



## Retainers vs. design fees

**Q** Can you explain the concept of using a retainer agreement instead of a design fee to get a commitment from the client toward both the design and the installation?

—Dylan Mickelson, Bright Lights Landscaping and Outdoor Lighting, Las Vegas, Nev.

**A** I just got back from PLANET's Green Industry Conference in Louisville, Ky., where I was a speaker, as well as a facilitator at the Breakfast with Champions. As always, one of the hottest topics was how to attract high-end clients. Inevitably, this discussion leads to one of our industry's biggest pain points—design fees and how to charge for them.

Naturally, everybody says they charge design fees but their competition designs for free, putting them at a disadvantage. Companies say that because their competitors are giving away free drawings, they follow suit, not wanting to lose the work. My typical response is, "Oh, now I understand. You charge design fees, but nobody pays them!" It makes me laugh, but my audience provides me with a room full of angry stares.

I firmly believe designs and design fees are a necessary part of the design/build process. Not just for the sale, but for the proper installation and profitability of the project. However, like everything, there is more than one way to skin a cat.

Before I get into the retainer fee concept, I want to make sure we're on the same page. Although we'd all like to make a profit on design fees, most of us use it to sell the job. If we can break even on our cost for the drawing, that's a bonus. The reality is most of you use designs as a loss leader. If you sell the job, it was worth the time and investment and everybody is happy. If you don't sell it, the designer will blame the estimator and the estimator will blame the designer. In turn, they both blame the owner, claiming his prices are too high. The owner blames everyone,

because, well, he's the owner.

Retainers are essentially deposits given to a professional by his or her client to begin a process. In the legal profession a retainer is often given to an attorney to begin the paperwork necessary to start a lawsuit. In reality, two parties are agreeing to work together toward a goal. Neither knows how long the process will take or how costly it may become. They just know they want to work together and get the ball rolling. Sounds pretty nice, doesn't it?

What I want you to do is similar in concept but not so ill defined.

First, treat design/build as design/build, not as design and build. Design/build is one process. Design and build are two processes. Most of us do the latter. We try to charge a design fee (step 1) and then try to sell the installation (step 2). Wouldn't you rather get a deposit toward the design/build and not one and then the other?

Enter the retainer agreement. By bundling the design and the installation together as one process, you're essentially presenting the client with a turnkey process: a design/build project. The design influences the build and the build influences the design, and they are both influenced by the budget and material selections. With such a "fuzzy" or "dynamic" process, why wouldn't a customer just want to work with one person or one company?

Actually, many of them do want to work this way and they understand why it's beneficial. They just need to give you a retainer to get the design/build process started. That way you get your design fee and job deposit at one time and you do it in an hour.

Now, when you go back to the office with a retainer, you and the estimator high five and fist bump each other like you just won the World Series. The owner is happy because he has a check, even though he has no idea what's going on because, well, he's the owner.

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To submit a question for Profiting From Design, please contact Shilan at jshilan@gmail.com.