



## Charging for the Estimate

### How to avoid giving away a lot of free work

BY BRIAN ALTMANN

I have been in the remodeling business for almost 30 years. During the first 19 years, I did what I thought we were supposed to do: I went out on “estimates.” I’d show up promptly, take notes, and ultimately acquiesce to the homeowner’s demand for a dollar estimate for the job. I’d usually supply this along with a sketch and a brief project description. I would run all over town, providing as much information as I could to anyone who was interested, and then I’d wait and hope someone would call me back. Some called, but many didn’t.

My entire sales and estimating process felt broken and left me feeling frustrated, used, and resentful toward the people I wanted

to work for. “How dare you not call me back,” I’d think, “after I worked so hard to earn your business? What about the drawing I gave you? What about the three times I visited your house? What about the trade partners I brought to your home to provide critical insight to the project?” After 20 years in the remodeling business, I decided enough is enough. I was tired of being a free estimator.

So I revamped my approach. My goal was to devise a sales system that would benefit the homeowner and enable our company to turn a good profit. It needed to enable me to thoroughly understand and appreciate exactly what must-have information the homeowners needed in order to safely sign a remodeling contract with our

Illustration: Tim Healey

company. Rather than refer to it as an estimate, I came up with the term “Comprehensive Project Evaluation” (CPE).

What I didn’t know at the time I came up with this idea was that this new system would become an amazing value-building machine that would significantly increase my company’s bottom line and more than double our company’s closing ratio.

### ESTIMATES ARE FREE ... AND WORTHLESS

I teach a course at JLC Live called “Charging for the Estimate: A Guaranteed Approach.” I always ask the participants in the class why they offer estimates at no charge. The common response is always that the client expects a free estimate, and besides, all the other contractors do it.

If I called a car dealership and asked how much a car costs, they’d say, “Price ranges anywhere between \$15,000 and \$75,000.” Doesn’t the same hold true for a new kitchen? This wide range of costs is the problem with an estimate. It’s meaningless if it’s based on vague, hypothetical criteria.

To figure out how much a specific car costs, customers go down to the lot, test-drive a vehicle, read about the manufacturer and its reputation, and pore over the window sticker to find out exactly what they are getting for their money. Only then are they able to understand the precise investment they’ll need to make for a particular vehicle. Consumers certainly wouldn’t purchase a new car without all of this information. So why would they buy a kitchen, a new bathroom, or a master suite without the same amount of detailed information?

Certainly the estimates that our company delivered for the first 19 years were not comprehensive, and I never felt as if I were providing the client with the substantial information they required. But if I were to charge a professional fee for this information—and really make it a service—we could significantly up the ante and put our clients in a much better position to succeed with their remodel.

That was the goal. I decided to keep things simple at first and still offer a free estimate at the initial meeting (dubbed the “Introductory Appointment”) with prospective clients. But I mean an estimate in the true sense of the word. The dictionary calls an estimate a rough, or approximate, calculation. At this point, the closest I can come up with is a price range. This is the only thing that’s realistic without filling in every blank of what the project entails. Ultimately, however, homeowners need every blank filled-in and that is exactly what the CPE provides.

### THE FIRST VISIT IS FREE

My Introductory Appointment with potential customers is free—it’s a consultation that allows me to learn more about them and their project. It’s also the time to prequalify and to make sure that

their project would be a good fit for our company. We learn about the customers, and they learn about us.

But the Introductory Appointment is not an order-taking session where I jot down tons of information about projects that the homeowner would like an estimate for. Usually this is exactly what the homeowner has in mind. But at this first session, it is my job to follow a process that will be valuable to everyone.

Inevitably, when I arrive at the home, the first thing the homeowners want to do is drag me right to the cruddy old bathroom and start discussing the details. I stop them from giving me the immediate tour, and ask if there is a comfortable place for us to sit for a few minutes so I can ask some “very important questions.”

At this time, I want to understand the intended time frame for the project start and finish dates. I would like to know if they are interviewing other remodeling companies. It is crucial for me to ask what qualities the homeowners are looking for in a remodeling contractor. Have they had any prior remodeling experiences and what

were they like? In order to truly be of help, I also need to know what is motivating them to remodel.

During this initial discussion, I ask homeowners to give me a brief description of the project along with information about any obstacles that they see might arise. I believe it is key for the homeowners to do most of the talking during this exchange. My primary job is to take accurate notes. Once all this information is in hand, it is time for me to ask, “May I ask what you know about DBS Remodel?” This is a critical opportunity for me to build trust with the homeowners.

