

Business

End of the Free Estimate

by Leland Stone

I recently rang up several professionals in my city: a doctor, a lawyer, a dentist, a pool tech, and the mechanic who maintains my truck. I asked each of them a single question, and despite the wide range of professions represented, the answer was always “No.” The question was, “Do you offer free estimates?”

What a difference from our line of work! Apparently, somewhere back in the forgotten beginnings of the construction trade, some marketing genius thought that providing a free estimate would make a great promotion. But what started out as a good idea went horribly wrong over the years, and the market began seeing the free estimate as a right rather than a gift.

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Give It Up

Our trade has only helped to cultivate this warped perception. Too many of us, especially in our lean and hungry years, are willing to waste time with window-shoppers — taking measurements, drawing sketches, even drafting plans for remodels and additions that will never be built. Many clients seem to believe that a free “estimate” should include not only a site visit, but procedural and technical advice, as well as suggestions on material selections and suppliers. In short, they want all the info they can glean from you, which they then leverage into a lower bid from your competition or use in attempting the job themselves.

Maybe it's time for you to stop giving away that kind of hard-earned knowledge — as I have.

Business As Usual

For quite some time, I'd toyed with the idea of dumping the free estimate; last year, soaring gas prices finally motivated me to make the change. The cost of gas also furnished a reason I could give clients for why I now charged for a service they'd formerly gotten free. Everyone knows how expensive it is to fill up, so paying a consultation charge makes sense, if only to reimburse me for the cost of gas.

Like anyone, I was leery of charging this new fee. However, when I finally took the plunge, the first dozen or so callers readily paid. I did get several rejections later on, probably because of poor presentation.

If I was apologetic or defensive in asking for a consultation fee, clients declined the appointment. Describing the new fee with confidence, articulating its purpose clearly, and adopting a business-as-usual attitude toward it seemed to inspire acceptance.

What to Charge

My typical fee for an on-site consultation is \$20 to \$35, depending on how much time I have to spend getting to the site. (Here in Southern California, it's not uncommon to spend 30 minutes driving 20 miles on our “freeways.”)

The consultation fee weeds out unqualified prospects by eliminating tire-kickers with no real commitment to their project. Callers who are not clear and concrete in response to simple qualifying questions about their project are quickly informed of the consult fee. They then either disqualify themselves by ending the call abruptly or become clients by scheduling an appointment. Sometimes they simply become a warmer lead by asking for more information about my fee and services.

My hunch is that serious customers don't mind the fee, while the others just aren't serious.

Same as you, I've invested heavily in the knowledge I have about my profession, through on-the-job experience, self-guided study, and vocational education

Business | End of the Free Estimate

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classes. I'm happy to share that investment (including leads to other contractors for electrical work, flooring, and other work I don't do) with my clients, and since they benefit from it, I've become comfortable charging for the information.

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Good Presentation Helps

Obviously, technique matters, and the cost of the consult should be described in the best possible light. With prospects who appear to be tire-kickers, I mention the fee right away, but with callers who sound like better leads, I build up to it. A typical script might go something like this:

"Ms. Lead, it sounds like my skills are a good fit for your project, and right now I am available within your time frame. Let me explain my pricing and then you can make an informed decision about my services.

"The cost of gasoline has forced me to eliminate the free estimate, but I can still visit your home and inspect the work you have in mind; I'll be happy to give advice on your project, take measurements as needed, and offer a written proposal for the work you require. The cost for this service is \$20 —"

(Important note: Do not pause in your script after mentioning the price! You

don't want a decision-making silence in your spiel at this point. Instead, continue as noted below.)

"— and that fee is fully credited to the cost of the job when you proceed with the project.

"Would you prefer a morning, afternoon, or weekend appointment?"

Now you clam up and give the client that decision-making silence. In my experience, most clients will interrupt when I mention the \$20 and say something like, "That's fine." I take this to mean that they are already ahead of me in thinking that my time and input have value. For other prospects, using this tactic focuses their attention on the scheduling of your valuable appointment instead of on its cost.

You may wish to vary the rationale for the consultation fee, perhaps by informing leads that you're an independent craftsman, not a big-box estimator, and as such you can't afford to offer free estimates. Or you might want to explain that free estimates are actually charged to all clients in the form of higher bids, and this small charge is a way of making your services less expensive for everyone.

However you wish to introduce prospects to this charge, stop thinking "free estimate" and start thinking "valuable professional consultation." You may be surprised how many people agree with you.

Leland Stone runs a handyman service in La Mirada, Calif.

