have to be privy to some of their internal...

Marcus Neto: Well, and that's where most of us fail, right?

Emily Lewis: [Agrees]

Marcus Neto: So we need it as business consultants, because how do you build a website for somebody without really knowing what conversion is and what that means to them as a business.

Emily Lewis: [Agrees]

arcus Neto: And so oftentimes, and especially, and I'm guilty of this too in the past, I really didn't care. I was just like, "You know what, just building out like a website for them to be found. That doesn't like make people vomit when they look at it."

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: Right?

Emily Lewis: Right.

Marcus Neto: And so, but now, I have a much different view of my role. My role is not just to come and build them a pretty website and argue with them over whether it should be Times New Roman or Arial or Helvetica or whatever as the typography on the actual site. My job is to get them to refocus on the business and how this website is going to be integrated into their business and what that means. So what are all the other efforts that are going to go into that? What are the efforts as far as SEO goes? What are the efforts as far as offline marketing goes, and how do they all kind of jibe together to make a difference. Yeah, so I take a much more integrated or holistic, I guess, approach to what we do now, and it's been good for business.

Lea Alcantara: So I'm curious in regards to value pricing, you're talking about how much what you do might affect the revenue or their business moving forward, et cetera. If you're not privy to that information, it's harder to figure out. However, once in a while you get that project where it's like a Nike.

Marcus Neto: Yeah, it's kind of hard. [Laughs]

Lea Alcantara: Do you know what I mean? Or it's like it is you know you're doing something for the White House or something like that, even though it's like a small specific project or something, like doing Michelle Obama's "everybody exercising and eat well" small website.

Marcus Neto: Right.

Lea Alcantara: And let's say that website is essentially the exact same scale as another nonprofit, local nonprofit, that you've done. However, if you're dealing with value-based pricing, you're going to charge the White House a lot more than...

Marcus Neto: Considerably more.

Lea Alcantara: Yeah, exactly.

Marcus Neto: And there are all kinds of other things that go into that. So if you've done it for a small nonprofit, maybe you were dealing directly with the executive director, but when you go and you work for a government agency, then you're going to have a committee of people.

Emily Lewis: Committes.

Lea Alcantara: [Agrees]

Marcus Neto: Yeah, and God, we all know how hard that is [Laughs]

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: It makes me want to just crawl into the fetal position and cry. But there are all kinds of things, so what are terms? We have 15-day net terms on all of our invoices that aren't project based. So when we actually send out a proposal, our projects are estimated as far as how much time we think that they're going to take and what we do is we actually take a deposit and we leave a little bit on the table for delivery, and I'm very specific in that word because you don't want to say it's tied to launch. So deposit and launch and then we take the number of months that it's going to span and we break that up. So if it's a two-month project, we're going to have four payments, deposit, Month 1, Month 2, delivery, and so we actually divide that.

Emily Lewis: [Agrees]

Marcus Neto: But if you're working with any government agency, going back to your idea, then you may not see that money for 60 or 90 or 120 days.

Emily Lewis: Right.

Lea Alcantara: [Agrees]

Marcus Neto: And what effect is that's going to have on your business? Now, it may be worth it. You may be view that as an investment like, "I'm going to be able to put on my website that I just did Michelle Obama's everybodyeatawesomewebsite.com, but you have to really kind of take those things into consideration, otherwise, it could completely detonate you and you could be trying to figure out, "I just spent all this time and energy on this website. Why am I not able to pay myself?"

Emily Lewis: Really good points. I think it's so easy to not dig deep and think about those sorts of things. So to view it as an unequal pricing for what do on the surface is perceived to be the same project, but they're never the same.

Marcus Neto: No.

Emily Lewis: Working with a nonprofit versus a government agency, it's a completely different investment of time and energy in terms, like you said.

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Marcus Neto: Absolutely, yeah.

Lea Alcantara: Yeah, I feel like that's something that our industry really struggles with, both in the client side and as the vendor doing the work, but I think it's really obvious, for example, when you're designing a logo. Some people, they think like, "Okay, a logo is only worth $200 and I could get it from this random guy."

Marcus Neto: Eeeh! Tell the lucky lady what she's won. [Laughs]

Emily Lewis: [Laughs]

Lea Alcantara: Yeah, yeah, exactly. All the way to you have those famous stories where like the city logo and the agency that was working with Citibank, just drew it on a napkin and then charged the client in the middle of lunch. [Laughs]

Marcus Neto: Yeah. But again, going back to it, it's not just your time. It's your expertise, right?

Emily Lewis: [Agrees]

Lea Alcantara: Exactly, exactly.

Marcus Neto: And I think part of that is just most of us that start out in this industry started out, we got a computer and we had an interest, right?

