

To Fee or Not To Fee

by Jim Kregel

With apologies to William Shakespeare, the issue in this column's title has been an ongoing topic of debate in our industry for literally decades. I've heard most of the arguments, pro and con, about whether to charge a fee for kitchen or bathroom design in the context of a bid proposal. This is almost always a topic of lively discussion in the design classes that I conduct. Everyone wants to know what they can do to protect their time and ideas.

First and foremost, let us agree that being paid for one's time and ideas is fair and just. Unfortunately, remodelers, who don't seem to receive the respect that they should, have found it difficult to get consumers to pay a fee for certain

services. For the most part, we consider ourselves professionals, and yet most of us don't feel comfortable charging for all of our time and talents. This is in spite of the fact that all other professionals do charge for their time and talents. The truth is that when a business person charges for his or her services, your perception of them is one of professional conduct. Charging a fee is simply good business.

Free Information

As contractors and kitchen or bath specialists, we have a lot of expertise and ideas to share with our customers, and sometimes we do that — in fact we often give them too much information

— *for free*. In all likelihood, we begin giving out free information in order to establish credibility. We want to establish the fact that we truly are the experts. But, before we know it, we have spilled the proverbial design beans — we may give a prospective client so much free information that they no longer need us. With the benefit of our “freely” shared insight, our would-be client can now ask Uncle Louie to do the work.

I hope to have convinced you, by the time you're done reading this article, that you can and should charge a fee to customers. There is one caveat: You must be able to provide the services, designs, and ideas that warrant a fee. You also must be careful about promoting your firm's design services; “kitchen and bath designer” may look good on your resume but, in some states, professional certification or a license is mandatory.

Job Security

To begin the selling process with a design fee (an amount charged to design the project) or design retainer (an amount received to retain your services) is possibly the best tool available for qualifying a job prospect. When a potential client is willing to give you money for design, they are saying that, unless you screw up big time, they intend to give you the job. A potential customer won't part with any amount of money, large or small, unless they are confident that they want your company to handle their project. It's a wonderful feeling to work on a design fee or retainer basis. You're no longer working for free — even if you don't get the job, you still get paid for your time and effort. It certainly beats the old way: providing plans, bids, and ideas, all at no charge.

KRAZY 'BOUT KITCHENS, INC.
DESIGNERS - INSTALLERS
STANDARD FORM OF AGREEMENT / DESIGN AND CONSULTATION SERVICE

Under the format as approved by the NATIONAL KITCHEN AND BATH ASSOCIATION (N.K.B.A.), the following shall constitute an agreement between KRAZY 'BOUT KITCHENS, INC. and:

Jobsite address if different: _____

We agree to retain KRAZY 'BOUT KITCHENS, INC. to render professional design service for: _____ Area(s) _____

of New/Existing residence, which will include:

- JOBSITE VISIT:** Your KRAZY 'BOUT KITCHENS, INC. designer will visit the jobsite to obtain field measurements, study traffic patterns, survey structural considerations, and consult regarding the project. In the case of a new residence, this information will be obtained from your house plans to be field verified by cabinet supplier after framing.
- INTERVIEW:** An interview will be conducted regarding the scope and goals of the project and to assist in personalized planning.
- PRELIMINARY PLAN:** Preliminary floor plan(s) will be prepared to outline the possibilities, present conceptual ideas and form the basis for discussion and revision.
- FINAL PLAN:** The final plan will include floor plan and details along with the elevation for perspective views prepared with strict adherence to the guidelines prescribed by the N.K.B.A. for such drawings. You will receive two (2) copies of the final plan when approved.
- PRICING AND EQUIPMENT SPECIFICATION:** We will furnish complete specifications and prices for products normally supplied by us on your request, and so long as all of the necessary selections have been made.

These services are available at no additional charge after order has been placed:

- ELECTRICAL PLAN:** Suggestions will be applied to the final plan for outlets, appliances, task and decorative lighting and other electrical information.
- COLOR COORDINATION:** Color and decorating consultation is available at our showroom for all products normally supplied by us.

The professional fee for the above listed services is determined by the complexity of the project and will be set in advance upon viewing the jobsite or upon analysis of the plans for new residence. (Hourly consultations may not include all of the above services.)

Fee: \$_____ PAYABLE UPON ACCEPTANCE OF THIS AGREEMENT

If the owner makes the minimum purchase, the fee is eliminated. Design fees as paid shall be deducted from our invoice on all project contracts in excess of \$5,000.00. Purchase must be made within six (6) months from date below. Preliminary plans presented are broad in conceptual ideas and price points. All selections at this stage will affect overall project price. Waiver of Design and Consultation fee is nontransferable, and does not apply to wholesale purchases.