When given the opportunity to introduce our company, I am brief and to the point. It is all about the homeowners, not our company. My main focus is to share with them any qual-

ities about our company that might alleviate the concerns that they just shared with me. For example, if they had a bad prior experience with a remodeler that left dust all over their house, I might share with them that our team uses Zip Walls and a BuildClean air scrubber to minimize dust. The idea here is explore any fears homeowners might have about hiring a remodeler and explain to them how our team can help. After this brief discussion, I ask for permission to see that bathroom (or whatever) they wanted to show me.

As we tour the project, I just try to get an overview and take very few notes. I am still in prequalifying mode and making sure this project would be a good fit for our company. Inevitably, this is when the homeowners ask for lots of advice on what to do.

This is when I used to be tempted to show the homeowners how smart I am, and I’d offer every idea under the sun. But hold back! It is a good time to sprinkle a few ideas to let them appreciate your years of experience, but keep the real information in check until you understand enough about the project to make your advice meaningful.

**By presenting a Comprehensive Project Evaluation, I am doing more than handing over a piece of paper with numbers on it. I am providing a valuable service to my customer.**

This is important: If the project is not of interest to me, I quickly and respectfully decline, telling the homeowners that I don't feel the project is a good fit for our company. This may be momentarily awkward, but in the long run, you've saved time for everyone. I may spend a few minutes advising them on hiring another remodeler and on what to look for.

But if I think that the project *is* a good fit for our company, then it's time to get back to the table and become the owner's paid consultant.

As we sit back down at the table, the first thing I discuss is the budget. Most of the time when I ask homeowners if they have a budget, they say no. But when I hint that a new bath could be a \$30,000 investment, they chime right in. This is the time that I offer the "free estimate." I use my professional experience to offer them a budget range. I may say, "We do 20 to 30 bathrooms a year that would be very similar to yours and the typical budget is between \$20,000 and \$30,000."

Is it possible for me to give them anything more accurate than that during our introductory appointment? No. Beyond having decided that they might want to remodel their bathroom, most homeowners are not even sure what they specifically want at this point.

In the past, I would have spent hours and hours working with them for free to give them all of the knowledge and information that has taken our company years to develop. But here is where the game has changed: By presenting a Comprehensive Project Evaluation, I am doing more than handing over a piece of paper with numbers on it. I am providing a valuable service to the customer. That's how I present it to them, and it's what allows me to unflinchingly ask to be compensated for the effort.

### IT'S NOT AN ESTIMATE; IT'S A CPE

The CPE is comprised of three vital parts: Design, Job Scope, and Cost Analysis. It is my belief that every homeowner needs all three of these components in order to conduct business with a remodeling company.

To illustrate how I go about asking to be compensated for the effort of putting this all together, let's get back to that first meeting: At the conclusion of discussing the budget, I proceed to share my opinion on the value of these three components and the necessity for a consumer to understand and acquire them.

