

PRICING SURVEY



What to charge: the FDMC Pricing Survey

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Solving the Pricing Puzzle

Pricing your work correctly is one of the most important and misunderstood challenges of any business today.



Solving the Pricing Puzzle

How can prices between shops for the same work vary so much?!

Are costs and rates really that different?



[Analyzing the challenge]

- Market forces vs. profit
- Pricing for profit
- Pricing for the market
- Meeting the competition
- Using the Pricing Survey

[Pricing for Profit]

- Profit or die

If you aren't pricing to make a profit, then why are you in business?



[Quotable]

“ *The automotive business is a high volume, no profit business.*

So we got out of it. ”

Basic pricing strategies

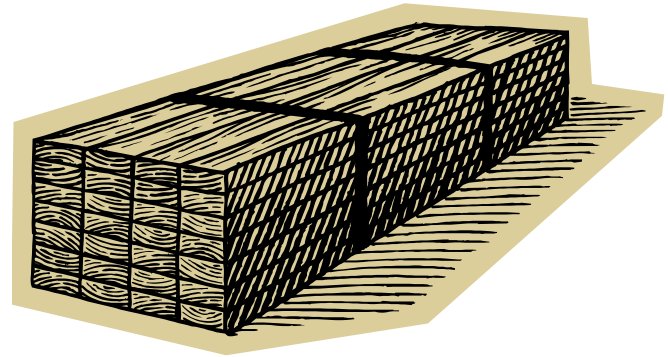
- By the foot



Although bidding jobs using a price-per-measurement makes estimates a breeze, it can often be inaccurate and raise the potential for missing hidden costs.

Basic pricing strategies

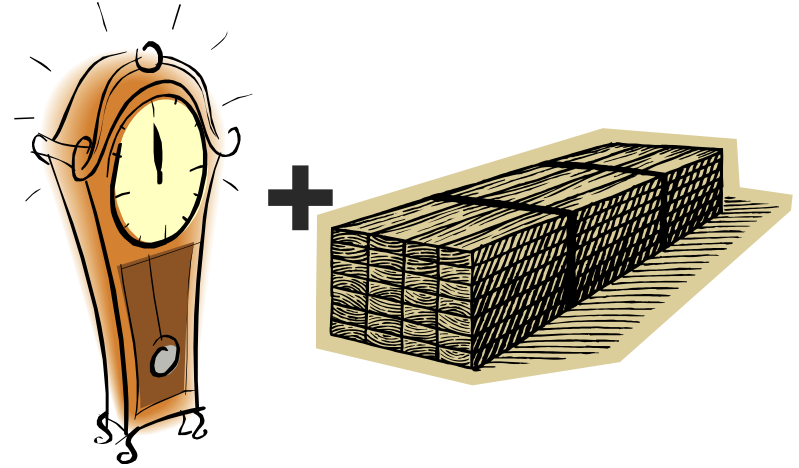
- Materials multiplier



Popular with some furniture makers, it's likely to be highly inaccurate.

Basic pricing strategies

- Time & materials



These should be key components of all pricing, but using this method has many shops overlooking crucial considerations such as overhead, profit, R&D.

Basic pricing strategies

- Components



Pricing all components individually can be highly accurate, but it requires constant updating.

Both a pricing and selling strategy.

Basic pricing strategies

- Software pricing programs

Even the best computer program is no better than the information submitted.



[Basic pricing strategies]

- By the foot
- Materials multiplier
- Time & materials
- Components
- Software pricing programs
- Other

[Four Pricing Essentials]

- Labor
- Materials
- Overhead
- Profit

[Four Pricing Essentials]

- Labor

All time invested
in production.

