Cost Of Business

CostOfBusiness.com

By: Brian Hannigan

- Take Control Of Your Income
- Take Control Of Your Business
- Stop Letting Your Competition Set Your Prices
- Take The Guesswork Out Of How Much To Charge

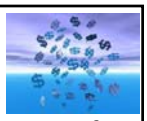
Dun & Bradstreet

Each year Dun & Bradstreet examines, in detail, the major reasons for business failure. Emotional pricing is at the top of the list!

So hold onto your excitement and optimism, but let pencil and paper set your prices.

Dun & Bradstreet

Business



- **Business:** "a usually commercial or mercantile activity engaged in as a means of livelihood"
- **Livelihood:** "means of support due to profit"
- **Profit:** "the compensation accruing to entrepreneurs for the assumption of risk in business enterprise"

If you are not earning a profit that will take care of your livelihood then you are not running a business.

Ways To Charge

- Flat Fee
- Property Size
- Property Value
- Property Age
- Property Type
- Hourly fee

Hourly Fee

- Working Days Per Year
- Time Per Inspection
- Quantity Of Inspections Per Year
- Profit
- Expenses

Working Days Per Year

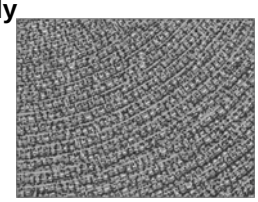
- Days Off Per Week
- Holidays
- Vacation Days
- Misc.
- Total Working Days Per Year

Time Per Inspection

- Average Size Of Home
- Inspection Time
- Report Time
- Billable Hours

Inspections Per Year

- Based On Previous Year
- Economy
- Best Guesstimate
- Re-Calculate Quarterly



Profit

Your salary does not count as profit. Your salary is one of the costs of doing business.

Profit is the reward you get for taking the risks involved in being in business for yourself. It also provides money to expand and develop your business.

Expenses

- Report
- Vehicle
- Office
- Advertising
- Education
- Business
- Your Salary

Report Expenses

- Forms or Software
- Produce Report (paper, ink, binder, added materials/information)
- Report Delivery
- Monthly Or Yearly Software Fees

Vehicle Expenses

- Business Miles Per Month
- AAA Operating Cost Per Mile
- 4WD Sport/Utility Vehicle
  15,000 miles a year = 73.9 cents/mi
  20,000 miles a year = 62.1cents/mi
- Minivan
  15,000 miles a year = 62.0 cents/mi
  20,000 miles a year = 52.4 cents/mi

Office Expenses

- Office Equipment
- Supplies
- Phones
- Fax
- Internet
- Secretary
- Scheduling Service

Scheduling / Answering Service

- Expense or investment?

Advertising Expenses

- Yellow Pages
- Web Site Hosting
- Internet Advertising
- Business Cards / Flyers / Brochures
- TV, Radio, Magazine
- Mailed Cards / Letters / iContact Email
- Sponsorships / Gifts

Advertising

- Expense or investment?
- Tracking
- Trial and error learning

Education Expenses

- School
- Books, Magazines, Software
- Chapter Meetings
- Conference / Education
- Hotel
- Transportation

Business Expenses

- State Licensing Fees
- City Licensing Fees
- Franchise Fees
- Association Dues
- Accountant / Lawyers
- E&O / GL Insurance
- Disability / Health Insurance
- Tools

Owner's Compensation

- Decide How Much You Want To Be Paid
- Retirement Account
- Taxes
- Living Expenses
- Savings Account
- Net Income Per Month
- Avg. Net Per Inspection

Calculating Your Hourly Rate

- Add Your Salary & Other Expenses
- Multiply Total By x% For Profit Margin
- Add Profit Margin To Expenses
- Divide Total By Annual Billable Hours
- This Is Your Hourly Rate

Developing A Fee Schedule

- Figure Average Time For Different Sized Properties
- Multiply By Hourly Rate
- Calculate Additional Time For Pool/Spa, Crawl Space, Aged Property Etc.

Out Of Sight Out Of Mind

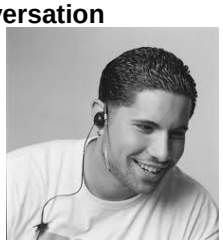
- Keep it visible
- Copy in your car
- Copy in the office
- Re-calculate every 3 to 6 months

Market vs Calculated Fee

- Competitors fees vs. your fees
- Reduce fee or market your services
- Calculate reduction, don't just cut fee
- Be true to yourself, be fair to yourself
- A business or a hobby?
- Be a business professional

Services vs Fees

- Sell services not price
- Educate price shoppers
- Take control of the conversation
- Investment or expense?
- Value



Client Referrals

- They will NOT remember you
- Work the system
- Contact repeatedly
- Cards or email
- Cost vs value
- Easiest sale

http://www.SendOutCards.com/hannigan

Running the Numbers

Now that we know the basics as to how proper pricing should be calculated we'll run through it.

This will not tell you what <u>you</u> need to charge but will show you how to run the calculations so you can figure your fees using your own numbers, desired income and known expenses.