10 Tips for Better Estimating

You like your current system, but how do you know you have the best estimating system?

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In my travels around the country, I've had the wonderful opportunity to talk with and work with thousands of remodelers. I often ask them what they use to estimate their jobs. The typical answer is that most of them believe they have the best system in the industry. The irony is that many have never really taken the time to look at (or at least haven't looked very hard at) any other estimating systems. They are quite happy in using their own estimating system. If they have moved beyond pencil-and-paper estimating systems, they typically move to computer software. The typical enlightened remodeler believes (and believes with a passion) that the best software estimating tool is a simple adaptation of a spreadsheet in Microsoft Excel. Typically it is something they have built themselves. They tend to have a passion about their estimating system because they built it from scratch. Therefore, it is perfect. So how could it possibly be anything but the best estimating system in the industry?

Let's talk a little bit about the average remodeling entrepreneur: a) Remodelers are usually highly motivated; b) Remodelers have a high sense of wanting to do high-quality work for their client; c) Remodelers are usually a very good craftsman; d) Remodelers are usually not very good record keepers; e) Remodelers are not as good as they need to be when it comes to running a business that makes a profit.

I work with and have worked with a lot of remodelers. And I've found that about 10 percent of them have been officially diagnosed with Attention Deficit Disorder. I believe if more remodelers were tested for ADD, the percent of those being diagnosed with ADD would be much higher than 10 percent! I believe that in order to be successful in this industry, an entrepreneur has to have a high sense of urgency in order to not lose their passion and desire for success in this very difficult industry. In this industry it's much easier to get work, than it is to produce a profit on a job.

I would like to have you consider the following 10 best practices in helping you establish your best estimating system:

1. Offer estimates on a prospect's schedule.

Here is a question for you to consider: Do you give free estimates or do you charge for them? If you read the industry publications, like Qualified Remodeler, you will hear a lot of statements like: "I'm a professional; the potential client has to treat me like a professional." "I will only see people during regular business hours." Or, "We don't do any free estimates."
Let me give you a little different slant as to what really goes on with people who make statements like these. Let me suggest that if you have determined that you want the potential client's work and they want you to do their work that you meet with them on a schedule that works for both of you. In today's economy, many of the remodelers who made statements like those above are either having to retract their words, or they're work flow has been noticeably affected in a downward direction.

2. Understand how much time it currently takes you to prepare an estimate.

Have you ever thought about how much time it really takes you to put together an estimate? Do you use a checklist for each type of job you do? Have you ever thought of having a template for each type of job you build? What about the idea of having a "typical" bathroom or a "typical" kitchen or a "typical" addition? The idea being that you could very quickly adjust a "typical" drawing to reflect exactly what the potential client wants done. That way, you wouldn't be as likely to miss the little things like the drywall or the gold-plated towel bars or the toilet. In any event, it takes time to put together a profitable estimate. How

about this for an idea? Start keeping track of how long it takes to do one of your "typical" estimates. It just might surprise you to find out how much time it really takes. Hopefully the major reason that this is so important to you, is that your time is worth money, and you might think twice about giving away your time to do an estimate for someone who may not be serious about having you do their work.

3. Consider streamlining your design-build estimating process.

Do you think it matters whether you use a design-build process to do your estimates? One of the nice parts of the design-build process is that you get a chance to determine what the client really wants and the time to estimate what they want. They pay for you to not only do the design, but they also pay you for the time that it takes to do the estimate. The decision you need to make is whether or not it is really necessary to go through the design-build process, or whether you can deliver an estimate to them without wasting both their time and your time. Some companies try to put every job through the design-build process, and the reality is that all estimates need not be done in the design-build way.

4. Implement one of the many 'sketch' based estimating softwares for quick, 'ballpark' estimates.

How many times have you been asked for a "ballpark" price? They assure you that they won't hold you to the price. As you know, they never forget that price and it becomes a real bone of contention when your estimate doesn't come in at or below that price. Wouldn't it be nice if you could draw a sketch of the remodeling project the potential client wants and have the client agree the sketch is what they want? Wouldn't be nice if the software you do the sketch in, will at the same time do the estimate for you? Wouldn't it be nice if someone else keeps the database current for you? Wouldn't it be nice if you could compress or expand the drawing to meet the price the potential client tells you they want to spend? Wouldn't it be nice to know the software already exists to do what I've described to you?