Emily Lewis: [Agrees]

Marcus Neto: And we scraped and scoured and searched the internet and found the information that we needed in order to raise ourselves up and basically build a body of knowledge that allowed us to make a living doing this, and I didn't know about you guys, but I didn't go to school to get a business degree out...

Emily Lewis: Right.

Lea Alcantara: Yeah.

Marcus Neto: Actually, I was studying music and was switched to an English degree because it was going to let me get out of school. I didn't want to be there anymore.

Lea Alcantara: [Laughs]

Marcus Neto: And if my son listens to this in a couple of years, do good. Don't listen to me. Do as I say, not as I do.

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: So I mean, a lot of us are just kind of learning this as we go, and it's like where you have this inferiority complex that is just like, "I just want to make a living. I'm not asking for that much." But the reality is that we bring tremendous value to organizations.

Emily Lewis: Yeah.

Lea Alcantara: Right.

Marcus Neto: I mean, you have no idea the benefit that we've seen in some of our projects and how it's completely changed organizations. You can't devalue yourself.

Emily Lewis: [Agrees]

Marcus Neto: You have to stand up for yourself and actually charge a valuable rate, and it just kind of bumps me out when I see that a guy they're selling a couple of thousand dollar website, and I get that there's a market for that, but I guess you can do it in a way and still be profitable, but it usually ends up not being that way.

Emily Lewis: Well, I mean, in that situation in my opinion, it's not just about an individual being profitable, it's devaluing the work of our industry, generally speaking.

Marcus Neto: Absolutely.

Emily Lewis: So talking about what reflects value, and I know that it's difficult to talk about about pricing, so I don't want to hold your feet to the fire and expect you to spout out a number, but do you feel like there's a minimum, a general amount that people should be charging for their prices or services? Is it a calculation based on how many years of experience you have or that kind of thing?

Marcus Neto: Years and years ago, I had this idea for templates fo ExpressionEngine, and we are an ExpressionEngine shop, just to clear the air. We played around with a couple of other CMSs and we're still going to be CMS aware, but we are still an ExpressionEngine shop.

Emily Lewis: [Agrees]

Marcus Neto: So we have set up some simple installs that cover some different industries. So for instance, we have a restaurant install. We have just a small business install, and so on and so forth, and then what we do is we can sell those at a lower price and our lower price right now, our lower price tier is $5,000.

Emily Lewis: [Agrees]

Marcus Neto: So if somebody comes to me and they've got a restaurant website, normally it's going to be $5,000 and we'll offer them something, maybe as a way of easing the pain, we'll give them free hosting for a year or something like that, because most restaurants don't get a tremendous amount of traffic. Last year we started offering SEO services, so at that price point, we don't give them any of that stuff, but if it's a bigger project, we may just say, "Hey, we will give you our report for free," which is probably a couple hundred bucks, and we'll do things like that to try to ease the burden. But we really try to stick to that $5,000 as a bottom point, because our process has gotten to the point where it kind of dictates that, right?

Emily Lewis: [Agrees]

Marcus Neto: So there's the on-boarding process of asking them the questions about who they are and what they want their organization to be represented, how they want it to be represented, and do they have a logo, do they not have a logo? What colors represent what they're trying to do and also just working with them on content, and as part of that low-end website, we often will do video tutorials,

so if they go to domainname.com/tutorials, we actually have a template group and a template that will show them all of the tutorials that we've created for them and they're all titled appropriately and stuff like that. So I break them down by, "Here's how you log in, here's how you change your password. Here's how you add a new member to your website. Here's how you add a new entry to the blog. Here's how you edit the blog." Those are all tutorials that we do. So we feel like we give a pretty good value for that price.

Emily Lewis: [Agrees]

Lea Alcantara: Oh, all of that is included in the $5,000 minimum.

Marcus Neto: Yeah, and it's not until we start getting into any customization. So because that has to fit a very rigid profile, right?

Lea Alcantara: Right.

Marcus Neto: But as you know, a restaurant is a restaurant is a restaurant. They're going to have images of their food. They need a responsive website. They need Google Analytics installed so they can keep track of who's visiting and how their site is performing. They need a section as a menu. They need a section that has a little bit about the restaurant. They need a contact page or a page that shows where they're located and how to get a hold of them. It's really easy to kind of replicate those and if you change a color, you add a logo, you put their content in, and you have a process by which you can get them through your workflow much faster.

Emily Lewis: [Agrees]

Marcus Neto: But anytime you deviate from that, then it starts getting into, "Okay, now, we're building a custom project, a custom website." And to go through that is a much a slower thing and

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the attention to detail when you're doing something from scratch has to be much greater, and so there is more time involved.

Lea Alcantara: So I feel like we've been talking a lot about the perspective of the pricing and profit from our benefit, for us as web designers and developers' benefit. So say, someone listening right now is like, "Yes Marcus, I'm totally going to raise my raise and look into my profit and all that great stuff and I'm going to charge more."

