

## Sign World – John Hadfield of KiM Quoting Software

### Part 1

They say price isn't everything...well.

**M**ORE and more in my travels across Australia, New Zealand and beyond, clients and people in the industry are increasingly raising the comments like, "We can't seem to get our prices right" or, "we priced a job at \$2000 and someone else grabbed the job at \$1000". The actual numbers don't matter. Whether it's 1000 or 100,000, this is a very complex and complicated issue involving more than just the items listed below and the order they appear in (or even a complete list of considerations), but they are the points you need to at least consider are:

- Cost of your overheads
- Cost of labour
- Cost of goods
- Market size of your region
- Location of your business and its relative size, buying power, equipment, staff skills
- Type of sign, print or services
- And last but not least - what type of profile your customer fits.

#### "HOW CAN I PRICE SIGNS AND PRINT CORRECTLY?"

It is the age-old question in our industry. The real trouble is, it is a VERY hard and multi-dimensional answer that's needed! I am not going to offer a silver bullet. There simply isn't any silver bullet answer for this question!

However, I will endeavor to cover in this issue - and the following issue - the basics of cost of labour, pricing, quotes and hopefully answer a few of the reasons that there is no easy answer to pricing signs, graphics and prints. Due to the complexity of this topic we are doing a first in the history of VI magazine and, [offering valuable free downloadable software to support the article and future articles in the series.](#)

#### WHAT ARE THE BASICS?

There are almost as many issues in pricing signs and prints correctly as running the whole of the

rest of your business! To assume it's one price fits all is just plain ridiculous! Therefore, even the basics are a difficult starting point. Most basic of all is real and direct costs, so, let us leave much of the debate on value based pricing, profiling clients and all the subjective points till next issue. In this issue I am aiming to offer in layman's terms and in a non-accountant way - the basics.

What the basics are:

- Overhead costs
- Cost of labour
- Cost of goods

suggest using this list as core items, then we suggest adding a few of your own.

Expense considerations you should take into account include but not limited to:

Accountant fees, Professional Services, Advertising, Marketing, Web Site Running Costs, Rent, Alarm Service, Subscriptions, Books, Supplies, Clerical Service, Taxes, Computer Upgrades, Tools, Dues, Waste Removal, Employee Benefits, Travel, Equipment Rental, Uniforms, Fees, Utilities, Insurance, Electricity Cost, Janitorial, Phone



#### Let's take a look at Overhead costs:

The following is aimed at providing a checklist "of sorts" to work your way through your own overheads to calculate as 'stage one' of this part of getting your prices right. To assist you, we have uploaded a computerised overheads calculator FREE on our web site, so please read on below then download the template to cross check. <http://kim.net.au/downloads>

When you set about developing an Overhead Worksheet or Overheads calculator, you may decide on using monthly, weekly, or yearly figures. Considering each business is a little different we

Costs, Legal Services, Water and Sewerage, Lease Payments, Licenses, Vehicle Expenses, Loan Payments, Vehicle Payments, Maintenance, Motor Vehicle Expenses, Workshop Cost, Office Supplies, Payroll taxes, Postage, Printing, Office Equipment Replacement, any other Fixed or Overhead Costs plus add your own specific costs.

A consequence of understanding your overheads will greatly assist in delivering increased profits as running costs of digital print machines or other large capital expenses equipment requires a comprehensive knowledge of overheads to correctly choose the hourly, lineal or square metre of that equipment.

So, if you set out a chart, then add an individual figure against each title – then if figures are monthly - multiply by 12, or if figures are weekly, multiply by 52! Now, don't be afraid to add a scalable profit margin column.

Argh! Screamed at 120 decibels is a normal sane comment about now, however these are real overhead considerations. If you are not including them maybe you are not making enough profit.

OK, now take two aspirin and lie down for a couple of hours OR go to the web site and download the calculator and type in your numbers!



### Moving on and if you're not shocked by now let's look at your labour costs:

A checklist is just one way to work your way through your own labour costs. Items like Salary, Workers Compensation Insurance, Holiday Pay, Sick days, Annual Leave, Bonuses, Accreditation Costs, Leave Loadings, State Payroll Taxes and many other items must be added to calculate 'stage two' of this part of getting your prices right.

Knowing your real labour costs is key to making profit. Generally, the accepted practice is to estimate how many hours a person will take to do a task. Lets assume you get the hours exactly right? If your hourly rate isn't correct... well it will certainly limit your profit and what you take home.

Think about the impact of chargeable hours versus non chargeable, in a perfect world you could charge out eight hours out of eight hours, in reality that is far from the truth. Many other factors include estimation accuracy, varying skill and output speed levels of your people and importantly, the level of management skill in the operational systems, scheduling ability that

manage and oversee the people. Regardless of your business size these factors are cornerstones in your viability to grow and prosper!

Once again we would like to offer you a free calculator in our web site, so please read on then download the template to cross check. <http://kim.net.au/downloads>. Look for the labour costs calculator.

### Let's take a look at costs of goods:

This is another interesting area affected by several considerations. When you purchase goods from


Making the most of your own business well-being will drive profits in several areas and what you pay of the goods you need to make signs and prints. Far from the concept of a level playing field are items like quantity purchasing power and the level of discount you gain but both quantity levels and your risk and credit rating.

**Your Mark up:** Once again these are issues you should think about. Consider you are an "A1" rated client with your suppliers and achieve an agreed discount on your purchases. Next is what you consider a fair and reasonable mark up on those goods to be. Recently, in preparation for this article I have been noting what is an average mark up placed by industry members, seems likely it's around 35 – 50 percent. Figures given ranged from a rubbery 20 percent and up to 100 percent.

Mark up is the difference between the cost of goods and the selling price. A markup is the figure added on to the total cost of the goods to create a profit. If you would like more reference see [http://en.wikipedia.org/wiki/Markup\\_\(business\)](http://en.wikipedia.org/wiki/Markup_(business)) Other methods are also used.

### SUMMARY:

These basics are the building blocks of your profitability, next issue we will start to assemble these into a detailed strategy. Now you have some homework to do, so download your software and get to it!

See you next issue for part two. 

your suppliers there are issues that may affect what you pay. Everyone likes an even playing field, however for you to play on an even surface you should think about these factors.

- **Payment terms:** A mutual respect between you and your favourite supplier is easy to maintain if you make it easy to do business with them and in the way you do business with them. How? Make sure your orders are clear, concise and placed in an intelligent manner.

- **Pay your Accounts:** Sounds simple! Well put yourself in the suppliers shoes. If you want the best deal it has to be a two-sided arrangement. This will generally affect your level of discount with your supplier.

