

What to charge: the FDMC Pricing Survey

William Sampson
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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

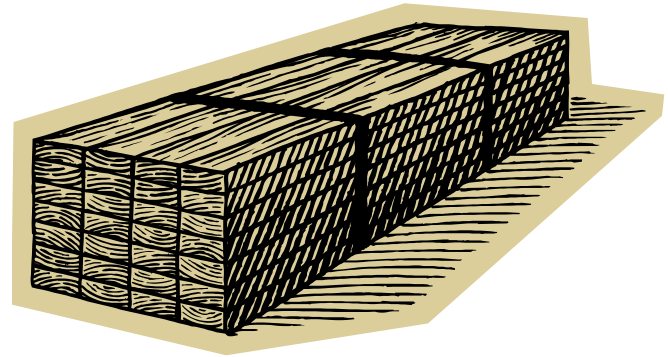
- By the foot



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

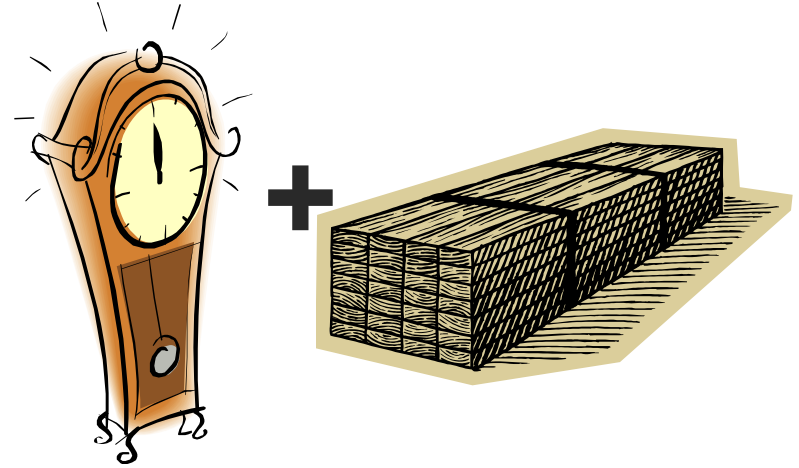
- Materials multiplier



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.

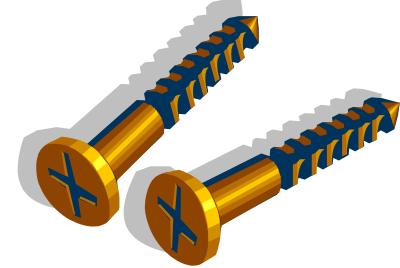
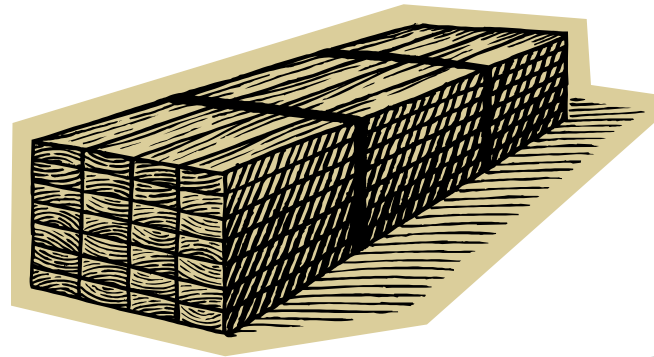
Base estimates on history.