Marcus Neto: Do it. [Laughs]

Lea Alcantara: Here's the hard question, how do you convince clients that your pricing is fair?

Marcus Neto: Sure.

Lea Alcantara: How do you sell them that this is the minimum that you'll do for this much and here's the value that I'm giving to you? Essentially, like what do you do when there is resistance to the cost of a project? Because I feel like, especially when I read some of the CMS threads when people are doing the flame wars. Some of the issues, it's like, "Oh no, this CMS costs this much and my project is only this much, therefore I don't know how to sell or I don't know to convince my client to pay me more?" [Laughs]

Marcus Neto: You just said it. No, you just said it, "I don't know how to sell." All of those threads can be boiled down to "I don't know how to sell."

Emily Lewis: Right.

Marcus Neto: It's not that my client won't pay for it. I don't know how to communicate to them the value that they're going to get by doing it my way versus just paying $500."

Emily Lewis: Right.

Lea Alcantara: Right.

Marcus Neto: I personally am not interested in working on projects that are below a certain amount because I don't think that I can add enough value more than what a person would get by going to Squarespace or GoDaddy or any of the others that offers it.

Emily Lewis: Shopify.

Lea Alcantara: Yeah.

Marcus Neto: Shopify, any of the others that offer custom off-the-shelf systems, so that's not my target audience. My target audience is the small- and medium-sized business that really gives a shit about what their website looks like.

Emily Lewis: [Agrees]

Lea Alcantara: Right.

Marcus Neto: And that they want somebody that's going to kind of hand hold them and shield them from the technicalities that are there, that's going to be able to break it down and have them understand it at a deeper level, but not get confused by all the technical jargon and stuff. So oftentimes, especially when we're selling SEO services, it's got the lowest price point. It's like, "Okay, you get a report and you get us helping you a little bit." It's with the understanding that report, making some small tweaks to the website on occasion, but really what they're buying is us teaching them the language because we as technologists speak a completely different language than most of the world, and we oftentimes forget that.

Emily Lewis: [Agrees]

Marcus Neto: But going back to the whole sales thing, I spent a number of years. I want to say three or four years working in customer service when I was in college. I worked at Lowe's and then immediately following that, I worked at Home Depot, and when I graduated from James Madison, I actually went and worked at Lowe's. I thought I was going to work in the management and blah, blah, blah, and then immediately following Home Depot, I went and worked as an inside salesperson at a technology firm called Main Control, and I don't even know if they're still around.

But anyway, that job at Main Control for a year was one of the most valuable lessons that I ever got because they had an open door policy with the sales training institute that was down the street, and I went two or three times a week and would just sit there and listen to them and then they would have us practice and so on and so forth, and that experience was probably the most valuable education that I've ever received. Because if you can't communicate to somebody the value that you bring, even if it's just you sitting in an interview with somebody, then you're missing out on what life has to bring you because you may be able to make more money, you may be able to have better relationships. It's not just that you're trying to because real sales isn't the used car sales guy, right?

Emily Lewis: [Agrees]

Marcus Neto: Like, "Just sign here right now." Right?

Emily Lewis: [Agrees]

Marcus Neto: Real sales is more of a consultant kind of relationship where they're explaining their requirements and you're saying, "Well, here's how I can do that," and you're educating them as part of the process, and it's a give and take, it's a dance. But at some point in time, you have to have the balls to ask them, "Hey, if we're going to continue going down this and you want to still have access to me, here's the number, but this is why you're going to pay this number because I can do this, this, this

and this for you, and you're either going to increase your revenue or they're going to make you look really good or whatever."

Lea Alcantara: I'm curious if you've got a document. Do you have main points that you've got stashed somewhere that you always refer back to when you're speaking to a client or is that memorized in your mind?

Marcus Neto: Man, now that you say that, I don't. [Laughs]

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: I should write these things down. No, I don't have a document.

Emily Lewis: The reason why Lea asked that is because we just created one. [Laughs]

Lea Alcantara: Yes, we have, yeah. [Laughs]

Marcus Neto: [Laughs]

Lea Alcantara: Yeah.

Timestamp: 00:39:56

Marcus Neto: That's too funny.

Emily Lewis: Well, it's because you're describing it so perfectly. It's a dance. It's a consultation. It's about getting to know a client's needs and educating them about what you can do for them. I just feel like I have kind of my first really positive, truly sales experience over the past couple of weeks. We've got a great referral from a colleague. This person is very invested in her business and very curious and that alone made me want to spend extra time talking with her because I knew that she was

invested which is always a good place for a client to be, but I spend a lot of time educating her. She was on a WordPress platform.

