

Are You Too Busy Losing Money??

If you are like many contractors in the South, you welcome the heat of summer, but also dread the many hours ahead of you. Even today as a contractor, when temperatures are really mild, you work long hours for little pay. In fact, the average contractor earns about \$11.67 per hour for each hour he works in an average year. So much for the rich entrepreneur!!! How do we get ourselves into so much trouble??

Many contractors when they started their business made the conscious decision, but not smart decision, to call up a few other contractors in town and “set” their pricing structure. The new company certainly did not want to be the highest or the lowest, but needed work, so set their pricing below the median price for their market. If the median price let’s say was \$70 (50% of the market was above this rate and 50% of the market was below this rate) the new company probably opened its doors at \$60 or below. They needed to be at this pricing level to pull customers from the more expensive \$70, \$80, \$90 companies to get business. Obviously consumers do not want to pay those “ridiculous” prices and will flock to the new

company because they are cheaper. Wrong decision!

If you price your products in the lower quartiles of your market, you only attract customers in the lower quartiles of your market or only those who are price sensitive. You work long hours but because of your pricing strategies you do not make any money and are afraid if you raise your rates you will lose your business. Take it from a consultant with over 20 years experience, you won’t lose your business, only those customers who beat you up every day for price concessions and those that want your talent for nothing.

Right now, immediately if not sooner, raise your service rate \$10 per hour. No questions, no excuses, no permission, no announcements, just do it and see what happens. If you truly are the good contractor who honors his commitments to quality service, you will lose less than 3% of your customers. Also, think of it this way. If you currently are charging \$60 per hour and your costs are \$50 per hour, your profit is \$10 per hour. If you bill 100 customers one hour, you make \$1000. If you raise your rates to \$70, your costs do not change, but your

profit goes to \$20 per hour and you only need to bill 50 customers to make the same money. You can raise your rate \$10 per hour, lose 50% of your customers and make the same money you are making today. Wouldn’t you like to go to only 50 homes per week instead of 100? I just cut your hours in half and you made the same money.

What really happens though is you retain about 97 customers and your profit goes to \$1940 per week which gives you enough money to hire someone to take over half your calls. Now wouldn’t you feel better reading AC Today on your couch than in your service truck??

Raise your price \$10 per hour, work less, see your family, and see if your customers don’t agree you are worth it. Those who think you aren’t worth the price increase, don’t really deserve you in the first place.

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