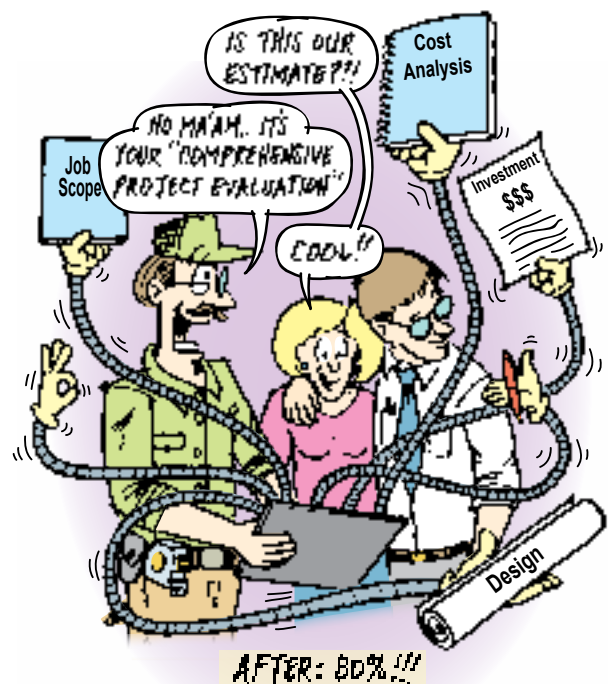
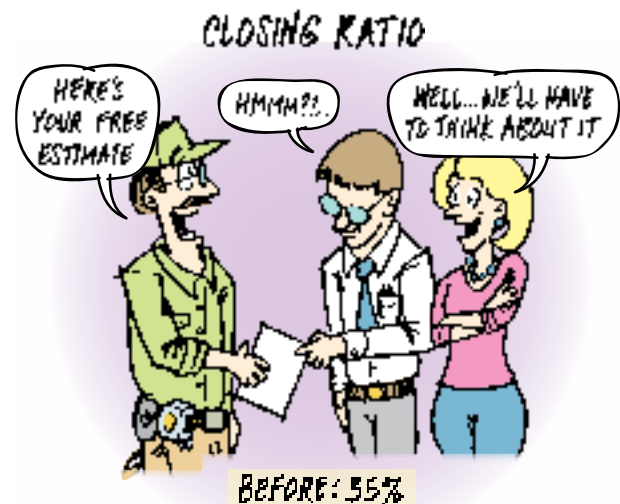
The conversation sounds something like this: "Mrs. Jones, the bathroom project that you have shown me would be a perfect fit for our company and I would be interested in working with you and your family. DBS Remodel has a well-thought-out process that can help you navigate through this bath project. I believe there are three things that anyone in your position needs in order to safely sign a contract with a remodeler.

"The first thing that we need to create is a Design for your new bath. We talked about relocating the door to the bedroom. We also talked about creating a half wall at the shower to let in more light. Having a drawing to represent all of this will give you a much better image of the proposed project." (There are many projects that need very little design, and if that is the case, we still engage in the

CPE and deliver a Job Scope and Cost Analysis).

"The second bit of information that is vital to you is a thorough, detailed Job Scope. The idea here is to have you, as the consumer, understand everything that you are getting for your money. In addition, it is important to understand everything that is *not* included. All tasks, materials and trade services must be spelled out and all ambiguity erased. The Job Scope is the backbone to the contract and is designed to protect everyone involved.

"The third item that we need, Mrs. Jones, is a Cost Analysis.



A Comprehensive Project Evaluation (CPE) includes design drawings, a detailed job scope, photos of the existing structure, and a cost analysis. When presenting this to the clients, the author withholds the final cost of the project until the clients understand all the services that his company, DBS Remodel, will provide. While this investment amount is derived from a careful estimate of every task and labor hour, it is presented as simply as possible as a lump sum.



Based on existing conditions, our new Design, and the detailed Job Scope, we will accurately assess what your investment will be for the proposed project. This is not ballpark pricing, but an accurate project cost based on specific criteria. With estimates from different contractors, there seems to be a tremendous amount of gray area. We eliminate this uncertainty and any surprises that may follow.

“The Design, Job Scope, and Cost Analysis are all part of a professional service, called a Comprehensive Project Evaluation (CPE), that our company offers. During this process, we will leave no stone unturned and we will firmly put you in the driver’s seat with your project.”

At this point I show the homeowners our CPE Agreement Form and review its content. I have purposefully kept this agreement simple so it’s easily understood. It includes a description of the project, a list of the type of drawings we will be delivering (floor plan, elevations, and the like, and it specifies that revisions are allowed), and a statement that mentions the fee for this service, which will be applied toward the cost of the project. At this point, it is important to explain that the project investment will be presented in lump-sum fashion, rather than a detailed breakdown of costs by task, which can be confusing for homeowners. Furthermore, I explain that if we are not hired for the project, the homeowners retain the rights to all documents; however, if they choose to work with another company, then we are relieved of any liability associated with the project.

I always have several examples of Design and Job Scopes relative to their project type on hand. If clients are looking for a new screen porch, I show them Designs for porches that we have done along with a detailed Job Scope. It is more than likely that the clients are

not receiving this level of detail from others (probably because the others are not being paid) and the clients are quick to recognize the benefit. I hope to sign this agreement at the end of our first visit and receive payment for the CPE in full at this time.

**Service fee.** To calculate how much to charge for the CPE, I estimate how many hours the entire process will take, largely based on experience (typical kitchens, bathrooms, basements, porches, and so on take two to three visits), and multiply that by what I feel my services are worth per hour (typically, \$150 per hour). If we hire an architect for some design services, then I mark that up accordingly and add that in.

