



THE BENCHMARK

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Selling small jobs

We all want to increase sales, but too often we complicate the process. This is especially true of the small job sale. I am referring to a job that takes a day or less to install. The standard approach is to meet the customer, take notes (or not), return to the office, produce an estimate, send it to the customer, then follow up or forget about it.

The problem here should be obvious. First, the process is costly. Including drive time, meeting time and computer time, it can take three hours to bid a three-hour job. At an hourly cost of \$100 for a salesperson's time, that's \$300. For a busy salesperson, this approach is a huge time waster.

Second, the process is frustrating for the customer. You appear and they get excited. You disappear and they wonder when you will return. They call you and you promise to get right on it. Then they give up and call another guy. For the customer, this approach is a big source of dissatisfaction.

Why do we do this? We do it because we must put everything into our "system," and we don't have the confidence to price it on the spot because the boss will kill us if we sell too low.

So, how should it be done? Simple: Price it and get a decision on the spot. This will make the customer happier, save you time and conserve computer server space.

Simple minimum pricing

Set up a pricing model based on a minimum quarter-day, half-day and full-day install. Figure 1 provides an example for a typical planting job, with formulas for calculation.

In the example, a typical quarter-day job would be priced at \$445 for a two-person crew, given the

FIGURE 1: JOB PRICE CALCULATION

Factors	Numbers	Formula
A Day part (quarter day) hours	2.5	
B Crew size	2	
C Labor price/hour	\$35	
D Labor cost/hour	\$12	
E Labor cost	\$60	A x B x D
F Material/labor ratio	2.00	O / P
G Material cost	120	F x E
H Material markup	125%	
I Labor price	\$175	A x B x C
J Material price	\$270	G x H
K Job price	\$445	I + J
L Job cost	\$180	E + G
M Gross profit	\$265	K - L
Gross margin	60%	M / K

standard estimating factors for labor and materials for this company. I use 2.5 hours for a quarter day, 5 for a half day, and 10 for a full day to arrive at the standard price. This type of price will cover 90% of your small job bid situations.

Simple maximum closing

While you are asking the customer questions, you "draw up" the job and material list on your Company Contract duplicate copy form, an example of which is seen in Figure 2. Then you assess crew size and time required to demo, haul, grade, plant, feed, water and clean, and write the price on the bottom of the form and hand it to the customer. If he or she blinks at the price, hold firm. If necessary, cut to the chase and cut 10% from the price (you already have a 60% gross margin in the job), ask for a signature and wait until the customer tells you "yes" or "no." If yes, get a check to start. If no, both parties will waste no further time.

Sitting in an owner's office a few years ago, I noticed a basket full of paper. He said it was all the bids he had yet to get to. There were 40 opportunities in that basket. Fully 25 were one-day jobs or less. I suggested the system outlined above. He sold 30% more that year by closing on the spot.

Remember, customers want to feel the process went smoothly and they got a good deal. Make it happen, and you will close more small job sales.

FIGURE 2: TYPICAL P&L

Formula	Factors	Numbers
N	Revenue	\$1,000,000
O	Material	\$350,000
P	Labor	\$180,000
Q	Total job cost	\$530,000
R	Gross profit	\$470,000
R / N	Gross margin	47%
O / P	Material/labor ratio	1.94