



BUSINESS
MANAGEMENT
SOFTWARE

ELIMINATE “GUESSTIMATING”

**ARE YOU LEAVING MONEY
ON THE TABLE DURING THE
NEGOTIATING PHASE?**



INTRO

Estimates can be the make or break moment for a lot of landscapers as they look to lock down contracts for the season. Guesstimating shouldn't ever be an option because you can leave money on the negotiating table. Through proper estimating, landscapers can project and grow their company with strong repeatable processes to keep their business moving towards earning more revenue and a stronger reputation. Remember, the more efficient you can become at estimating, the more you can bid in a year.

CHAPTER 1

PROFIT MARKUP VS PROFIT MARGIN

Most contractors understand the difference between profit markup and profit margin, but are most contractors calculating the right one when giving an estimate for a job?

While profit markup is a valid formula to determine the price of a job, contractors could be leaving a substantial percentage on the negotiating table when not taking margins into account. If 20% is the profit percentage you aim for as a markup, you could be losing anywhere from 1-7% in profit margins before your equipment ever hits the ground.

PROFIT MARKUP	PROFIT MARGIN
10%	9%
15%	13%
20%	16.7%
30%	23%

Here's a simple example of the difference between [the two formulas](#). In this case, 100\$ is the cost of the job. While \$5 doesn't seem like much of a difference, scale up the cost of the job by thousands, and that \$5 can turn into hundreds if not thousands by the end of it. Keeping your profit margins is the only way to continue budgeting for your company's growth.

MARKUP VS MARGIN

MARKUP $\$100 + 20\% = \120

MARGIN $\frac{\$100}{(1 - 20\%)} = \125



CHAPTER 2

FACTORING UNBILLABLE HOURS

If you personally contracted a service and the contractors billed you for travel time, chances are you'd be pretty upset considering that it wasn't time spent working on your actual project. Some companies don't bill for unbillable hours like AM or PM prep and travel time, but these hours should be considered while estimating the cost of a project.

LMN Time has a section in the labor catalog that factors in: Average Wage, Overtime Factor, Unbillable Hours, Labor Burden, and Overhead Markup- which would then calculate the Breakeven rate per man-hour. While LMN can do the heavy lifting with the calculations, companies need to spend the time accounting

for all the unbillable hours spent on a job. It makes sense to keep rates competitive to stay above (or below in this case) the competition, but you want to make the most money possible when giving an estimate. It may come down to the point where a decision will be made to whether the job is in or outside of a travel bubble to keep both estimated and man-hour costs at reasonable levels. The goal shouldn't be to break even, rather than to make a profit. Don't let unbillable hours eat into that.



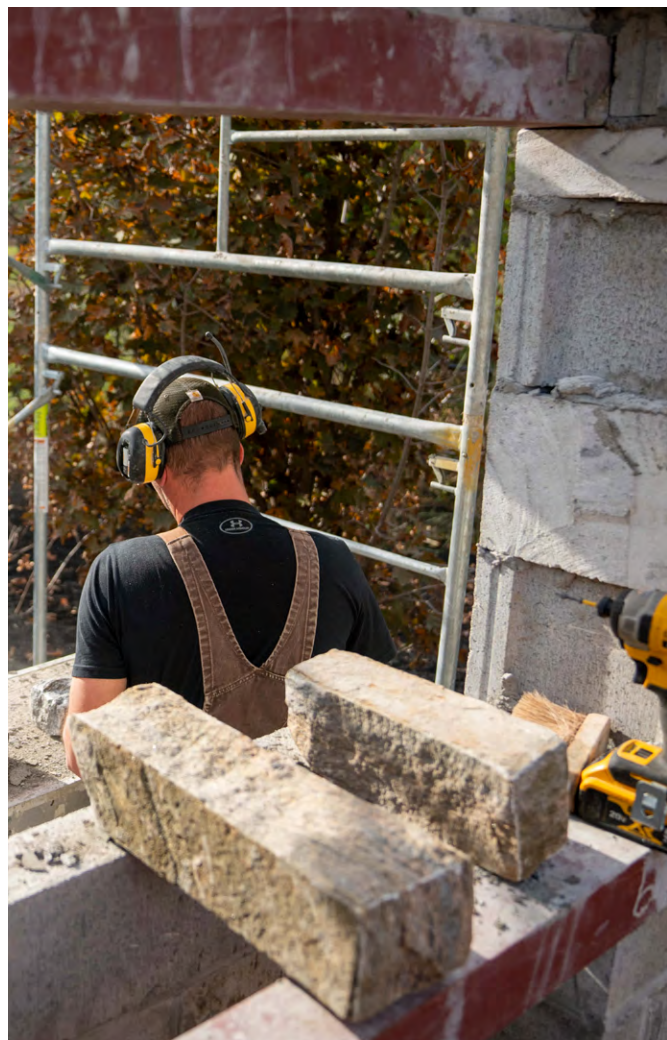
CHAPTER 3

ESTIMATE MORE EFFICIENTLY WITH TEMPLATES

The saying **“Take the time to do something right the first time”** applies to estimating as well. Why should anybody waste time filling out minor details in estimates every single time?

Landscapers should make a point of taking the time to create an estimating template the first time, so they can create a repeatable sales process. With estimating templates in place, it will simplify and streamline work processes to keep your company moving quickly and efficiently scheduling the work in your calendar. This can repurpose your time to tackle tasks elsewhere, whether that’s chasing new leads or putting more time in the field.

These templates could be anywhere from establishing an estimate for the cost of installing interlocking stone on a 640 square foot driveway to an estimate for a regular client you offer snow removal services to. LMN also aggregates data into industry standard templates based on geographical location. This helps keep you from guessing what your competitors are offering when estimating. While it may not pay to go digital, it will definitely save you time and money.



For more education and advice or to begin using our **FREE** business management software today, visit us at:

GOLMN.COM/FREE