Lea and I don't do WordPress, but she was open and so I educated her about why we don't do WordPress and why we do choose other CMSs, and we talked about how a new website could affect specific things that she wants to happen with her business and on her website. I took a lot more time than I've ever taken in the past, ever, but it worked out, like it actually turned out. We won the project, and I feel like we won it because I treated her the way I treat my clients. I don't always treat prospects with the same attention that I give clients because they're prospects, and so I don't always feel like I can invest the time, but I felt like I should show that I'm trustworthy, that I'm a partner, that I'm someone you can talk to and ask questions, and all of those things convey what's valuable about what I bring to the table, what my company brings, and by bringing that right in the beginning at the sales process, I think that was huge in us winning the project because she didn't want to leave WordPress. She had a ridiculously low budget in mind to start, and I completely changed her mind on all those points.

Marcus Neto: So I'm confused, this is where we all say amen?

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Emily Lewis: Seriously, I've been running a business for five years, this is the first time this has happened.

Lea Alcantara: Well, I think what also helped with this particular one was we, you and I, Emily and I just had a conversation over like the document we were talking about where we listed all of the things that we need to remember to say to prospects and clients, it hasn't been created yet, but we had a

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discussion over what needed to be there, and I think that was probably top of mind when you were talking with this particular client of ours.

Marcus Neto: I would hesitate to, and I mean, if you write it down, you're really writing it down for yourself.

Lea Alcantara: Oh yeah, absolutely.

Emily Lewis: Yeah, we don't give it to them, yeah.

Lea Alcantara: No, no.

Marcus Neto: No, no, no. But what I'm saying is you're not going to get on a call with somebody and have this paper in front of you and be like, "Well, this is what I do in this and then this," because then it's too rehearsed, right?

Lea Alcantara: Oh no, no, no.

Marcus Neto: But you're writing it, it's like – what – forget the movie where the guy was like doing his daily affirmations in the mirror and he was like, "I'm pretty enough and I'm good enough."

Lea Alcantara: [Laughs]

Marcus Neto: And all those others...

Emily Lewis: Stuart Smalley.

Lea Alcantara: [Laughs]

Marcus Neto: There you go, yeah, yeah, yeah. That's right. From SNL way, way back when.

Emily Lewis: Yeah. [Laughs]

Lea Alcantara: *Doggone It, People Like Me!*

Marcus Neto: Ten times, yeah, that's right. But, I mean, once you have enough of those discussions, then it starts to become ingrained and not only do you have an easier time of remembering it, but gosh, darn it, you believe it.

Lea Alcantara: Right.

Marcus Neto: Because once you start believing it, then honestly, you have to have the skills to back it up.

Emily Lewis: Of course.

Lea Alcantara: [Agrees]

Marcus Neto: And I know there is quite a number of people that have great skills, but they suck at business and they suck at sales and they just can't make a living for themselves. They should never be freelancers and they should never own their agency until they figure out how to do that because you'll starve.

Emily Lewis: [Agrees]

Marcus Neto: You could be the greatest technologist alive. You can be a great programmer, a great designer or whatever it is, but if you can't communicate the value that you bring to somebody, then you will go hungry.

Emily Lewis: Yeah, and personally, I'm not always so comfortable talking about how awesome I am. It feels weird to be like, "Oh, and I've done this, and I've done that."

Lea Alcantara: [Laughs]

Marcus Neto: You are pretty awesome.

Emily Lewis: But that's what you have to do.

Marcus Neto: Yeah.

Emily Lewis: You're selling who you are. I have to remember to say...

Lea Alcantara: And the results you've given, yeah.

Emily Lewis: Exactly.

Marcus Neto: Here's why too. It's not just for you to convince them, it's for them to not have a worry.

Emily Lewis: Right.

Lea Alcantara: Right.

Marcus Neto: So part of what you're doing by being the technologist in that relationship is you are freeing them from having to worry about certain aspects of their business, and the more that you are confident in your ability to do that and the more that your skills reflect that quite honestly, the better off they're going to feel, the more comfort they're going to be on doing that. We recently had a similar situation where somebody came to me. It was a referral and he's a great guy, we've done a lot of business with this guy, and he had another organization that he didn't really happen to ties to the purestrings, but he knew that the budget that the higher-ups had come up with was way too low, and we're not talking huge numbers here, but percentage-wise, we were able to increase it about tenfold what their original budget was just by explaining to them and spending the time and going through and being very educational in our approach to how we were selling to them and why they should make the difference,

Emily Lewis: [Agrees]

Marcus Neto: And I think we're scheduled to start that project soon. We haven't completed it yet, but it just goes to show that there's a lot of mystery surrounding what we do and the more that we can

show them why they want to make certain decisions, and not in a bad way, you're not trying to take somebody, but it makes the sales process easier.

Lea Alcantara: I'm curious to know how much time you do spend at the beginning with the prospect, like how long does your sales process go? Because I think that's another point of concern for most of our listeners in our businesses is, "Yes, it sounds great. Let's educate our clients. Let's talk to them all the stuff." But all that time is non-billable work.