APPROVED: _____ Date _____

KRAZY 'BOUT KITCHENS, INC.
Designer _____ Owner _____
1234 Main Street Yourtown, USA (800)123-4567 FAX (111)123-5678
License #010068

Setting the fee. Once you've decided that your firm has the knowledge and ability to produce unusual and well-thought-out designs, the next decision to make is how much to charge. In the early stages, you should probably keep your fee low until you're comfortable with the concept and the presentation of the fee. Some home centers charge as little as \$50 for their design services. That's fine. Remember, unless it's their intention to do business with your company, people won't part with even \$50. A more common fee range is between \$500 and \$750. Many firms charge up to \$3,000, and sometimes more, on complicated projects. The actual amount may be incidental. The idea isn't to sell design work; rather, you are trying to get your prospective client off the fence and to make a commitment to your firm.

Most firms collect the entire fee at the outset to eliminate a problem later on with a client who decides not to buy from them. In my experience with design fees and retainers, clients who don't buy often find problems with the plans or the work after you've finished them, in an attempt to avoid paying the remainder of the fee. When payment in full is received at the beginning, this kind of problem doesn't seem to come up.

Who Owns the Plans?

A question that inevitably comes up is whether to let the clients keep the plans if they don't buy the project from you (see this month's *Legal Adviser*). My own policy is to give the clients the plans because it fosters goodwill. During the entire process, I want to be able to send preliminary plans home with the client to study, wish over, and show to their friends. If I am not going to let them have the plans at the end, I certainly can't be giving them preliminary items to take home. Taking plans home gives

the client a sense of ownership and allows them to visualize the project in their home better. When they show the plans to their friends, they usually brag about them a bit and tell their friends the name of the prestigious company they are about to contract with. They simply dig themselves in.

Other firms don't want their plans out in the marketplace if they're not doing the work. If the client doesn't award them the contract, they don't want their plans used, and they also don't want to be responsible for any problems, real or imagined, when another firm does the project.

Public relations. However, consider this scenario: You made it clear early on that the client would not get the plans if they did not buy from you. That seemed okay to them at the time, since they intended to buy. Now, for whatever reason, they decide not to buy from you. They must begin the entire journey all over again with someone else. They're not happy to be left empty-handed, and they let you know it. Furthermore, they tell anyone and everyone what a rotten company you own (not the truth, but it's how they feel at this juncture). When they find another firm that they think they'd like to do business with, that firm asks if they have plans. Of course, they're told the sad tale about paying for plans and not getting them. Is the salesperson sympathetic? You bet! He asks them to describe what had been designed, and they do to the best of their ability — but they miss some things. The salesperson acts incredulous and says, "They were going to do *this*?" and the client concurs. The salesperson proceeds to tear your vaguely reconstructed plan apart, saying it won't work. He may be wrong, but the clients are outraged. They paid for plans, they don't have them, and now they think the plans wouldn't have worked anyway. You just end up

getting a lot of bad press.

Now, change the scenario: You let the clients have the plans as standard procedure. You may wish to add a disclaimer to the plans, stipulating that the plans are not for construction and that all dimensions need to be field verified before ordering any materials. They don't buy from you; but they buy from a competitor, who doesn't do a very good job. Your firm ends up getting referrals from the job you didn't get, such as, "We thought they were too expensive, but now we wish that we had used them." Even if you don't get the referrals, you also don't get the negative press that comes from keeping the plans.

Justifying the Design Fee

Let's get back to the presentation of the design fee or retainer: When customers ask the inevitable question, "How do you work?" I normally introduce the fee. I tell them about our design fees proudly, with no hint of embarrassment. I explain that we have a complete planning service and that there is no charge for this service if we do the job. Right from the beginning, I give them a solid reason to stay with us for the complete project. Many people tell me that they have shopped around, and that other firms don't charge for design work. I always remind them, with a smile in my voice, that everyone knows the value of their own service; I believe our services to be well worth the investment.

Finally, I'll explain that charging a fee or retainer actually reduces the cost of the project that they may buy. Charging every client eliminates adding a fixed overhead for lost labor into all completed projects. Everyone likes that. 

Jim Kregel is a certified kitchen and bath designer, and the owner of *Kitchens by Kregel* in St. Paul, Minn.