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!***

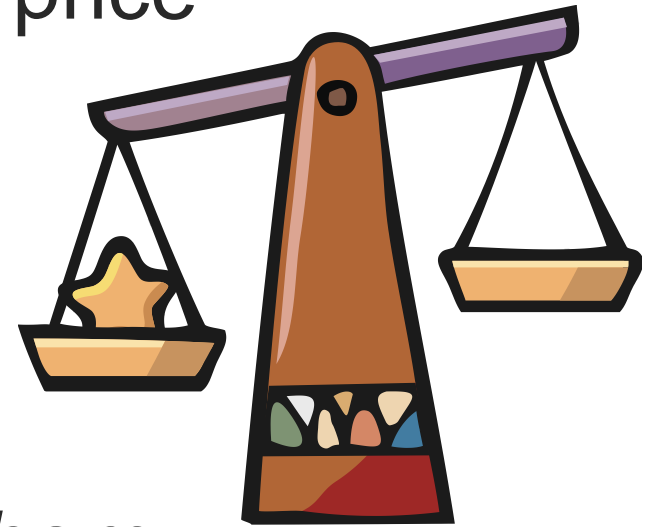


Effective Competition

- 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

Walnut Face-Frame Kitchen

This beaded inset walnut face-frame kitchen has a lot of distinctive details, especially the custom hood over the stove, applied raised panels on appliances and on exposed ends, carved elements, architectural components, and two kitchen islands.



FDMC Pricing Survey

1. Walnut Face-frame Kitchen													
Bidder	State	Design/Plans	Materials	Shop rate	Const. hrs.	Install rate	Install hrs.	Finish rate	Finish hrs.	Total bid	Software	CNC	YIB
1	IA			\$25		\$15	25	\$25		\$18,500.00	no	no	4
2	SC		\$8,329	\$55	231	\$55	48	\$55	115	\$29,991.00	no	no	21
3	OH		\$3,500	\$65		\$80	50			\$30,500.00	In-house	no	30
4	VT		\$5,000	\$70	90	\$70	60	\$70	35	\$31,540.00	KCD	yes	12
5	OH			\$35		\$35		\$35		\$31,926.80	KCD, Excel	no	2
6	DE	\$2,500	\$18,050	\$65	200	\$65	25	\$65	16	\$35,600.00	no	no	33
7	NY	\$2,143	\$9,375	\$50	147	\$64	70	\$50	115	\$36,753.49	Cabinet Vision	no	35
8	MN	48 hrs.	\$7,142	\$30	275	\$39	114	\$30	78	\$38,637.00	Excel, AutoCad	yes	52
9	PA	\$4,030	\$8,020	\$65	205	\$65	100	\$65	50	\$39,485.00	Excel	no	7
10	CO	\$3,000	\$12,000	\$60	302	\$60	70	\$60	158	\$46,800.00	no	no	23
11	WI	\$1,000	\$16,446	\$75	300	\$50	96	\$40/ft	19	\$48,864.00	no	no	13
12	AB	n/c		\$75	140	\$48/ft	20	\$75	35	\$49,904.00	no	yes	30
13	IN	n/c	\$12,284	\$40	285	\$40	100	\$23/ft		\$52,189.00	no	no	29
14	NC	\$1,960	\$4,241	\$80	40	\$87	125	\$80	159	\$57,480.70	Excel	yes	3
15	NJ	\$3,825	\$18,605	\$95	235	\$145	70	\$95	125	\$66,580.00	no	no	20
16	CA	\$2,550	\$18,029	\$65	300	\$65	100	n/a	n/a	\$81,800.00	Filemaker (custom)	yes	15
17	IL		\$18,050	\$50	658	\$75	80	\$55	262	\$88,667.00	Cabinet Vision	yes	24
18	NJ	\$7,000	\$32,620	\$95	294	\$95	105	\$95	205	\$97,000.00	no	no	37
Averages		\$3,112	\$12,779	\$61	247	\$65	74	\$61	106	\$49,012.11			22

Analysis: The most complex project of this year's survey actually attracted closer bidding than some of the more simpler projects. Still, the high bid of \$97,000 was more than five times the low bid of \$18,500. The original maker's bid of \$52,189 was just a few thousand dollars higher than the \$49,012 average bid. In this project there seemed to be no correlation between experience, CNC, software, or region and price. **Variance factor: 5.24**

FDMC Pricing Survey

Bathroom Vanity

This elegant furniture-style bathroom vanity was fabricated in African mahogany. Interior cases were done in prefinished maple. All drawers are solid hard maple with dovetailed construction and Tandem slides. The finish is a dye stain with conversion varnish clear coat.



