

J.R. Huston Enterprises, Inc.

From: J.R. Huston Enterprises, Inc.

POC: Jim Huston, 303-794-9597, jhuston@jrhuston.biz, www.jrhuston.biz

Rev date: 9-10-2004

Topic: Pricing Outdoor Lighting

HTPLIP: From chapter 28 of How to Price Landscape & Irrigation Projects

MS Excel worksheet Figures (attached)

- Figure 28-1 Outdoor lighting job material list
- Figure 28-2 Outdoor lighting job recap
- Figure 28-3 Outdoor lighting job recap with 40% GPM

MS Word Figures (attached)

- None

[CT] Key terms

Bidding template

[OH] **PURPOSE:** To explain the process of pricing lighting work

[OH] **INTRODUCTION**

Outdoor lighting is becoming more and more popular for security as well as for decorative purposes. Many contractors are taking advantage of this growing market. However, you have to ensure that you follow local licensing laws and employ competent people. Knowing your costs and setting specific revenue goals can add to the bottom line.

[A] ******How it works – start******

A contractor in the Southeast wanted to increase his outdoor lighting sales. To do so, he wanted a **bidding template** that would speed up the estimating process. He also wanted the capability to adjust labor hours and costs, material costs, material upgrade costs and the equipment used on the job. Here's a template similar to what we came up with for this contractor.

Additional scenario information:

J.R. Huston Enterprises, Inc.

- Crew members will work and get paid for 10 hours per day, 50 hours per week.
- The equipment use and cost per hour are as indicated on the figures.
- The overtime factor, risk factor, sales tax, etc. are also as indicated on the figures.
- The owner desires to obtain a minimum of 20 percent net profit margin for this work.

[A] ******How it works – end******

[A] **OUTDOOR LIGHTING**

A typical lighting job (as if one exists):

Figure 28.1 lists the materials used in this scenario. Figure 28.2 outlines the overview of this scenario with the labor hours and equipment. Each member of the crew works nine hours on the site per day, except the supervisor, who's on the site for one hour per day. One hour per day per crew member is allotted to general condition drive time, load time, etc. Four hours of warranty labor is included in the general condition costs, as well as two hours to adjust the lights at night once the job is completed. For simplicity sake, I included both production and general condition costs on the same worksheet.

*******Figure 28.1 Outdoor Lighting Materials*******

*******Figure 28.2 Outdoor Lighting Recap*******

To achieve the desired 20 percent net profit margin, which translates into a 32 percent+ gross profit margin; this contractor has to charge almost \$2,700 for the installation of this standard 10-light system. This will cover all costs, both direct and indirect. The contractor thinks this price is a little low and that he could sell this system with close to a 40 percent GPM, by increasing the net profit margin to 29.5 percent. Figure 28.3 shows this same scenario with a 40 percent gross profit margin.

*******Figure 28.3 Outdoor Lighting with 40% GPM*******

[A] **SUMMARY**

Installing outdoor lighting can be a very profitable part of your business, if you know your costs and set reasonable production goals for your crews. Bidding lighting installations can be simplified by using a spreadsheet program that allows you to take into account all your costs and the variables that go into the various lights and accessories available on the market today.

******Main point:** Installing outdoor lighting can be a very profitable part of your business, if you know your costs and set reasonable production goals for your crews. ****

[AP] **ACTION POINT**

J.R. Huston Enterprises, Inc.

Use the template in our example, or one similar to it, to calculate your outdoor lighting jobs. You can easily adjust material costs or upgrades, labor rates and the equipment used on the job.

[A] *Note:*

The costs used in our scenarios are for illustration purposes only. Your costs will vary from the ones used in these examples. The key is for you to build a typical one-day scenario for the different crew, materials and equipment mixes you use. Round up these rates as appropriate. If your costing structure is accurate, the rates you calculate should be very close to your current ones and to those generally seen in your market.

This article was adapted from James Huston's new book, audio book and MS Excel CD, *How to Price Landscape & Irrigation Projects*, and his previous book, *Estimating for Landscape & Irrigation Contractors*. The author is president of J.R. Huston Enterprises, Inc., which specializes in construction and services management consulting to the Green Industry. Mr. Huston is a member of the American Society of Professional Estimators and he is one of only two Certified Professional Landscape Estimators in the world. For further information on the products and services offered by J.R. Huston Enterprises, call 1-800-451-5588, e-mail JRHEI at jrhei@jrhuston.biz or visit the J.R. Huston Enterprise web site at <http://www.jrhuston.biz>.