

PRICING/COSTING A JOB

The most common question asked of a teacher is 'How much do you charge for that?' the answer is "enough to make a profit after all my expenses are paid".

The way to ensure you make a good profit after all expenses is to use a system of costing that will ensure all the costs associated with your business and the job in hand are built in to the price calculation.

By following our simple and proven way of costing, retailers and decorators will be aware of what they need to charge in order to cover overheads and make that all important profit.

There are many different ways of costing a job, but the one detailed below is a tried and tested one, which is relatively easy to follow and it works!

The Job Costing Form (overleaf) can be used for all your calculations and is available in printed and spreadsheet format to use and store digitally (available from the NABAS office for NABAS Members).

Client and job description

Get into the habit of always filling in the full client details and job description. A year from now when the customer requires "exactly the same as last year" they will expect you to know what that was.

Materials

In this section, list every item to be used on the job :- balloons, helium, lengths of ribbon, glue, weights, Hi-Float, hire of base units etc. and add how much a single item costs and the total for each item.

Labour

Calculate how long each job will take. This will be an estimate at first, but you will become more accurate with experience. Include all tasks such as :- inflating balloons, Hi-Floating balloons, constructing items done prior to the day required, assembling a centrepiece, building an arch, transferring materials from the van to the venue room etc etc. Decide how much to charge per hour for yourself and any staff you may employ for the required job. Remember staff cost you more than their hourly rate paid.

Expenses/Other Costs.

Anything not covered in the sections above is entered here such as :- petrol / mileage, car parking etc.). Add the totals of the three sections to give the **ESTIMATED DIRECT COST** of the job.

REMEMBER When the job is done you must complete the **ACTUAL DIRECT COST** side of the Jobcost Form as this will show your **ACTUAL PROFIT** now the job is done. The difference between **ESTIMATED** and **ACTUAL** costs provides a valuable learning experience that you should remember for future jobs!

MATERIALS + LABOUR + EXPENSES = DIRECT COST

So, you now know how much a particular job is going to cost in terms of materials and labour to deliver but, how much should you charge the customer in order to make a profit?

We are back to the often asked question "**how much would you charge for that?**"

To answer that question for yourself you need to know the other costs for the job that have not been added yet which are the **INDIRECT COSTS** for your business;- heating, lighting, water, rent, rates, insurance, travel, other employee wages, postage, advertising etc etc.

Even if you haven't got a shop and are working from home you **STILL** have bills that need to be paid for the premises you work from, out of the money you earn from the jobs that you do, and these are called **OVERHEADS**.

For an established business that has been running a number of years, the **INDIRECT COSTS** or **OVERHEADS** for a business are documented in the accounts as is the Total Sales (Turnover) for the Business in the year. ie.

$$\text{TURNOVER} - \text{DIRECT COSTS} = \text{GROSS PROFIT}$$

SO, since the customers must pay for ALL your costs in order for you to show a decent profit for your labour, a percentage of the business **OVERHEADS** must also be included in the final price for every job charged to the customer along with the actual **DIRECT COSTS** for the job in order to keep your business operating in profit.

$$\text{GROSS PROFIT} - \text{OVERHEADS} = \text{NETT PROFIT}$$

or

$$\text{GROSS PROFIT} = \text{OVERHEADS} + \text{NETT PROFIT}$$

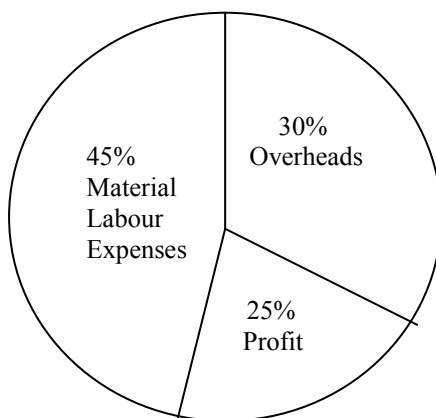
Of this **NETT PROFIT** the tax man will have his percentage in the form of **TAX** and **NI** contributions before you get your money which you can spend. Only you know how much money you need as nett profit to live comfortably and, until you have traded for a few years, you can't be certain how much "Markup" to put on your goods in order to make that profit so, the next best thing to do is market research in your area and use the average for the business you are in.