FDMC Pricing Survey

2. Bathroom Vanity													
Bidder	State	Design/Plans	Materials	Shop rate	Const. hrs.	Install rate	Install hrs.	Finish rate	Finish hrs.	Total bid	Software	CNC	YIB
1	IA			\$25		\$15	3	\$25		\$4,500.00	no	no	4
2	DE	\$200	\$2,160	\$65	40	\$65	4.0	\$65	6.0	\$5,610.00	no	no	33
3	NC	\$224	\$3,514	\$45	43	\$40	n/a	\$45	20	\$7,601.00	no	no	13
4	WI	\$200	\$3,153	\$75	48	\$50	10.5	\$40/ft	2.5	\$7,995.00	no	no	13
5	MN	8 hrs.	\$1,703	\$30	76	\$39	18	\$30	9	\$8,415.00	Excel, AutoCad	yes	52
6	AB	n/c		\$75	36	\$75	5	\$75	12	\$9,741.00	no	yes	30
7	NC	\$320	\$820	\$80	5	\$83	22	\$80	17	\$9,763.66	Excel	yes	3
8	OH		\$1,200	\$65		\$50	40			\$9,850.00	In-house	yes	30
9	CO	\$600	\$2,828	\$60	97	\$60	8	\$60	16	\$10,088.00	no	no	23
10	OH			\$35		\$35		\$35		\$10,173.00	KCD, Excel	no	2
11	CA		\$2,800	\$75		\$75		\$75	outsourced	\$12,800.00	Cabinet Solutions	no	15
12	PA	\$1,343	\$2,250	\$65	85	\$65	20	\$65	15	\$12,828.73	Excel	no	7
13	NJ	\$1,700	\$4,400	\$95	80	\$145	12	\$95	18	\$17,250.00	no	no	20
14	NJ	\$2,400	\$7,850	\$95	104	\$95	32	\$95	34	\$26,400.00	no	no	37
Averages		\$873	\$2,971	\$63	61	\$64	16	\$62	15	\$10,929.67			20

Analysis: This project had a strikingly high bid (\$26,400) and a strikingly low bid (\$4,500). If you drop those bids, than the variance factor also drops significantly, but it still means the highest bid would be more than double the lowest bid. Shop rates seem to have little correlation with final price as some of the higher shop rates of \$75 and \$80 per hour show up in the lower third of the bids. Similarly, more experienced shops show up at both ends of the spectrum. Interestingly, the CNC shops are all clustered together just below the average bid. **Variance factor: 5.87**

FDMC Pricing Survey

Cherry Kitchen

This cherry kitchen features a U-shaped design with square flat-panel doors and drawer fronts. There is a lazy susan in one base cabinet and 235 inches of 2-3/16-inch crown moulding. Solid surface countertops complete the project