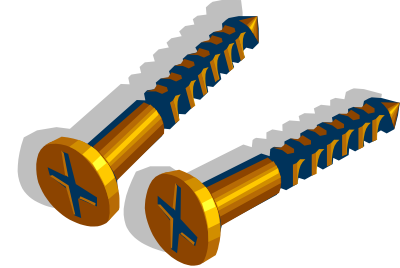
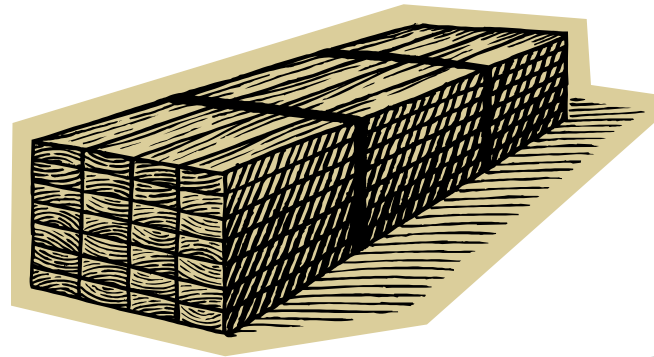
Base estimates on history.



Four Pricing Essentials

- Materials

All the things
needed for the job.



Don't forget to mark it up!

[Four Pricing Essentials]

- Overhead

Everything it takes to open the door.

Examples: utilities, transportation, trash disposal, insurance, phones, Internet, sales/reception staff, marketing, advertising, consumables, etc., etc., etc.

[Four Pricing Essentials]

- Profit

If you don't add it
you won't get it!



[Creating a loaded hourly rate]

- T = Hours available for work
- O = Total costs unrelated to production
- O/T = Minimum hourly income
- Add profit and employee costs.
- Add project/product costs.

[Creating a loaded hourly rate]

- How it works:

Total expenses for a year \$50,000

Total hours 50 wks @ 30hrs 1500

Per hour loaded shop rate = \$33.00

[Creating a loaded hourly rate]

- Using the loaded rate to price a job

Number of hours	40
Multiply times loaded rate	<u>x 33</u>
	\$1320
Add project materials	<u>500</u>
	\$1820
Add profit percentage (x15%)	<u>273</u>
	\$2093

[Where Pricing Goes Wrong]

- Bad estimates
- Outdated calculations
- Poor knowledge of the market
- Attempting unfamiliar work

Pricing for the Marketplace

- Know the Market

Sometimes the biggest pressure on prices is what the other guy is charging, but do you really know what that is?



[Pricing for the Marketplace]

- What is your product worth in the eyes of potential customers?
- That's the **ONLY** measure that counts!



Pricing for the Marketplace

- Pricing reconnaissance
- Value of follow-ups
- Networking for knowledge
- Bid success reality check



Pricing for the Marketplace

- Know Your Market

There's a difference between what your best market is and the market as a whole. You may be competing in the wrong market.



[Pricing for the Marketplace]

- Don't sell commodities.
If your product is just like what everybody else sells, what's to keep customers from buying only on price?



[Quotable]

“

My prices are set by my dumbest competitor.

”

Effective Competition

- Dealing with lowball bidders
The best tool you have is knowing what your bottom line is and refusing to dip below it.
- ***You can't make money on unprofitable jobs!***

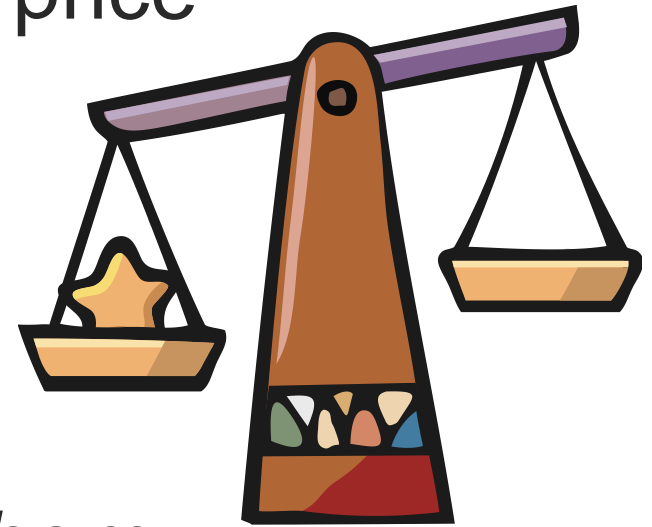


Effective Competition

- Compete on value, not price

Make sure your customers know and value what you are providing.

