

HOURLY FEES VS FIXED FEES

Excerpt from Chapter 8 of *Getting Results From Crowds*

See www.resultsfromcrowds.com

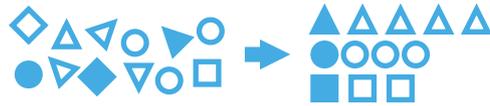
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Work on service marketplaces can be done on a fixed fee basis, in which an agreed fee is paid for defined outcomes, or on an hourly rate. In the case of hourly pay, marketplaces provide mechanisms for logging hours worked, sometimes supported by monitoring the provider's computer. Fixed fee or hourly rates should be selected to match the task. The following table shows the factors that support using each approach.

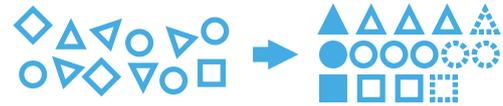
HOURLY FEES

FIXED FEES

DEFINED SCOPE

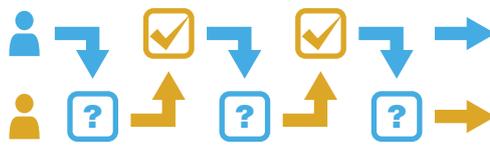


If the task is clearly defined.



If the task is difficult to define or the cost of doing so is high relative to the value of the task.

ONGOING WORK



If you are looking for a worker for ongoing activities.



If you are looking for only a single defined task.

DEFINED VALUE

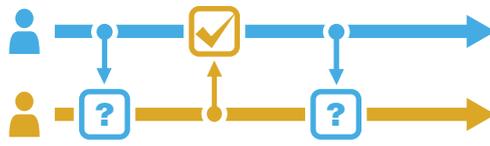


If the value of the work is less clearly defined.

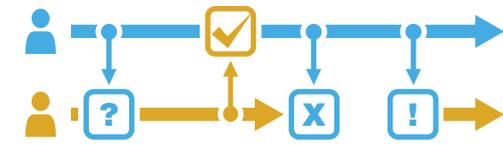


If the value of the work is clearly defined, enabling a fixed priced offer and selection of the best bids.

ONGOING RELATIONSHIP



Easier to develop an ongoing relationship.

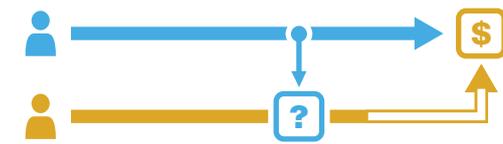


Specific effort is required to extend the relationship.

MONITORING



Need to check what is billed.



Harder to see project progress.

CONCERNS



Provider could spend more time than is necessary.



Provider could take shortcuts or not focus on quality in creating the deliverable.

CONTROL MECHANISM

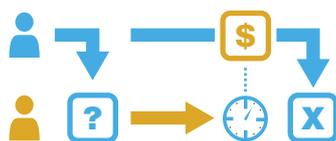


Maximum hours in any given period can be capped, and work diary can be monitored.



Release of fees can be staggered based on reaching various milestones.

DISENGAGING EARLY



Easy to disengage.



Harder to disengage before project completion, though setting clear milestones helps.