FDMC Pricing Survey

3. Cherry Kitchen

Bidder	State	Design/Plans	Materials	Shop rate	Const. hrs.	Install rate	Install hrs.	Finish rate	Finish hrs.	Total bid	Software	CNC	YIB
1	IA			\$25		\$15	15	\$25		\$4,550.00	no	no	4
2	PA	\$160	\$1,700	\$40	54	\$40	20	\$40	offsite	\$6,300.00	no	no	2
3	NC	\$135	\$2,555	\$45	38	\$40	n/a	\$45	25	\$6,951.00	no	no	13
4	PA	\$480	\$1,105	\$57	111	n/a	n/a	n/a	n/a	\$7,930.00	no	no	33
5	PA	\$537	\$950	\$65	60	\$65	20	\$65	10	\$8,125.00	Excel	no	7
6	CO	\$240	\$2,962	\$60	62	\$60	8	\$60	16.0	\$8,362.00	no	no	23
7	NC	\$640	\$163	\$50	8	\$84	20	\$78	9.0	\$8,991.54	Excel	yes	3
8	CT	\$375	\$1,485	\$63	64	\$63	40	\$63	18	\$9,171.00	no	no	25
9	OH			\$35		\$35		\$35		\$10,734.76	KCD, Excel	no	2
10	WI	\$200	\$2,702	\$75	84	\$50	17	\$30/ft	5.5	\$11,140.00	no	no	13
11	AB	n/c		\$75	65	\$48/ft	12	\$75	20.0	\$11,730.00	no	yes	30
12	NH			\$65		\$65		\$65		\$12,503.28	KCD	no	12
13	DE	\$1,250	\$4,000	\$65	80	\$65	20	\$65	12	\$12,830.00	no	no	33
14	OH		\$1,400	\$65		\$50	50			\$17,050.00	In-house	no	30
15	NJ	\$2,100	\$7,875	\$95	80	\$145	40	\$95	26.0	\$25,575.00	no	no	20
16	NJ	\$3,200	\$6,980	\$95	109	\$95	64	\$95	60.0	\$32,315.00	no	no	37
Averages		\$847	\$2,823	\$61	68	\$62	27	\$62	20	\$12,141.16			18

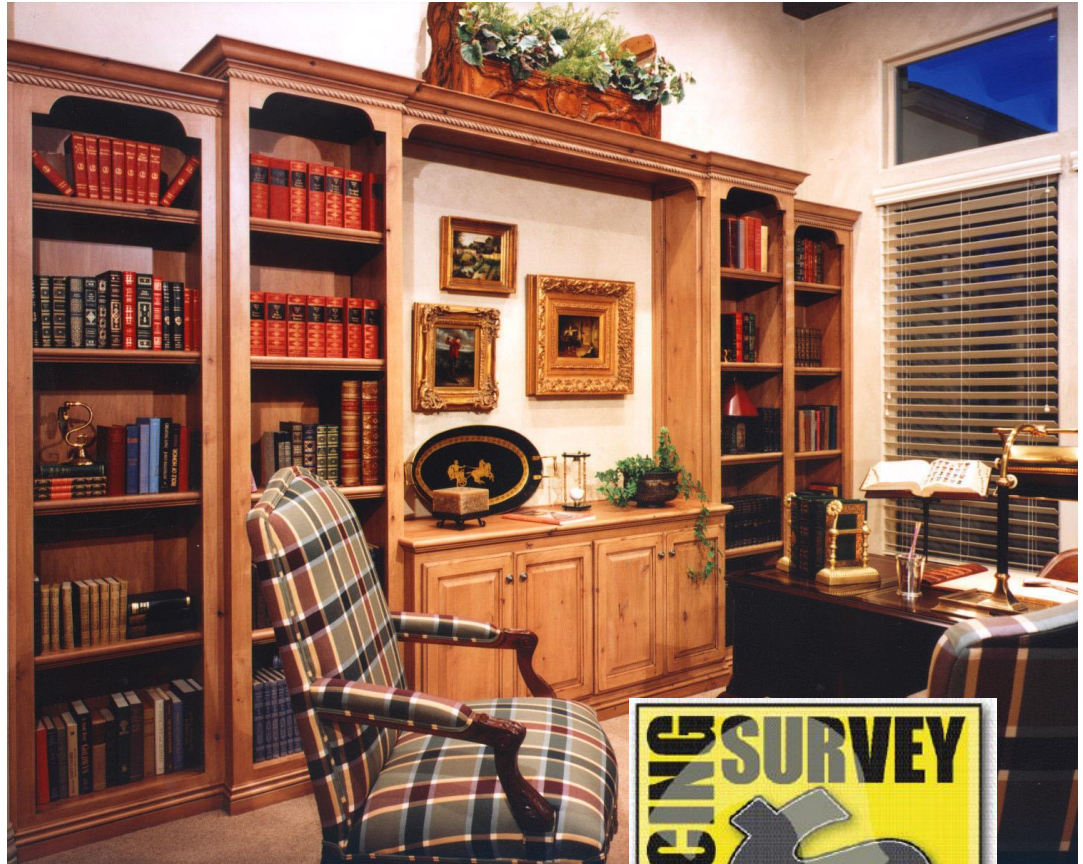
Analysis: his project shows that a relatively simple and straightforward project does not necessarily lead to closer bidding. The high bid of \$32,315 is more than seven times the low bid of just \$4,550. The original maker's price of \$12,503 is pretty close to the average bid of \$12,141. It's interesting that the top two bids both came from New Jersey shops that report the same \$95 shop rate. However, there's still more than \$6,700 between their bids, a difference that is more than the two lowest total bids from shops in Iowa and Pennsylvania.