5. To keep estimate turnaround times low, take quick digital images of the potential job-site so you can accurately remember details.

Also use scheduling software to ping you with deadline reminders. Most remodelers (excluding you) are usually not very timely in getting back to the potential client with an estimate. I've discovered there seem to be several reasons this seems to happen. I believe no two jobs are exactly alike and therefore it takes a much longer time than they originally thought it would take to estimate many jobs. Problem is, most remodelers (excluding you) are not very good at communicating with the potential client. Two ideas come to mind that might be of help to them (excluding you). The first idea is to take digital pictures of the area in which the potential client wants to have some remodeling done. The second idea is to use a time management schedule that allows you to schedule the two critical future times you will need in order to present your estimate for the proposed project to them.

6. Block out specific time for estimating and adhere to that schedule.

The first block of time you need is the time it will take you to prepare the estimate. Make sure you schedule this in front of the potential client, so that they know and understand your commitment to them (not to mention what it is going to cost you for your "free" time).

The second block of time you need to schedule is the time you need in front of the potential client to present your estimate and sign the contract for the job. Do you think that it matters whether or not you have enough time to present your estimate? The decision you need to make is whether or not it is really worth it to you to deliver an estimate to them. You need to have a sense you are not wasting their time and yours. The reality is that your time is worth money. From the client's perspective, the average person only has 15 free hours per week to go out and do the fun things in life. Your job is to secure enough of their free — fun — hours to get the job signed.

7. It is your responsibility to maintain accurate job-cost data.

Be religious about it. Most estimating programs do not come with a database and, worse, if they do, the database is not maintained on a regular basis. What this usually means is that the job cost is not accurate for either the estimate or the ensuing job-costing of the project as it progresses through to completion. In fact, what you often will find out after a project is done is that the costs you used were old prices and the client got a great deal. The other reality is that

you just bit the bullet, one more time, for a remodel that you don't own, can't use and don't have a deed for. It is very sad indeed to realize in hindsight you lost money again because you don't have the time to be up on everything.

8. Carefully track every additional work order, and stop using the term 'change order.'

How do you keep track of the AWAs (Additional Work Authorizations) of your jobs and their resultant costs? AWAs is a term that is a vast improvement over the more commonly used change order. To the client, they think a change order shouldn't cost anything because it's just a change. An AWA sets off a ringing in their brain that starts to suggest to them there will be an additional charge over-and-above the original contract amount.

9. If possible, adopt estimating system software that comes with training and support.

This is a tough one to talk about, but here goes. Most remodeling company owners are a little weird (excluding you). And since most remodeling company owners are very intense, they sometimes don't have the required patience to spend time teaching other people. The next thing that happens is the software program they have designed and developed over many years is not properly documented. The issue is that the documentation of the software is all in the owner's head and it is very difficult to get this information out of the owner's head. The result is that the people trying to learn the software from the owner become frustrated rather quickly. Wouldn't it be nice to have software that has trainers to train you on the software? Wouldn't be nice for the owner to know he will not have to be frustrated with teaching others their software because the documentation has been done by someone who is in the business of software?

10. Use a system that all parts of the company can readily understand and implement.

Can others in the company decipher your software estimate, so they can get the information they need to get their job done? Is the software open to production and to administration, so that they can get the information out of the software

as and when they need it? Is the software able to be used by anyone who has a computer, either inside or outside of the office?

I have worked and continue to work with companies all over the United States, and one part of the remodeling industry that has stood out as having better estimating than any other part is the insurance restoration sector of the industry. Harvard University's Joint Center for Housing Studies says insurance restoration accounts for 11 percent of all remodeling industry activity. It is also true the insurance restoration industry uses software that has an 85 percent market penetration. They can do a $100,000 estimate in two hours and be spot on with both scope and price. These estimates clearly spell out exactly what will be done and the cost of the work. The software does everything I've talked about in this article and more. I believe it is the kind of software that is needed by the larger remodeling industry. Indeed, a lot of my clients are already using it.

I've looked at a lot of software used by my clients over the years. I believe you need to use software that meets the needs of your company. I also believe you need to get to trade shows and Web sites and see what is available to you right now and how it stacks up against your estimating system. That is a great first step.

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