- ***If it's not worth it to them, they won't pay your price!***



Effective Competition

- Don't just work to work
Make sure every job counts toward your bottom line.
- ***Every lowball job you do costs you in opportunity!***



Effective Competition

- Don't bid to open doors
Pricing low to get in a new market seldom works long term.
- ***If they hired you on price, they will just as soon dump you on price!***



[Quotable]

“ *For the most part we try to stick with our prices, because we have an excellent reputation as far as quality goes. That’s how I build the business. I don’t want to jeopardize quality to undercut someone.* ”

--Mark Karkos, president, Cut-To-Size Technology

FDMC Pricing Survey

- About the survey
- What you can learn from it



FDMC Pricing Survey

Beaded Face-Frame Kitchen

This paint grade kitchen (soft maple and MDF panels) features beaded face frames (1/4-in. bead) with flush inset doors and drawers. Cabinet interiors are 3/4-in. pre-finished maple plywood with 1/4-in. prefinished maple plywood backs, except for the glass door section of the hutch cabinet, which has a custom painted interior. Lots of details add to the cost, and a glazed finish tops it off.



FDMC Pricing Survey

Beaded Face-Frame Kitchen <small>(sponsored by Drawer Box Specialties)</small>														
Bidder	State	Design/ Plans	Materials	Shop rate	Const. hrs.	Install rate	Install hrs.	Finish rate	Finish hrs.	Total bid	Software	CNC	YIB	Notes
1	SD	500	*\$7,000*	\$50	200	\$50	90	n/a	n/a	*\$24,850.00*	no	no	53	
2	MO	350	*\$10,500*	\$35	120	\$30	32	\$35	\$40	*\$27,420.00*	no	no	23	
3	OH	2500	*\$6,500*	\$40	180	\$45	60	\$40	60	*\$27,500.00*	no	no	26	
4	OH	350	*\$10,500*	\$35	225	\$35	88	\$35	85	*\$28,497.00*	no	no	18	
5	IN									*\$30,356.00*	no	no	28	*Cabinets \$24361, finish \$1780, install \$4215; no tops or hardware.*
6	NC	\$448	*\$15,382*	\$45	122	\$40	n/a	\$45	100	*\$30,716.00*	no	no	13	Install \$1860
7	NH		*\$10,000*	\$35	371	\$35	22	\$20	120	*\$37,237.83*	KCD	yes	11	
8	GA	\$500	*\$5,953*	\$45	248	\$45	42	\$45	102	*\$38,739.66*	Cabinet Vision	no	13	
9	SC		*\$9,004*	\$55	341	\$55	71	\$55	181	*\$41,619.00*	no	no	29	
10	PA	1960	*\$13,242*	\$57	476	n/a	n/a	n/a	n/a	*\$42,276.00*	no	no	33	Without delivery.
11	MA	\$400	*\$12,000*	\$50	400	\$45	70	\$50	40	*\$45,200.00*	no	no	18	
12	OR	*\$3,589*	*\$12,500*	\$45	540	\$45	160	n/a	n/a	*\$49,745.00*	no	no	23	Finish outsourced.
13	IL	\$500	*\$12,350*	\$50	405	\$50	126	\$50	135	*\$53,072.50*	no	no	15	
14	MN	63 hrs.	*\$14,694*	\$30	356	\$39	117	\$30	123	*\$53,257.00*	*Excel, AutoCad*	yes	52	Cost plus margin.
15	VA	*\$2,400*	*\$18,500*	\$65	300	\$45	95	\$45	140	*\$56,000.00*	CabinetPro	no	18	
16	VT		*\$8,500*	\$70	220	\$70	180	\$70	100	*\$58,510.00*	KCD	yes	14	
17	MA	\$400	*\$12,000*	\$100	240	\$65	160	\$100	160	*\$65,600.00*	Excel	no	17	
18	PA									*\$65,721.25*	no	no	9	*Outsources doors, drawers, faceframes, painting, moulding.*
19	NY	*\$8,442*	*\$29,843*	\$48	124	\$63	118.0	\$48	152	*\$67,438.83*	Cabinet Vision	no	43	Original bid.
Averages		*\$1,718*	*\$12,263*	\$50	286	\$47	95	\$48	110	*\$44,408.21*			24	Variance factor:

Analysis: The most popular project in this year's survey, this kitchen had 19 bidders, but that didn't mean the numbers were close. The original bidder, a New York shop, was the highest bid turned in at \$67,438, nearly three times the low bid of \$24,850 turned in by a South Dakota shop. The average came in at \$44,408. Probably most remarkable in the bids for this project are the wide variations in estimates for construction hours. The original and highest bidder actually posted one of the lowest hours numbers, while other bidders estimated hours at as much as four times what the original bid reported.

[FDMC Pricing Survey]

Contemporary Frameless Kitchen

This frameless contemporary kitchen reflects a lot of the latest kitchen trends, including gray paint, mixed colors and materials, and gloss finish. It features prefinished maple plywood for cabinet interiors with maple veneer MDF for doors and drawer fronts. Sink side cabinets and the island were done with quartersawn white oak and stain but the interior cabinetry is still prefinished maple.



FDMC Pricing Survey

Analysis: Lots of bids did not translate into more competitive bidding for this project. The high bid of \$39,485 was three and a half times the low bid of \$11,272. The average bid of about \$24,000 is a lot closer to the original bid of \$29,364. Note that the original bidder's materials costs are significantly higher than all the other estimates, and the construction hours estimates vary widely, too.

Contemporary Frameless Kitchen <small>(sponsored by CNC Factory)</small>															
Bidder	State	Design/ Plans	Materials	Shop rate	Const. hrs.	Install rate	Install hrs.	Finish rate	Finish hrs.	Total bid	Software	CNC	YIB	Notes	
1	NH	\$350	"\$3,600"	\$62	35	\$40	20	\$30	40	"\$11,272.41"	KCD	no	11		
2	MO	\$225	"\$6,000"	\$35	100	\$30	10	\$35	12	"\$13,525.00"		no	23		
3	GA		"\$2,720"	\$56	89	\$56				"\$13,656.00"		no	yes	Install not included.	
4	OH	"\$1,200 "	"\$4,200"	\$40	120	\$45	40	\$40	50	"\$17,500.00"		no	no	26	
5	OH	\$350	"\$8,500"	\$35	125	\$35	40	\$35	40	"\$18,428.75"		no	no	15	
6	CA	included	"\$3,900"	\$65	140	\$65	26	\$65	20	"\$18,600.00"	KCD	yes	27		
7	PA	\$350	"\$8,646"	\$50	70	\$50	40	\$50	20	"\$19,098.00"		no	no	25	
8	OR	\$495	"\$8,467"	\$70	54	\$70	25	\$70	12	"\$20,402.00"	Excel	no	35		
9	NC	\$358	"\$7,978"	\$45	108	\$40	n/a	\$45	80	"\$20,728.00"		no	no	13	"Installation \$1,410."
10	IN									"\$23,075.00"		no	no	28	"Cabinets \$18,425, install \$1,450, finishing \$3200, no hardware or countertops."
11	MA	\$300	"\$7,000"	\$50	300	\$45	36	\$50	20	"\$26,400.00"		no	no	18	
12	IN		"\$10,871"	\$65		\$65		\$65		"\$29,364.33"	eCabinet System	yes	13	Original bidder.	
13	SC		"\$8,329"	\$55	231	\$55	48	\$55	115	"\$29,991.00"		no	no	21	
14	VT		"\$5,000"	\$70	90	\$70	60	\$70	35	"\$31,540.00"	KCD	yes	12		
15	NY	"\$2,143 "	"\$9,375"	\$50	147	\$64	70	\$50	115	"\$36,753.49"	Cabinet Vision	no	35		
16	MN	48 hrs.	"\$7,142"	\$30	275	\$39	114	\$30	78	"\$38,637.00"	"Excel, AutoCad"	yes	52	Cost plus margin.	
17	PA	"\$4,030 "	"\$8,020"	\$65	205	\$65	100	\$65	50	"\$39,485.00"	Excel	no	7		
Averages		\$980	"\$6,859"	\$53	139	\$52	48	\$50	49	"\$24,026.82"			23	Variance factor: 3.50	