Credit Cards vs. Debit Cards

by Melanie Hodgdon

Lately I have found myself waging a one-woman battle against the overuse of debit cards by contractors. While there are surely some instances in which debit cards might be an appropriate means of payment, the problem is that many contractors seem to view debit cards and credit cards as being essentially similar. In fact, there are critical differences between them, as the chart below makes clear.

Weighing the Options

The prudent contractor tries to make all job-related purchases with his customer's dollars, which means getting some "up-front" money. However, a backup plan never hurts, and there are times when the responsible use of credit cards can help in avoiding cash crunches.

Debit cards, though, can actually contribute to the

	Debit Cards	Credit Cards
When do you pay?	Withdrawal from your account is virtually instantaneous with a debit card. It works even faster than writing a check, which generally takes a day or two to clear the vendor's bank and then your bank.	Your payment isn't due until the due date on the statement, which is usually about 20 days after the statement closing date. Depending on when (within the credit-card statement period) you make the purchase, this means there could be as many as 50 days between when you make a purchase and when you have to pay for it.
What does it cost?	Since payment is deducted directly from your bank account, there is no way to delay debit-card payment (and thereby incur finance charges). There are usually no fees associated with a debit card.	If you are a "deadbeat" (which is what credit card companies call card users who pay off their balance each month in full), you will not be subject to finance charges. Some cards with special benefit programs do charge an annual fee.
Are there any benefits?	Using a debit card is faster (and often more convenient) than writing a check. For those with cash-management challenges, there is no temptation to delay paying off debt. This is a true pay-as-you-go system.	There are a zillion credit-card companies out there, all vying for the same buyer audience. You can find programs to meet almost any desire, from air miles to discounted purchases to cash back.
Are there any dangers?	You're more likely to forget to record the use of a debit card than you are the writing of a check. If debits aren't entered until the bank statement arrives, you may find yourself over-drawing your account because of this missing information. As the old joke goes, "How can I be out of money when I still have checks left?"	Without self-discipline, it may be tempting to make only partial payment on the credit card balance. This kind of "loan" is very expensive and can get out of control.
What about fraud protection?	If your card is stolen and used for purchases, the money will be deducted from your account. You will have to duke it out with the bank to retrieve your cash. Lots of luck!	If your card is stolen, the credit-card company will protect you from being responsible for charges made against it, though some companies may require a small minimum payment.

Business | Credit Cards vs. Debit Cards

crunch. Let's look at an example.

Credit-card purchase. Bob Builder places a large window order on August 1 using a major credit card. The credit card's statement period ends on the 28th of the month and the credit card company allows 20 days for payment. This means that Bob must get payment to the credit card company by September 17.

The windows are delivered on August 15, at which point Bob invoices his customer for the windows. The customer pays on August 30, a full 18 days before Bob has to pay off his credit card.

Debit-card purchase. Carl Contractor places a large window order on August 1 using his debit card. The windows are delivered on August 15, at which point Carl invoices his customer for the windows. The customer pays on August 30, a full 29 days after Carl made payment.

Essentially, Carl financed his customer's materials, at no charge, for 29 days.

Choose a Plan That Works for You

Owners without a "company" credit card may be tempted to use a personal credit card for both company and personal purchases. Avoid doing this, as it will surely turn your bookkeeper's hair prematurely gray.

If you have multiple personal cards and one of them has a good benefit plan, consider using that card for just company purchases. You don't necessarily need a corporate card for your business — just one that won't be used for anything other than company business.

Don't worry about trying to find the card with the lowest APR, either. After all, if you're using your card responsibly, you'll be paying off the balance each month, so who cares what the finance charges are?

Instead, focus on finding a card with

a plan that will work for you. If you don't travel, then air miles or hotel points would be wasted, and you may find that discounts or cash-back plans suit you better.

Then again, giving away air miles or hotel packages might be a perfect perk for your employees. How about having a year-end drawing for one or more modest vacation getaways?

It took me only three years to accumulate enough air miles to fly with my husband — first class! — to Hawaii from Maine at no cost, and I don't spend tens of thousands of dollars each month buying building materials for customers. (Just make sure beforehand that your suppliers accept credit-card payment if they're already giving you a discount.)

Use With Care, or Stick To Writing Checks

In sum, there are benefits to credit cards, but only if they are used responsibly. Using credit cards for cash advances — or making use of those "convenient" checks the credit-card companies send you — makes poor business sense, as there are few more expensive ways to get cash than from credit card companies. So if you don't have the discipline to pay off your credit card every month, stick with writing checks — or using a debit card. That will save you money in the long run because you'll avoid paying interest and finance charges.

But if you *can* make the commitment to pay off your credit-card balance every month, there are rewards to reap, the best being that credit cards allow you to delay payment until you can be sure you're paying for job-related costs with the customer's money, not yours.

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