

Pricing Strategy

In June of 2012, EGIA surveyed its contractor network about the pricing strategies their companies employed when submitting bids. Below are the results that we received.

How do your company's prices compare to your competitors prices?

The perception of the vast majority of contractors we surveyed indicated that their company's prices were higher than their competitors and only 4 % of contractors indicated that their prices were lower than their competition. Questions to consider: 1. Do you really know where your pricing stands relative to your competition? 2. Do you have a method to find out what your competition's prices are besides simply asking your customers? Truth be told, if you are not going to school on your competition, you are losing market share.



Price Comparison

- Higher - 72%
- The Same - 24%
- Lower - 4%

How did your company determine its current prices?

Overwhelmingly, the contractors we surveyed said they determined their current prices by using a percentage of job cost formula. Using a percentage of job cost formula is a great method for setting appropriate prices and ensuring the projects your company takes on are profitable. To learn more about pricing formulas, visit www.egia.org/Academy/2012/06/28/ and watch the recording of the Leadership Academy webinar EGIA conducted on "pricing strategy" with Mike Callahan of Callahan/Roach & Associates.



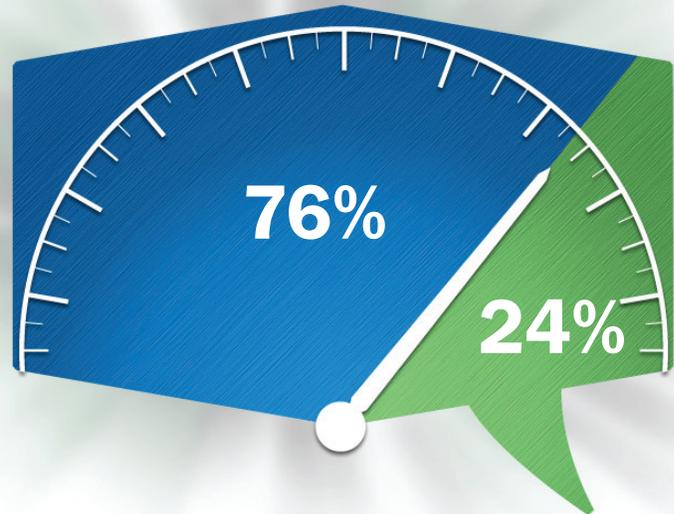
Price Determination

- Percentage of job cost mark-up - 81%
- Based on competitors prices - 17%
- Supply vs. demand analysis - 2%

Pricing Strategy

Has your company experimented with adjusting your prices to see what impact it has on your bottom line?

Over three quarters of all contractors that we surveyed, said that they have experimented with adjusting their prices to see what impact the price changes would have on their bottom line. The best way to find the optimal prices for your services is through financial analysis with your accountant taking into account billable labor hours, equipment costs, company overhead and the competitive marketplace. Learning to sell your companies value proposition effectively is key to selling a margin that you can generate sustainable profit.

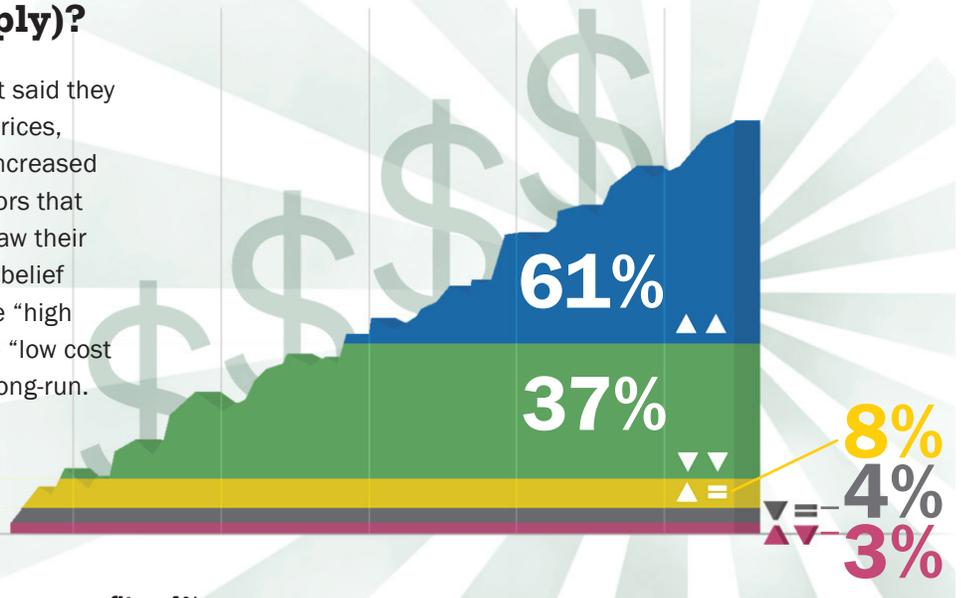


Price Experiments

- Yes - 76%
- No - 24%

How has adjusting your prices impacted your bottom line (select all that apply)?