FDMC Pricing Survey

Double-Arch Built-in Project

This double-arch built-in project involves two 6-foot-tall built-in units in hardwoods and hardwood veneers (1/2-inch birch plywood and maple hardwoods). Doors were made in house. There are also low-energy xenon lights, soft close hinges, complementary moulding, arched tops, base cabinets with adjustable shelves, and the customer was given a choice of two shelves. The project was finished in the shop and included delivery and installation.



FDMC Pricing Survey



Double-Arch Built-in Project														
Bidder	State	Design/ Plans	Materials	Shop rate	Const. hrs.	Install rate	Install hrs.	Finish rate	Finish hrs.	Total bid	Software	CNC	YIB	Notes
1	AL		\$750	\$35	35	\$35	20	\$35	8	"\$2,955.00"	no	no	8	
2	GA	\$180	\$675	\$35	40	\$30	24	\$40	12	"\$3,876.00 "	Excel	no	4	Original bidder.
3	OH	\$400	\$850	\$40	25	\$10	45	\$40	8	"\$4,800.00"	no	no	26	
4	CA	\$250	"\$1,275"	\$55	42	\$55	22	\$55	12	"\$5,455.00"	Cabinet Vision	yes	20	
5	NC	\$135	"\$2,555"	\$45	38	\$40	n/a	\$45	25	"\$6,951.00"	no	no	13	"Includes painted tops, 3/4" birch plywood, install \$456"
6	PA	\$480	"\$1,105"	\$57	111	n/a	n/a	n/a	n/a	"\$7,930.00"	no	no	33	Without delivery.
7	PA	\$537	\$950	\$65	60	\$65	20	\$65	10	"\$8,125.00"	Excel	no	7	
8	CT	\$375	"\$1,485"	\$63	64	\$63	40	\$63	18	"\$9,171.00"	no	no	25	
Averages		\$337	"\$1,206"	\$49	52	\$43	29	\$49	13	"\$6,157.88"			17	Variance factor: 3.10

Analysis: The original bidder came in with the second lowest bid on this project at just \$3,876. Everyone else, including the one lower bidder, estimated materials quite a bit higher than the original bidder. Higher bidders were pricing closer together and estimated materials and labor in closer ranges. Once again, the high bid (\$9,171) is triple the low bid (\$2,955).

FDMC Pricing Survey

Dining Room Buffet Project

This dining room buffet built-in project features separate upper storage cabinets. Basic construction is 1/2-inch birch plywood and maple hardwoods. Doors and drawers were outsourced, but finishing was done in house. There are mitered door and drawer fronts, with glass doors (1/8-inch tempered glass) in the upper cabinets. There is hidden pan storage, and a pull-down glass door in the center of the upper cabinet assembly. The project included finishing in the shop, as well as delivery and installation.