The CPE service fee can range from \$200 for a deck or half bath to \$4,000 for an addition. On average, CPEs for bathrooms range from \$200 to \$800 and kitchens range from \$400 to \$1,700. It comes down to the simplicity or complexity of the project. When I first started to offer this service, I probably charged 50% of what I do now. Once you thoroughly believe in the value of the service, it gets easier to ask to be compensated fairly.

If I am awarded the project, then I deduct my job scoping and estimating costs from the project. I still must include costs for outside design and build these into the contract. I would recommend starting with a very low investment for this service and raise your costs when you are comfortable with the system.

There have been times when clients balked at paying for an estimate when they have already gotten three others for free. I tell them again that a Comprehensive Project Evaluation is very different from an estimate. Then, I’ll ask if I can look at their estimates, and I usually get the same response: “I am still waiting for two of them, and the other was a quote over the phone.” Generally, if a



homeowner insists that you have no business charging for your time, that tells you all that you need to know about them.

## CPE PART 1: DESIGN

With a signed CPE agreement in hand, it's time to get started with Design, and the first decision is who will do this work. For additions and major renovations, we subcontract to a professional designer who is also a licensed architect. For our kitchen projects, we use the retail company that we purchase our cabinets from (they offer us this professional design service free of charge). All projects such as bathrooms, lower levels, porches, decks, and the like, we design in-house using Chief Architect as a design presentation software.

Next, I capture digital images of the entire work area to share with the Design team. These images will also be used to develop the Cost Analysis.

If the project requires design assistance from my architect, then we schedule our next appointment. Prior to this next meeting, I share some thoughts with my architect regarding the homeowners' intentions and budget range. During this first Design meeting (at the clients' home), my role is to facilitate the discussion and make sure the architect and the homeowners are communicating effectively with each other.

At an agreed upon later date, we return to review the drawings and make necessary changes. When this process is complete, we have the homeowner sign off on the drawings, and we start the Job Scoping phase.

With a kitchen remodel, I create an informational packet for our showroom kitchen designer. Included in this packet are digital photos of the kitchen space and a detailed, hand-drawn floor plan with all required measurements. I also interview the clients to learn what they like and don't like about their existing kitchen—crucial information to pass along to the designer.

Once I've dropped an information packet off and reviewed it with the kitchen designer, we are ready for the clients to visit the showroom. Again, at completion of Design, we have the clients sign off before moving forward with the Job Scope.

For all other project types, I start the in-house design process immediately after signing the CPE. For this process, we rely on client suggestions, our job portfolio, Houzz, and my experience.

## CPE PART 2: JOB SCOPE

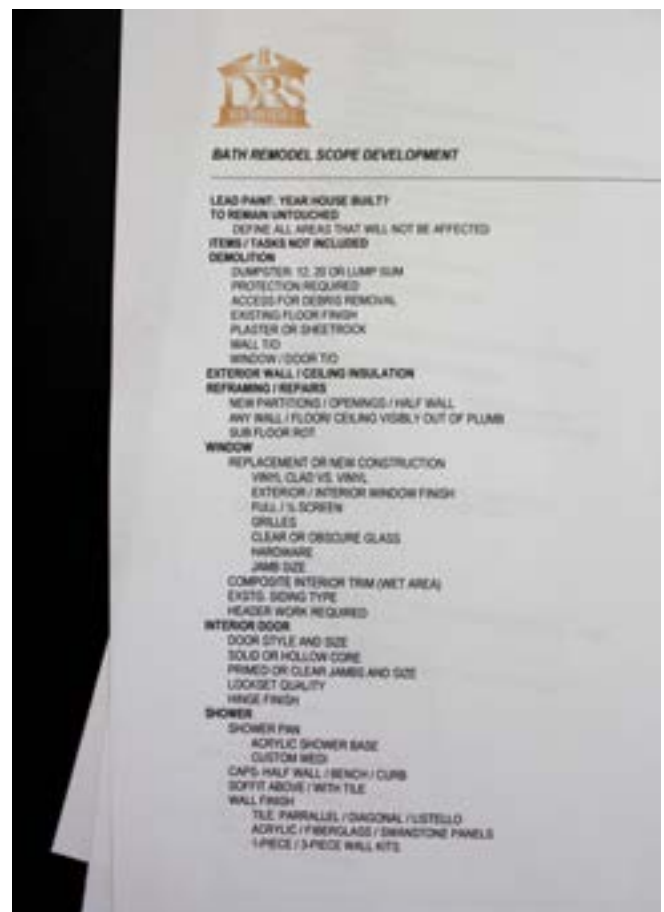
The Job Scope is perhaps the most critical document. It not only tells what the client will purchase, but also what they won't. When developing this document, I like to play the role of a lawyer—for my client as well as for DBS Remodel.

