The Numbers Behind a Custom Software Development Studio

A free field guide from Bytell Press. The figures come from our example financial model for a one-person, self-funded custom software studio run as a side business. They are planning assumptions, not quotes for your market; the worksheet at the end is for your own numbers.

A one-person software studio costs very little to run, so covering the bills is easy. The harder question is how many billable hours a month it takes to pay yourself, and how long the first months take to get there. This guide gives you that arithmetic in two pages.

1. How the work is priced

The example model sells **fixed-price, scoped work** and monthly retainers, not open-ended hourly billing. Prices are set so the work comes out at a blended rate of about $95 an hour.

Service line	Model price	How it is billed
Paid discovery and scoping	$500–$2,000	Paid up front
Small tool or integration	$1,500–$5,000	50% deposit, 50% on delivery
Web app or first-version build	$5,000–$20,000	30%, 40%, 30% milestones
Automation or enhancement job	$500–$3,000	50% and 50%
Maintenance retainer	$500, $1,200 or $2,500 a month	Monthly
Blended across the mix	**About $95 per hour**	**About 73% gross margin**

The margin is protected by scope control. In the model, an extra 8 hours absorbed without a change order is about $800 given away. Retainers are the most valuable line because they repeat every month.

2. What it costs to open

The example model opens on about **$3,200** of the owner's own money, with no loan.

Startup item	Model range
Development laptop	$0 if owned, otherwise $1,200–$2,500
Monitor and peripherals	$300–$600
First-year software and tooling	$400–$800
Professional liability insurance, first payment to full first year	$85–$1,330
Portfolio website and domain	$100–$300
Local business license	$25–$150

Startup item	Model range
Initial marketing	$100–$300
Total, computer owned	**About $1,000–$3,500**

3. What it costs to stay open

The model carries about **$270 a month** in fixed costs: professional liability insurance at roughly $85, accounting software, a phone and internet share, subscriptions and the portfolio site.

Two small costs move with sales: card processing at about 1.2% of revenue and marketing at about 2%. There is no payroll and no loan payment.

The owner's pay is not in the $270. The model treats it as a separate draw of about **$2,200 a month**.

4. The break-even: the one number to know

Break-even revenue = monthly fixed costs ÷ margin.

Card fees and marketing move with sales, so take them off the gross margin first: 73% less 1.2% less 2% leaves 69.8% of each dollar.

With the model's numbers: $270 ÷ 0.698 = about **$387 a month**. At $95 an hour, that is **about four billable hours**.

That figure pays you nothing. Add the $2,200 draw and the sum becomes $2,470 ÷ 0.698 = about **$3,539 a month**, or **about 37 billable hours**. That is the number to plan around. Three retainers at $1,200 bring in $3,600 a month, which covers it before any project work.

5. The risk the numbers show: the slow first months

The model does not bill its full rate of work from day one. It starts at about $1,760 in month one and climbs to a steady $4,800 a month by around month eight or nine.

Month one at $1,760 is about half of the $3,539 needed to cover costs and the full draw. If the owner takes the full $2,200 every month through the ramp, the model's cash dips slightly below zero in months 4 and 5, by about $104, before sales overtake the draw in month 6. Start with a little more cash, or take a smaller draw until the retainers are in place.

6. Your numbers

Fill this in with your own rate and hours before you quote your first job.

Question	Model	Yours
Blended rate per hour you can earn	$95	_____
Gross margin after direct job costs	73%	_____

Question	Model	Yours
Monthly fixed costs	$270	_____
Break-even revenue before owner pay	$387	_____
Monthly pay you want to draw	$2,200	_____
Break-even revenue with owner pay	$3,539	_____
Billable hours a month to reach it	About 37	_____

If that many billable hours will not fit beside your other commitments, change the plan before you start: raise the rate, lower the draw for the first months, or build the retainer base first.

This guide is general business information, not legal, tax, accounting or investment advice. The figures are illustrative assumptions from an example model and are not a forecast or a promise of results. Licensing and insurance requirements vary by state and are not covered here; check yours with the state agency.

Bytell Press publishes the full business plan, the editable financial model behind these numbers, and the operating playbooks for a custom software development studio.

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