Marcus Neto: Sure.

Lea Alcantara: So do you have to be careful over how long you deal with a particular prospect or it just is what it is?

Marcus Neto: Yeah, I know. I mean, each person is going to be different. Each project is going to be different. So as you start to get into larger projects, obviously, the time involved is a little bit more. Smaller projects may just be a matter of putting together a proposal and having a conversation or two. Our proposals, we've got them down now to where I can probably do one in a couple of hours.

Emily Lewis: [Agrees]

Marcus Neto: If it's more involved, if it's really highly custom thing, then we may try to draw up a project spec document, and then send that over to him and just make sure that we haven't missed anything, and then we implement that in our proposal as part of the statement of work. But I actually want to go back and kind of change the thinking here a little bit.

Lea Alcantara: [Agrees]

Marcus Neto: And that's that, the minute that you put on the freelancer or the agency owner hat, then it's the minute that you are in sales.

Lea Alcantara: Right.

Marcus Neto: And that your comfort place is in technology, and it's important for you to keep that skill up, but sales should be your primary focus because without sales, your business ceases to exist, and so while you don't want to just spend tons of free time, so there's a very fine line. I will spend as much time as needed as long as I don't feel like I'm being abused.

Lea Alcantara: Right.

Marcus Neto: Like if they're like pumping me for information and then I'm not getting a warm fuzzy, then I'm going to have to just stop and I'm going to draw a line and I'm going to say, "Well, here's our proposal. If you want to continue on, then X is the dollar amount." But like we said before, it's a dance, so you have to kind of figure out like what's their comfort level. What are the things that need to be addressed with them? How do you overcome those objections, things like that.

Emily Lewis: So I have a couple like exception-type questions. Obviously, profit is hugely important. It's what will sustain a business, but are there ever situations where maybe it's not monetary profit, but some other kind of intangible profit like a special nonprofit or a special community project where you may do pro bono work or discounted work?

Marcus Neto: Absolutely. I mean, we have a heart, so there were I think two organizations last year that we just told them, "If you can come up with some sort of budget, then great. We really want to help you, so we're going to do this." One of those was a local theater company, and we built their website and it ended up being great. She was very thankful and so the process went really well and she didn't abuse that, which was nice because sometimes you get into those situations and then theys start nitpicking and wanting to change much stuff and you end up wondering what the heck you were thinking. But I think it's very important that every organization have something that they're trying

to give back. I think I wrote a blog post on my personal blog recently about our goals for this year, and one of the goals that I have personally is that we, more than as a business personally, but is that we would give a certain dollar amount to my local church that every year they give away like thousands of bicycles to people here locally.

Emily Lewis: [Agrees]

Marcus Neto: And there's no questions asked. People come up and they say, "I need four bicycles for this, this, and this age for male and femaile," and the members of the church literally just walk them out and they wish them a merry Christmas. Do you know what I mean? It's just a really cool thing because I remember how important my bike was to me when I was younger.

Emily Lewis: [Agrees]

Lea Alcantara: Right.

Marcus Neto: So I want to support that, and we also try to find, like if there's a good cause, but also I think they may be instances where discounting and ensuring that you get the business is actually good for the business.

Lea Alcantara: [Agrees]

Marcus Neto: Like maybe you're trying to work yourself into an industry that you're not currently in, right?

Emily Lewis: Oh, right.

Lea Alcantara: [Agrees]

Marcus Neto: So you're using it more as a marketing, because one of the difficult things that we have is that our skill set can be applied to any number of industries, and oftentimes, we are too

generalist and so we don't pick an industry and go after it, and so it makes it very hard to market yourself, like we've done work with Intel, but we've also built the local seafood restaurant.

Emily Lewis: [Agrees]

Marcus Neto: I mean, it doesn't get much more divergent than that.

Lea Alcantara: Diverse, yeah.

Marcus Neto: Diverse, yeah, and so sometimes, we come across projects where we feel like the benefit would be that we would be working our way into a new industry, that we might be able to not – exploit is the wrong word – but we would be able to use that business as a jumping off point to earn additional business, and I think that's certainly something you have to take into consideration.

Emily Lewis: Now, with sort of that same idea in mind, do you ever do like work with other agencies? And if so, do they get a special agency rate or discount because maybe they're the lead on the project and doing most of the client hand holding?

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Marcus Neto: Yeah, I mean, we are agency friendly. We just finished a big project with Sullivan Higdon & Sink out of Kansas. We were the ones that actually implemented the Kansas Health Institute website, and so when we were negotiating, I basically just flat out asked them what their budget was and he told me, and I didn't want to do it for that amount because I felt like there was some room on the table for me to do it for a lesser amount, and have him feel good about that.