Variance factor: 7.10

FDMC Pricing Survey

Home Library

This residential library project was done for a showcase home in a Parade of Homes project. It features knotty alder woodwork with square, raised-panel doors. The finish is a custom stain with glaze. Other details include 4-inch crown moulding with base and rope moulding, small pewter knobs, 96-inch build height, raised panel finished ends, and a wood top.



FDMC Pricing Survey

4. Home Library													
Bidder	State	Design/Plans	Materials	Shop rate	Const. hrs.	Install rate	Install hrs.	Finish rate	Finish hrs.	Total bid	Software	CNC	YIB
1	PA	\$120	\$1,120	\$40	40	\$40	15	\$75 per ft.	offsite	\$4,490.00	no	no	2
2	UT	\$544	\$1,021	\$68	50	\$68	9	\$68	24	\$5,833.33	Cabnetware	no	25
3	IA			\$25		\$15	10	\$25		\$5,850.00	no	no	4
4	DE	\$300	\$1,805	\$65	40	\$65	14	\$65	10	\$6,265.00	no	no	33
5	AB	n/c		\$75	36	\$48/ft	8	\$75	15	\$6,467.00	no	yes	30
6	CO	\$240	\$1,821	\$60	82	\$60	10	\$60	24	\$6,741.00	no	no	23
7	OH			\$35		\$35		\$35		\$6,793.66	KCD, Excel	no	2
8	NC	\$180	\$3,280	\$45	32	\$40	n/a	\$45	20	\$6,905.00	no	no	13
9	WI	\$175	\$2,258	\$75	61	\$50	10.5	\$30/ft	3.5	\$8,288.00	no	no	13
10	PA	\$420	\$2,773	\$57	98	n/a	n/a	n/a	n/a	\$8,297.00	no	no	32
11	OH			\$65		\$50	30			\$9,350.00	In-house	no	30
12	CT	\$500	\$2,500	\$63	80	\$63	8	\$63	24	\$9,556.00	no	no	25
13	NC	\$480	\$362	\$80	8	\$80	28	\$80	90	\$12,131.40	Excel	yes	3
14	AR	\$2,000	\$3,100	\$50	48	\$50	40	\$50	40	\$12,132.00	no	yes	44
15	NJ	\$1,850	\$2,450	\$95	58	\$145	15	\$95	22	\$13,825.00	no	no	20
16	NJ	\$1,600	\$2,700	\$95	67	\$95	20	\$95	36	\$15,985.00	no	no	37
Averages		\$701	\$2,099	\$62	54	\$61	17	\$63	28	\$8,681.84			21

Analysis: The most closely priced project in this year's survey, this residential library still garnered a high bid (\$15,985) that was three and a half times the low bid of \$4,490. Construction hours estimates averaged 55, very close to the 50 reported by the original maker. But materials estimates ranged widely, with the average more than double the original maker's materials number. Another huge variance comes in the installation time estimates, which range from a low of just 8 hours to a high of 40, and finishing, which ranges from 3.5 to 90 hours. **Variance factor: 3.56**

FDMC Pricing Survey

Crab Leg Coffee Table

This elegant coffee table is made with bird's-eye maple veneer in the top with mahogany legs and frame and wenge corner splices. The top is two layers of 5/8-inch MDF laminated to make a 1-1/4-inch core, which was vacuum veneered with the maple. The nosing is laminated mahogany, resawn, glued up on a form and then mitered and splined to the core. Finished measurements are 48 x 22 x 18 inches.