FDMC Pricing Survey

Buffet Project														
Bidder	State	Design/ Plans	Materials	Shop rate	Const. hrs.	Install rate	Install hrs.	Finish rate	Finish hrs.	Total bid	Software	CNC	YIB	Notes
1	AL		"\$1,250"	\$35	44	\$35	22	\$35	10	"\$3,910.00"	no	no	8	
2	OH	350	\$750	\$40		\$45	10	\$40	12	"\$4,250.00"	no	no	26	
3	GA	180	"\$1,175"	\$35	48	\$30	24	\$40	12	"\$4,751.00"	Excel	no	4	Original bidder.
4	IN									"\$5,595.00"	no	no	28	"Cabinets \$4210, finishing \$735, install \$650."
5	CA	250	"\$1,875"	\$55	48	\$55	20	\$55	20	"\$6,715.00"	Cabinet Vision	yes	20	
6	NC	\$180	"\$3,280"	\$45	32	\$40	n/a	\$45	20	"\$6,905.00"	no	no	13	"3/4" birch plywood, install \$372"
7	PA	420	"\$2,773"	\$57	98.3	n/a	n/a	n/a	n/a	"\$8,297.00"	no	no	32	Without delivery
8	CT	500	"\$2,500"	\$63	80	\$63	8	\$63	24	"\$9,556.00"	no	no	25	
Averages		\$313	"\$1,943"	\$47	58	\$45	17	\$46	16	"\$6,247.38"			20	Variance factor: 2.44

Analysis: Time and time again the survey proves that smaller projects are no easier to estimate correctly than bigger projects. The project showed a variance of nearly two and a half times between the low bid of \$3,910 and the high bid of \$9,556. The original bidder came in at \$4,751, nearly \$1,500 below the average bid of \$6,247. Note the wide variations in materials and labor estimates for the same job specifications.

FDMC Pricing Survey

White Painted Vanity

This project is a white painted bathroom vanity with some distinctive moulding details. The original shop priced the job for cabinets only – pulls, mirrors and countertop were done by others. It features soft maple face frames and door frames, poplar mouldings, Medex panels, and interiors were made of prefinished clear maple plywood.



FDMC Pricing Survey

White Painted Vanity														
Bidder	State	Design/ Plans	Materials	Shop rate	Const. hrs.	Install rate	Install hrs.	Finish rate	Finish hrs.	Total bid	Software	CNC	YIB	Notes
1	IN									"\$4,255.00"	no	no	28	"Cabinets \$3205, finishing \$600, install \$450."
2	OH	\$500	"\$1,000"	\$40	30	\$45	12	\$40	8	"\$5,250.00"	no	no	26	
3	NC	\$224	"\$3,514"	\$45	43	\$40	n/a	\$45	20	"\$7,601.00"	no	no	13	Installation \$284
4	MN	8 hrs.	"\$1,703"	\$30	76	\$39	18	\$30	9	"\$8,415.00"	"Excel, AutoCad"	yes	52	Cost plus margin.
5	PA									"\$9,125.00"	no	no	9	"Outsources doors, drawers, faceframes, mouldings, finish"
6	ONT		"\$1,500"	\$75	110	\$75	40	\$75	10	"\$9,500.00"	no	no		Original bidder.
7	PA	\$360	"\$2,359"	\$57	155	n/a	n/a	n/a	n/a	"\$11,559.00"	no	no	33	Without delivery.
8	PA	"\$1,343 "	"\$2,250"	\$65	85	\$65	20	\$65	15	"\$12,828.73"	Excel	no	7	
Averages		\$607	"\$2,054"	\$52	83	\$53	23	\$51	12	"\$8,566.72"			24	Variance factor: 3.01

Analysis: A deceptively simple project, this bathroom vanity has tricky details that affect the pricing and add complexity. The original bidder figured they lost money on the job at \$9,500 but made the loss up in “goodwill” that translated into more profitable work. Most other bidders estimated even lower with the average at \$8,566 and the bottom bid of just \$4,255. The high bid was triple that at \$12,828.

Learn more

- Participate in pricing survey
- Offer a project for the survey
- woodworkingnetwork.com/pricingsurvey

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PRICING SURVEY