Emily Lewis: [Agrees]

Marcus Neto: So it wasn't necessarily that we gave him a discounted hourly rate, but we backed off of what we would normally charge for the project because we wanted the agency to feel good about having us as their go-to people.

Emily Lewis: [Agrees]

Marcus Neto: Now, I don't know if that's going to end up being at getting us any additional business, but I'm certain that their profit margin was higher because we made that decision, and it's basically the same thing as lowering your hourly rate.

Emily Lewis: Right. Which makes them probably feel really positive towards you in case there is work down the road.

Marcus Neto: Absolutely, and we hope that they would remember that. You'll never know.

Emily Lewis: Yeah.

Marcus Neto: Sometimes you get those calls with words like, "Well, if you do this for this," and it's like, "No, you know, let's not do that." [Laughs]

Lea Alcantara: So far you mentioned a few resources that you've tapped into to learn a bit more about selling in business like Owner Summit and when you were in college and working part time, you went to that sales institute, et cetera. Currently, do you use a business adviser or financial adviser for your business, like a special accountant or a special like, "Here's how you get more stuff?" [Laughs]

Emily Lewis: And get more stuff. [Laughs]

Marcus Neto: [Laughs] Yeah, absolutely. So there are a couple of things that I would suggest. First is that so your role as an agency owner or freelancer is primarily for sales.

Lea Alcantara: Right.

Marcus Neto: And then second is to keep your eye on cash flow, and one of the ways that I am horrible at bookkeeping. I was in business for a number of years and could never bring myself to let go and just like categorize expenses and stuff like that.

Emily Lewis: [Laughs]

Marcus Neto: And so last year, I found a bookkeeper. I mean, she's just absolutely amazing, and I have no qualms with sending her her check every month because the money that I spent with her is just so easy as it makes my life so much easier. I can go in at any point in time and see my profit-loss statement by month and know how we've done, the months when we're on the red and the months we're in the black, so on and so forth.

I have a CPA that is extremely business savvy. He's not just a numbers cruncher and I think that's extremely important. So like yesterday, if I may mention that we were looking at building here locally, and so I called him and said, "Hey, this is the situation. What do you suggest?" And he walked me through the process of "Well, you probably want to set up a separate LLC because you don't want it to be tied to the business in case you sell the business or for some liability reasons, you're going to have to be concerned with this as far as expenses go and don't forget that you can't appreciate tax advantages or only apply to the depreciable asset which is, you know," and so on and so forth. So we went into all this other stuff. You're not going to get that anywhere else, except from a CPA that you can trust.

Emily Lewis: Right.

Lea Alcantara: Right.

Marcus Neto: And then, I mean, there is a number of resources that over the last year and a half have been extremely helpful. So you mentioned Owner Summit, which I can't say enough nice things about it. I mean, there were people there from agencies, actually there were people there that were freelancers, and they were people there that run small agencies like ours, and there were people there that had hundreds of employees, and there was real freedom of discussion that I have not experienced in a group that large, like I am a member of a couple of small kind of, if you will, accountability groups, just where we get together and we talk about business and stuff like that. But in a group that large, I've not been a part of that where they were that open with their numbers, like literal numbers like, "Hey, we did this project and I had this percentage of profit margin and here's how we did it," and so on and so forth. Then Brennan Dunn is another resource. His master class and books and stuff like that are really helpful, especially, he's got one on raising your rate which is well worth the money.

Emily Lewis: [Agrees]

Marcus Neto: We talked about value pricing, so the book that I didn't mention earlier because I couldn't remember the name is *Implementing Value Pricing*, and it is a hefty book.

Emily Lewis: [Laughs]

Marcus Neto: If you've not seen a physical copy, it is literally a textbook on how to implement value pricing.

Lea Alcantara: Wow!

Marcus Neto: Dan Mall has a number of really good blog posts on his website for that as well, so if you're wanting the CliffsNotes version, that might be a good place to go, and then as far as like resources as far as books go that I just like for other agency owners to read or people that are

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wanting to get more of a business mind about them is *e-Myth*, which is one of the most difficult books I think I've ever read, and I've given away probably ten copies of that.

Emily Lewis: Difficult because it was just emotional?

Marcus Neto: Because it just sucks. No, because it sucks to think about how much we don't know, right?

Emily Lewis: Yeah, okay.

Lea Alcantara: Yeah.

Marcus Neto: So thinking about your business as a process and removing yourself from the day-to-day actual doing of the business and working on it from a business owner perspective and like walking through all the different steps that it takes to do that, I mean, it's just really hard. It took me like four times to actually make it all the way through the book.

Emily Lewis: [Agrees]

Marcus Neto: It was only after Erik Reagan. He basically was like, "No dude, you've got to read it." I was just like, "Okay, fine, I'll give it a fourth shot."