Of the contractors that we surveyed that said they had experimented with adjusting their prices, not one said that lowering their prices increased their profit. Conversely, 61% of contractors that experimented with raising their prices saw their profits increase. This data supports the belief that a business that is positioned as the "high quality service provider" rather than the "low cost provider" is more sustainable over the long-run.



Price/Profit Changes

- ▲ prices ▲ profits - 61%
- ▼ prices ▼ profits - 37%
- ▲ prices = profits - 8%
- ▼ prices = profits - 4%
- ▲ prices ▼ profits - 3%
- ▼ prices ▲ profits - 0%

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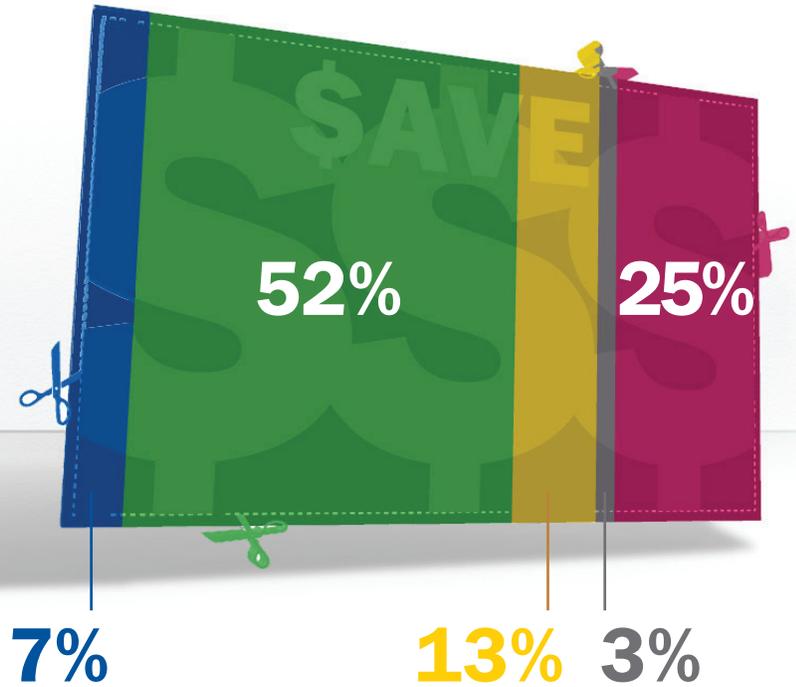


What is the most common discount / coupon that you offer to your customers?

By far the most common discount that the contractors we surveyed offer to their customers is 10% off the total cost of the project. This coincides with the “drop” most contracting companies allow their salesmen to exercise. In this tough economy many salesmen are doing what ever it takes to close the sale. As a result, many contractors are looking to margin incentives for their salesmen to keep them selling the value of their company and not dropping to the lowest cost to close the deal.

Common Coupons

- 5% Off – 7%
- 10% Off – 52%
- 15% Off – 13%
- 20% Off – 3%
- 25% Off – 0%
- Other Discount – 25%



Quotes of the month:

“Our company’s pricing strategy is always changing and we are always looking for strategies that resonate with our customers. It is an ongoing process.”
 – HVAC Contractor in California

“Pricing is the back bone of our company. If that is not straight - the whole “body” is out of whack.”
 – Geothermal Contractor in Kentucky

“We use a 33% mark-up strategy”
 – Home Performance Contractor in Massachusetts

“Making our service technicians comfortable with our pricing. If they are comfortable with what they do, and understand how we come up with the pricing based on actual costs (overhead, direct and non direct costs, etc.) they can confidently give quotes for repairs/replacements to their customers.”
 – HVAC Contractor in Michigan

“We use a flat rate, 2x material + plus labor pricing strategy”
 – HVAC / Plumbing Contractor in California



You can learn more about the EGIA Snapshot Survey program at: www.egia.org/SnapshotSurveys