For a party business, a retail shop may have **OVERHEADS** of around 30% of the turnover. If you calculate you require 25% **NETT PROFIT** to live there is a 55% built in cost for each job.

Each job we do pays the profit & overheads so, the other 45% of the job price must be **DIRECT COSTS** which is **MATERIALS, LABOUR** and **EXPENSES**

ie.

$$\text{JOB PRICE (100\%)} = \text{OVERHEAD (30\%)} + \text{NETT PROFIT (25\%)} + \text{DIRECT COST (45\%)}$$



Since you are already calculating the **DIRECT COSTS** for each job on the **JOB COST** Form, it makes things easy if you just use this figure to calculate the selling price: ie.

$$\text{SELLING PRICE} = \frac{\text{DIRECT COST (£)}}{\text{DIRECT COST\% [0.45]}} \quad \text{or} \quad \frac{\text{DIRECT COST (£)}}{(1 - \text{GROSS PROFIT\% [0.55])}}$$

so for example:

$$\text{If the job costs £15.30 in DIRECT COSTS the SELLING PRICE} = £15.30 / 0.45 = £34.00$$

JOB COSTING FORM

Name _____ Job Reference No. _____

Address _____ Venue _____

_____ Telephone _____

_____ Date _____

Occasion and Decoration required _____

ESTIMATED COST				WHAT IT REALLY COST		
Materials	Quantity	Unit Cost	Cost	Quantity	Unit Cost	Cost
Labour	Hours	Rate	Cost	Hours	Rate	Cost
Expenses						
Transport/Delivery						
Meals						
Other Costs						
TOTAL ESTIMATED COST						

Total Estimated Cost = Price to Customer
1 - Gross Profit

By utilising WHAT IT REALLY COST section, it is possible to calculate whether or not your actual Gross Profit figure was met.

Price to Customer - What it really cost = Actual Gross Profit

Actual Gross Profit = % Actual Gross Profit
Price to Customer

JOB COST FORM USE IN PREPARING AN INVOICE

One of the most important things you can do to build respect and be taken seriously by clients is to have a businesslike feel to the methods you use to deal with them.

Large businesses have event coordinators with a budget and approved spending authority they also have accounts departments to pay the expenses accrued by the other departments.

To impress the first set of individuals, you need some great ideas along with descriptive phrases and maybe some pictures that bring your ideas to life as you stand in the event location discussing their forthcoming conference or function.

By asking outright what the budget is for the event and the décor portion in particular, you can set a minimum price to achieve with your offering. If the coordinator will not disclose their budget then you must assume they have deep pockets and pitch your presentation accordingly.

The budget is usually much larger than they may initially disclose and it is your job to get as much of it as possible by suggesting a variety of options at various prices and by not being pinned down to stating a price for the job at the initial meeting.

Once the coordinator is sold on the ideas, they will want to know how much it will cost as they are working to their budget.

Explain to the coordinator that you have described a variety of display options for the event that include a number of really exciting design elements and that you would like to take the ideas and the points you have discussed and prepare a detailed specification and costing for them to consider and discuss at their leisure.

A similar form to the JOBCOST form can then be used to fully detail the décor options, cost each item and arrive at a total event costing in a totally professional looking format.

As the form is spreadsheet based, it is possible to include thumbnail pictures to illustrate your design elements!

See a blank example on the next page.

The form is a multipurpose one that can be used to quote for jobs as a proforma invoice, to specify décor to confirm requirements with a client prior to quoting and to formally invoice a client for work to be done just by changing the header section.

Your details remain the same on all forms and so a blank form can be saved with these details in place.

Photos can be inserted onto the décor detail area and the event décor split by room or focal area or type of décor element depending on your requirements.

By inserting formulas into the Price column for multiple décor elements

eg `=sum(10*12.50)` [calculates 10 items at £12.50 into the cell]

the spreadsheet can add up the décor total including delivery and setup / tear-down costs to present to the client.

The hard work of producing an invoice is mainly automated by the spreadsheet leaving you to be creative with flowery phrases and description to sell the client on your designs.

Good Luck !