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: It's just like I don't know how to feel like with that example, but I had felt like I had been battered by this book, you know?

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Emily Lewis: Yeah, it's hard to realize what you don't know. [Laughs]

Marcus Neto: Oh God, it's horrible.

Emily Lewis: It's really hard.

Marcus Neto: Yeah, and then the other one, he's a big reader, and I love to read too, but we haven't been reading the same books lately, but he suggested *Street Smarts*, which is a really easy-to-read book, but it goes into cash flow and all that stuff in a really easy way.

Emily Lewis: [Agrees]

Marcus Neto: And I love that book, so where *e-Myth* doesn't apply, I'm going to start giving away copies of *Street Smarts* because I just think it's just a really fantasttic book, and it's not a difficult read and it's inexpensive. I think it's like $12 or something on Amazon.

Emily Lewis: Aweome, we'll be sure to make sure we have links to all of those on the show notes. So I've got one final question for you before we start wrapping up. What would be the best piece of advice you could offer, whether it's a freelancer or a small agency owner, about pricing?

Marcus Neto: Welll...

Emily Lewis: Or if you've seen like a common mistake that everyone is making, that everyone should stop making.

Marcus Neto: Yeah, stop charging stupid low rates. How about that?

Emily Lewis: Yeah. [Laughs]

Lea Alcantara: Yeah. [Laughs]

Marcus Neto: Now, I think the thing that I would want people to take away from this is that you really need to change your mindset as technologist, as people that come from a development or design background. It's very easy, it's very comfortable for us to slip into that, and we really need as we move into our freelance or an agency owner position, and I'd actually even argue, if you're an employee at an agency, then the more that you can move into thinking like a business owner, the more valuable you're going to be in to the person actually running the business.

Emily Lewis: Oh, right.

Lea Alcantara: Yeah.

Marcus Neto: And the more they're going to want to reward you for that, unless they're morons. Like if the guys that work for me, if they've showed to me that they have got their business owner hat on, they get rewarded, you know?

Emily Lewis: [Agrees]

Marcus Neto: So I think the more that you can remember that as a freelancer or an agency owner, the more that you can kind of remember that you need to focus on the business and hire people or work with people, whether you're using contract help or you're actually taking on employees, you start to off load things off of your plate and put them onto somebody else's.

Lea Alcantara: Right.

Marcus Neto: And then you have to kind of let it go, right?

Emily Lewis: [Agrees]

Marcus Neto: And not to borrow a phrase from a song right now, "Let it go." No, I won't do that.

Emily Lewis: [Laughs]

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Lea Alcantara: [Laughs]

Marcus Neto: Anyway, so you have to kind of let it go. So it's not just keeping the focus on the business, but it's also having that ability to let it go and just let somebody else do it to the best of their ability, and we've had pretty good success over the last two years and now that we're blowing the doors off of it, certainly there are other people that are doing really great things too, but it has been a difficult road for me because I'm having to give up things that I love.

Emily Lewis: [Agrees]

Marcus Neto: But the reality is that I'm finding great happiness in the successes that the people that work for me are finding, so when Keaton really just absolutely nails a client presentation where he's just completely knocked it out of the park with the design, that's just awesome. That brings me great joy, and when Tad figures out something really complex with ExpressionEngine or with front-end development, then it makes me ecstatic, so you have to kind of change what makes you happy on that situation.

Lea Alcantara: Oh Marcus, this is already one of my favorite episodes.

Emily Lewis: And I feel like we could talk for another hour. We've skipped like half of our questions. [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: [Laughs]

Lea Alcantara: Yeah, I know, totally.

Marcus Neto: Yeah. I'm like, "Wait, they didn't ask this one." [Laughs]

Emily Lewis: [Laughs]

Lea Alcantara: Well, maybe we'll just have to schedule you for another time.

Marcus Neto: There we go. I'm always game to talk to you guys.

Lea Alcantara: Awesome, so before we finish up, we've got our rapid fire ten questions, so our listeners can get to know you a bit better. Are you ready, Marcus?

Marcus Neto: This wasn't in the contract.

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: Sure, why not?

Lea Alcantara: All right, Question 1, Android or iOS?

Marcus Neto: Are you kidding me? It's iOS all the way.

Emily Lewis: [Laughs]

Marcus Neto: And actually, I will go one further, I've converted everybody in my family, because as you all know, if you know anything about computers, you become the techie support guy, right?

Emily Lewis: [Laughs]

Lea Alcantara: Right.

Marcus Neto: So I've converted them. I've told them all, "If you have a Windows machine, I'm not helping, so get Macs or get iPhones," and every single person has iPads, iPhones and Macs now. Anyway...

Emily Lewis: You should be an Apple evangelist.

Marcus Neto: Yeah, exactly.

Emily Lewis: All right, if you were stranded on a desert island and can only bring three things, what would you bring?

