

Business

Pricing Handyman Work

by Leland Stone

It may surprise you to find out that you're not in business to exercise your skill as a craftsman, to get a sense of pride from a job well-done, or to enjoy a sense of freedom by being your own boss. As good as those benefits are, they're by-products, not the purpose itself.

The primary reason for running a handyman service — or any business — is to earn the highest profit on the least expenditure possible.

Do you really think that a well-known insurance company is in business just to keep you safe in its good hands? That the package-delivery company really wants to know what *it* can do for *you*? Or that the big hotel chain is fluffing up the pillows because its guests really do deserve a good night's sleep?

Business is about making money. If your primary intent is something else, go do volunteer work.

By the Hour or By the Job?

There are only two ways of making money from your handyman business: Charge by the hour or charge by the job.

An hourly rate is easy to figure and bill, it's readily understood by clients, and it greatly simplifies projecting your income. Divide your required monthly income by your hourly rate, and that's how many hours you need to bill before knocking off and hitting the bike trail.

You know, of course, that your wage is only half the story, since you also need to cover overhead. The cost of everything needed to start and stay in business takes a bite out of your income and has to be figured into your pricing.

Your tools, truck, insurance (for both your truck and you), advertising costs, licenses and other fees — in short, all the money you spend to run the business — must be counted as overhead. Also include the annual cost of any fringe benefits (retirement and vacation funds) you think you should have, plus the appropriate taxes.

That amount divided by 12 is your monthly overhead

cost. Divide again by the number of workdays per month and add your target daily wage; the number you come up with is the gross income you need to make each day.

The worksheets at right show how I do this. Remember to build in the replacement cost for your truck or van — the estimated price of a new vehicle divided by the remaining service life in years of your current wheels. And don't forget normal maintenance costs, either — timing belts, a new clutch, brake jobs.

Note the equipment category — larger tools that can't be charged off to a job, like a new compressor or portable table saw. For me, professional development includes the cost of attending trade shows, subscribing to trade magazines, and buying any books I need.

On the monthly expense sheet, I include advertising, which covers flyers, truck signs, local-newspaper ads, and business cards. I typically go through a batch of cards every six months.

Since I'm a one-man show, I lump my small tools and office supplies together under "consumables." But you may have other monthly expenses not listed here — shop rent, equipment leasing, a business-loan payment.

Based on the figures in the sample worksheet, a handyman would need to make around 64 bucks an hour for seven hours a day, 23 days a month, 50 weeks a year, simply to cover costs. This is the lower limit for which he can afford to sell his time. The upper limit is whatever the market will bear — and you might want to think about adjusting your price to accommodate this upper limit.

Advantage of Fixed Rates

If you think covering all your overhead costs will push your hourly rate higher than what local clients will pay, you're probably right. Beyond educating your clients about the value they're receiving for their money, you may need a good strategy to make it easier for your clients to pay your target wage. For me, that has meant fixed-rate pricing.

Business

True, fixed-rate pricing can be a pain, since you have to plan for variables when quoting prices to clients. But the advantage is that you'll leave less money on the table when you're done.

As an example, take a kitchen-faucet replacement: If you can do the job in half an hour, you might have to charge \$100 per hour to make 50 bucks — assuming the client doesn't have a stroke when you quote that rate.

But you already know on average how long the job will take, so don't bother quoting an hourly figure. Instead, translate your target hourly wage into a price for each job and quote that as the fixed price.

If your target wage is \$100 per hour, and the faucet job takes 30 minutes plus travel time of another 15 minutes, then the price of the job turns out to be \$75. Not bad. You just earned \$25 to cover your travel, which you didn't quote in your hourly rate.

And if you sold the job properly, your client didn't even balk at the price. The client gets a good job for a fair price, and you are rewarded for your advanced abilities rather than being punished for getting the job done quickly.

What If the Job Takes Longer?

That doesn't mean fixed-rate pricing is a sure-fire road to billing bliss. Quote a price and clients typically figure it's carved in stone; after it's

Billing to Cover Costs

Based on these hypothetical figures, a handyman would need to make around \$64 an hour for seven hours a day, 23 days a month, 50 weeks a year, simply to cover costs. That is the lower limit for which he can afford to sell his time. The upper limit is whatever the market will bear — and you should adjust your prices to accommodate the upper limit.

ANNUAL EXPENSES	
Vehicle	
Annual fees	\$ 175
Replacement	4,000
Occasional maintenance	1,500
Equipment	
Depletion/Depreciation	3,500
Expansion/Upgrade	3,500
Upkeep	400
Uniforms	400
Phone-book advertising	1,200
Contractor's license	150
Business license	50
Office equipment	1,500
Vacation	1,500
Retirement	10,000
Professional development	1,200
SUBTOTAL	\$ 29,075
Divide by 12, and carry over to MONTHLY EXPENSES chart	
	\$ 2,423

MONTHLY EXPENSES	
	\$ 2,423
Advertising	
Flyers (for monthly "specials")	25
Business cards (new each 6 months)	10
Neighborhood newspaper	250
Truck signs	10
Cellphone	50
Telephone/Fax line	75
Postage	50
Health insurance	300
Vehicle insurance	150
Sick days/Slow days	200
Consumables	
Tools — drill bits, saw blades, sandpaper, etc.	100
Office supplies	75
MONTHLY EXPENSES	\$ 3,718
Divide by number of workdays/month (say, an average of 23) to yield the DAILY cost of doing business;	
carry over to DAILY EXPENSES chart	\$ 161.65

DAILY EXPENSES	
	\$ 161.65
Gasoline	10
Taxable wage (how much do you need to live on each day?)	275
TOTAL REQUIRED DAILY INCOME	\$ 446.65
Divide by daily work hours (average: 7)	
Hourly rate before profit	\$ 63.81

Business | Pricing Handyman Work

quoted, you may have a tough sell convincing them that unseen job circumstances required raising that rate.

If you decide to go with fixed-rate pricing, learn to use the word “normal,” as in “normal installation” or “normal repair charge.”

Let’s go back to that kitchen faucet: Your client okays the \$75 price, and you do the install. But when you turn the stops back on, you discover that there’s leaking around the stems.

Your client’s going to expect you to fix that problem before you get paid —

unless you’ve informed him or her ahead of time that your quote is for a “normal” installation.

Shutoffs don’t normally leak, and repairing them isn’t a normal part of the faucet-installation process. Make your pricing policy as clear as possible ahead of time and you will have a much better shot at getting reimbursed for extra work.

Usually, that is. There are still going to be occasional problem clients, like the one who recently told me my level wasn’t accurate. I was installing a fire-

place mantel and it “didn’t look right,” so I offered to reposition the parts and install them where the client advised. The client said she’d think it over and call me later to reschedule.

I’m probably not going to get that call, but lucky for me, the cost of the wasted effort was covered by the overhead charged on other jobs.

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