FDMC Pricing Survey

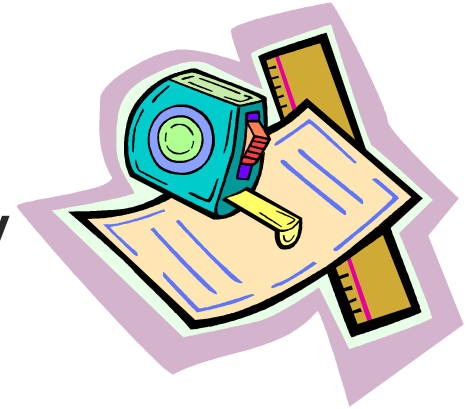
5. Crab Leg Coffee Table

Bidder	State	Design/Plans	Materials	Shop rate	Const. hrs.	Install rate	Install hrs.	Finish rate	Finish hrs.	Total bid	Software	CNC	YIB
1	IA			\$25		\$15	n/a	\$25		\$650.00	no	no	4
2	TN	\$250	\$305.00	\$40.00	24	\$65	1	\$40	5	\$2,076.00	Excel spreadsheet	no	12
3	NC	\$200	\$467.39	\$40.00	24	\$40	4	\$40	6	\$2,147.00	no	no	20
4	NC		\$600.00	\$45.00	40	\$45	0	\$45	4	\$2,580.00	QuickBooks	no	14
5	RI	included	\$282.00	\$60.00	32	\$60		\$60	8	\$2,703.00	no	no	16
6	SC	\$300	\$500.00	\$65.00	20	\$1	5	\$65	10	\$2,800.00	no	no	22
7	OR	\$360	\$320.00	\$60.00	36	\$0	0	\$60	6	\$2,840.00	no	no	12
8	OH		\$650.00	\$35.00		\$35		\$35		\$2,950.00	no	no	2
9	WI	\$150	\$1,100.00	\$75.00	30	n/a	n/a	\$30/ft	1	\$3,600.00	no	no	13
10	NC		\$540.00	\$80.00	24	n/a	n/a	\$87	6	\$3,970.05	Excel	yes	3
11	MD	\$600	\$500.00	\$100.00	26	\$100	2	\$100	4	\$4,300.00	Excel spreadsheet	no	18
12	NJ	\$600	\$200.00	\$95.00	30	n/a	n/a	\$95	8	\$4,410.00	no	no	37
13	IL	\$300	\$600.00	\$75.00	42	\$50	2	\$75	4	\$4,450.00	no	no	25
14	CO	\$480	\$504.00	\$60.00	68	n/a	n/a	\$60	16	\$5,544.00	no	no	23
15	NJ	\$1,275	\$625.00	\$95.00	40	\$145	drop-off	\$95	17	\$7,895.00	no	no	20
Averages		\$452	\$513.81	\$63.33	34	\$51	2	\$63	7	\$3,527.67			16

Analysis: This deceptively simple project attracted by far the widest range of pricing in this year's survey. The high bid of \$7,895 was more than 12 times the low bid of just \$650. The original maker priced the piece at \$2,703, still well below the average bid of more than \$3,500. Perhaps due to the small size of the project, time and materials numbers were closer on this than other projects in the survey. Average construction hours at 34 nearly matched the original maker's 32 hours, but the average materials cost of more than \$500 was 82 percent higher than the original maker's quote of \$282. **Variance factor: 12.15**

[Learn more]

- Participate in pricing survey
- Offer a project for the survey



online:

<http://www.woodworkingnetwork.com/pricing-survey>

e-mail: will.sampson@woodworkingnetwork.com

phone: 203-512-5661