Marcus Neto: I'd have to bring some sort of device to let me listen to music. I'd bring my family.

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: And...

Lea Alcantara: Lump the family is one thing.

Marcus Neto: Yeah, because, I mean, there's four of them, so I can't take...

Emily Lewis: Couldn't choose.

Lea Alcantara: [Laughs]

Marcus Neto: I'd have to leave one behind.

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: As far as I think the third thing would have to be like a camera, but unfortunately, like now they're all digital, so you don't know how much good it would be, but I love taking pictures.

Lea Alcantara: Right. What's your favorite TV show?

Marcus Neto: Damn...

Emily Lewis: [Laughs]

Lea Alcantara: Put you on the spot.

Marcus Neto: Actually, my favorite thing to do at night is I get on YouTube and I watch a standup comedian.

Emily Lewis: Oh.

Lea Alcantara: Oh, very cool.

Marcus Neto: Every night and without fail, I go to bed and I watch standup comedians for about 30 minutes.

Emily Lewis: That's got to be a great way to like have a good beat tone for your dreams.

Lea Alcantara: [Laughs]

Marcus Neto: Absolutely, they're hilarious.

Emily Lewis: All right, what's your favorite dessert?

Marcus Neto: Ice cream, hands down, and Baskin-Robbins has a chocolate peanut butter flavor that's just...

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs]

Marcus Neto: Oh man. There's not a Baskin-Robbins near us, but there is one in Pensacola, which is about an hour away, so every time we go to the beach over there, we always stop at Baskin-Robbins and that's my flavor.

Lea Alcantara: What profession other than your own would you like to attempt?

Marcus Neto: I would like to attempt – I've always been a picture taker. So I mean, being a photographer, but I wouldn't do weddings or portraits and things like that. I'd be more of a commercial photographer.

Emily Lewis: [Agrees]

Marcus Neto: So I think Chase Jarvis or somebody along those lines where they're doing really a kind of elaborate things.

Emily Lewis: What profession would you not like to try?

Marcus Neto: Roadkill collector.

Lea Alcantara: No.

Emily Lewis: [Laughs]

Lea Alcantara: What's the latest article or blog post you've read?

Marcus Neto: Well, I've been reading a lot on SEO lately, but outside of that, business-wise, Dan Mall's value pricing posts where he has like the different types of questions that he might ask a client in order to understand the value proposition better and stuff like that. It's been really valuable.

Emily Lewis: If you could have a superpower, what would it be?

Marcus Neto: I would like to fly. I had always thought that was cool. Yeah.

Lea Alcantara: What music do you like to work to?

Marcus Neto: I usually work to electronic music, but interestingly enough, that can kind of merge into something like moder hip or something like along those lines.

Emily Lewis: [Agrees]

Lea Alcantara: [Agrees]

Marcus Neto: Oftentimes, it's just something that I can put on that's there. I've suffered with ADD, right?

Emily Lewis: [Laughs]

Marcus Neto: And I think a lot of us do, but what happens with music is if I have something going on in my ears, then it forces me to focus even more, but it has to be something that's not like drawing my attention a whole lot, so it has to be something that makes good background, but I'm not a classical music or jazz music listener, so electronic music with a good beat is usually something that works for me.

Emily Lewis: All right, last question, cats or dogs?

Marcus Neto: Dogs.

Emily Lewis: [Laughs]

Lea Alcantara: [Laughs] Very cool. That's all the time we have for today. Thanks for joining us, Marcus.

Marcus Neto: Thank you.

Emily Lewis: In case our listeners want to follow up with you, where can they find you online?

Marcus Neto: We blog quite extensively on bluefishds.com. I'm also on Twitter @marcusneto.

Emily Lewis: Awesome. Thanks for coming back to the show, Marcus. It was so awesome to talk again.

Marcus Neto: Looking forward to the next time.

[Music starts]

Lea Alcantara: We'd now like to thank our sponsors for this podcast, Visual Chefs and Pixel & Tonic.

Emily Lewis: And thanks to our partners, Arcustech, Devot:ee and EE Insider.

Lea Alcantara: We also want to thank to our listeners for tuning in! If you want to know more about CTRL+CLICK, make sure you follow us on Twitter @ctrlclickcast or visit our website, ctrlclickcast.com. And if you liked his episode, please give us a review on Stitcher or iTunes or both.

Emily Lewis: Don't forget to tune in to our next episode when Lea and I are going to share everything we know about podcasting. Be sure to check out our schedule on our site, ctrlclickcast.com/schedule for more upcoming topics.

Lea Alcantara: This is Lea Alcantara …

Emily Lewis: And Emily Lewis …

Lea Alcantara: Signing off for CTRL+CLICK CAST. See you next time!

Emily Lewis: Cheers!

[Music stops]

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