In order to complete the Job Scope, I may need to interview the client a time or two more. I use detailed questionnaire sheets that we have developed that are specific to each project type. Here is where it is critical to be thorough. If it's a tile job, we ask questions like: What is the purchase cost of the tile? Was tax included? Are we setting the tile over Ditra? Are we using Grout Once sealer? The Job Scope needs to mention how we will protect the home and clean the home and address debris removal, permits, portable toilets, and so

on. There are many items to list and each one will help create excellent communication about the job at hand. Effective job scoping prevents clients from pushing you around, and from their assuming things were included that weren't. Many homeowners want things for free, but an iron-clad Job Scope will prevent this.

I have found an allowance system to be helpful to expedite the process. For example, rather than ask Mrs. Jones to pick out the medicine cabinet before signing the contract, I simply identify whether or not it is recessed or surface mount (a difference in labor) and insert a dollar-value purchase allowance for this item (specifying whether tax is included). But before setting an allowance, we have a discussion with the clients about their taste, as the price of a medicine cabinet can vary from \$300 to \$3,000.

I review all Job Scopes with clients line by line. The story is crafted in chronological order to assist the clients in understanding and grasping the information. Some of this may be boring to them, but



To develop a complete Job Scope, the author works from detailed questionnaires when interviewing clients. A complete scope, however, may take more than one interview and multiple site visits.

At every meeting, the author presents any prepared documents he wants to leave with the clients in a presentation folder. It's one of the marketing tools that becomes an important part of a sales and estimating process based on providing a CPE instead of an "estimate."



I always say, "You invested money in me so that I can educate you and I do not want to disappoint!"

As we review the Job Scope, I look to see how well the clients understand all the details of the Job Scope. As we sort these out, we make corrections on the spot. Sometimes the homeowners want to change something. Or, we may need a better look at some portion of the project, and can do this now that we are back in the home. The key here is to make all necessary changes and get it right. Oftentimes a fully developed Scope will take two to three meetings before it is accurate. I always make changes in a different color font so we can focus on the changes at subsequent meetings and not drag through the whole scope each time.

The process of reviewing the Job Scope usually builds trust, which has tremendous value. We are sharing things with the homeowner that no other remodeling firm is and we are getting paid to do so. We can afford to be focused and patient. This is not easy to do when you are not compensated, and especially when you are not sure that the people you are talking to may ever even call you back.

### CPE PART 3: COST ANALYSIS

I never calculate a Cost Analysis until the Job Scope is complete. Too many times I think I am ready to dive into my estimating software when all of the sudden the homeowner does a 180-degree turn on the Scope. Patience is key.

I use Timberline software and do all of the behind-the-scenes estimating by task and labor hour. I do nothing by the square foot or unit cost. As with most companies, I am trying to earn a 12% to 14% net profit. And while I have analyzed the Scope by task and labor

hour, I keep all this detail to myself and present the proposed budget as a lump-sum figure, as I mentioned earlier. A detailed break-down can be confusing to customers, and the last thing I want is the clients niggling over tiny cost details that they might not fully understand. They will understand the bottom line, however. This is what they want and this is what I give them once they have a complete understanding of the full value of their investment.

### CLOSING THE DEAL

During each client visit, I always bring my prepared documents in a DBS Remodel presentation folder. At the first visit, I give one of these to the clients to keep all their documents organized. As I am closing the deal, we review the amended Scope for the last time. Any change from here on out will be executed through a change order.

I never include the investment figure on the scope document. Ultimately, everyone goes to the last page looking for it. I tell them it's not there because I want them to focus on understanding what they are purchasing first. When all questions have been answered, and they understand what they're buying, I unveil the projected cost for the project.

By this time most homeowners have ruled out their other options. No one else has been as thorough or nearly as professional. My closing ratio without a CPE used to be around 35%. When I engaged in the CPE process, my closing ratio climbed to around 80%. Truly, the process is a value building machine that is beneficial to all.

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