

# **Pricing and Collection: Critical Keys To Success Or Failure In The Woodworking Business**

By A. William Benitez

Starting your own woodworking business involves many critical steps. Two of the most important are Marketing and Customer Service. Marketing is essential to find and bring in customers. Customer Service is critical to keep customers satisfied, coming back, and recommending you to others. But, even if you have these two handled perfectly, your business can't survive if pricing the work and collecting for it are not handled correctly.

## **Pricing Step One**

The first step for accurate pricing is to decide how much you want to get paid for your time. This should be an hourly figure based on the maximum amount possible for woodworking in your community. Be realistic here to charge as much as possible without pricing yourself out of the market. Once this amount is established, add your fixed costs that are part of every job.

Those additional costs include Tool Maintenance and Replacement, Vehicle and Vehicle related expenses, Insurance, Taxes, and Misc. Overhead. One way to do this is by calculating these costs on a monthly basis, deciding how many hours a month you will be working, then divide these costs by the number of hours to establish an hourly amount for each item.

To help you with this, Mike Stewart, one of my readers, has created an excellent Excel spreadsheet and you can download it and use it absolutely free from:

<http://woodworking-business.com/downloads/HowMuchToCharge.xls>

Bypass any request for username and password by just clicking cancel and the form will open in Excel. Use the form to calculate how much you have to charge for every hour worked on a project.

Once you have established this hourly figure to cover your labor and related costs, you can apply it to every job you do and adjust it as necessary to take into consideration increases in cost or raising your per hour labor charge.

## **Pricing Step Two**

The second step on every job is to calculate the cost of the materials required to complete the job including the wood, hardware, and finishing materials. These costs should be calculated carefully taking into account potential waste. The prices used for these calculations should be checked with suppliers to consider price increases. Anything you miss in these calculations will be money out of pocket and reduce your profit on a job.

## Collection: The Critical Step

Now you have completed your calculations and are confident that you are charging enough but your job is only half done. How much you charge will be irrelevant if you are unable to collect the entire amount that you are charging the customer. Never take collection for granted. Woodworkers who do will live to regret it because they may fail to collect and lose a great deal of money. You don't want that to happen to you.

A firm method of contracting and collection is critical to the financial success of any woodworking business. There are two basic steps necessary to collect in full for every job.

1. Use a contract form that describes the work to be done in detail and exactly what is expected from both parties to the contract. Attached to the contract, as necessary depending on the complexity of the job, should be drawings and specifications that clearly explain the work to be done for the amount charged. Specifics are important so you should avoid generalities in a contract.
2. Collect a 50% deposit based on the full amount of job. This deposit should be collected when the contract is executed and before the work starts. If the deposit is paid with a check, make certain the check has cleared before beginning the work.

A sample contract form and other related documents that you may find useful in running your woodworking business can be found at:

<http://woodworkers-business-guide.com/forms.html>

Your chances of financial success in your woodworking business are increased significantly if you handle your pricing and collection properly. For complete information on how to start and operate a successful woodworking business check out my new book at:

<http://woodworking-business.com>

If you have any questions or comments please send them to [bill@woodworking-business.com](mailto:bill@woodworking-business.com) and I will respond as promptly as possible. Thanks for reading this article.

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