



It's NEVER About the Price - A Conversation

An almost word for word reconstruction of a Recent Conversation with a couple Contractors about a genuine question...

Custom Builder Bill asks:

At what point would you say you're pricing yourself out of the market, if there's such a thing?

Rick Friesen:

It's never about the price.

It might be about the scope...

It might be about the client...

It might be about your marketing....

It might be (and almost certainly is) your sales skills in presenting a) the value you bring to accomplish exactly what they want, or a1) expressing what the value of their future state would be when the project is complete, or b) educating your client on what pricing is realistic, or c) showing them a path to a project and budget that does work for them....

But it's never about the price.

Or the competition either, by the way...

Remodeler Rob:

I get the point but if this were true you could make a million dollars on every bathroom remodel. The guy was asking what the limit is. There has to be a limit.

Rick Friesen:

Quick question to clarify my point.

Who controls the costs of the project: the client or the contractor?

Remodeler Rob:

The Contractor.



Rick Friesen:

Are you sure?

Who is the one with the idea of the project?

Who is reaching out for help?

Who is saying how large the project will be?

Who is describing the overall vision?

Who is picking the plan that works for what they want?

Who is picking the selections level?

Who has the control over scope, selections and specifications?

Rick Friesen:

See what I mean?

It's actually the client that controls the costs on their projects. Period.

Therefore:

The cost is the cost is the cost. And the client controls the costs.

YOU add an appropriate amount of profit margin to those costs for your type of business.

But the client still controls the costs.

If the client has money to burn, add space, premium design elements or higher end products.

If the client needs the price to come down, pick different products or reduce the scope of the project.

Rick Friesen:

Knowing this then... It's still never about the price. It's about what you can sell.

"Price is what you pay, value is what you get." - Warren Buffet



So you have to sell in a way that makes the emotional connection with what they want (value) justify the price.

It's never about the price itself.

Contractor Chris:

Holy crap. You just bent my brain. VERY well explained.

Rick Friesen:

Thanks! I hope it helps

--(Continuing the conversation later...)--

Contractor Chris :

Just told my wife about our conversation. She runs a small esthetics business. She also answered "contractor controls the cost."

1 household, 2 business owners with melted brains!

Rick Friesen:

Don't feel bad. Almost every other contractor I've asked this question answers the same way.

Remodeler Rob:

Rick, good points. I do value your perspective. In my experience, once the client understands the value, they are willing to upgrade, but most, not all, have price restraints whether it's from over investing into a property or they are maxed out on their loan, savings, ability to pay ect.

At that point it is about price so this is confusing to me. And also, as a contractor we are responsible to manage costs so the projects are completed within the agreed upon contract. This is also confusing to me with your perspective, is it that your definition of cost and price is different than what I understand it, or do you have your own theory and definitions for what that means as it pertains to the industry?

Contractor Chris:

Hey Remodeler Rob, If you supply a bracketed price for a customer (for example, This job is going to be between \$500k and \$600k), client would still control the cost of the project.



You can't control the homeowner having a maxed out line of credit, for example. However, the OP was implying that HE would price himself out of the job. If you give your client a cost bracket, THEY will price themselves INTO the job.

How did I do, Rick?

Rick Friesen

Remodeler Rob, good questions!

Contractor Chris, nicely done!

Rick Friesen:

To answer Remodeler Rob, and from the perspective of "The Business":

A person that contacts you with unrealistic expectations about what a job will cost, or with some laundry list of why they have money constraints...

...Is never your client in the first place.

Again, from the black and white perspective of the business, your marketing or referral strategies (or lack thereof) brought you the wrong potential client.

I mentioned this in my first post above - having the wrong clients is still not about the price.

If we are pre-qualifying potential clients we would never have wasted time trying to sell a project to someone who was never going to be our client in the first place.

Using prequalification techniques along the way that Contractor Chris described just now is great. I'm a huge fan of bracketed pricing guidance given over the phone. Let them see themselves out.

Here's my point: If all your leads are non-performers before you ever get to the living room, you have a *marketing problem*, not a "price" problem.

Rick Friesen:

Consider: if the cost is the cost is the cost... (same as saying the price is the price is the price)

And they can't afford those costs...

How can the project move forward?



The only way to move forward with that client is if you compromise on your profit margin.

You decide that you would rather *subsidize* their project with money from your own pocket than "lose" that job.

If you can't afford to say no to a job (to the degree you're willing to help them build it by essentially swiping your own credit card to cover what is owed to the business) then...

You already have a leads problem - which is actually a marketing problem.

Or you have a cash flow problem. Which is actually a profitability problem.

And... if you are forcing leads that can't afford you, to somehow still "work"... by compromising your margins already right at the front end.... Well, I think we can see and identify the business practices that perpetually keep a business in a cash flow crunch.

Make sense?

Remodeler Rob:

Rick, I think I get what you mean, so if you are dealing with the right leads in your target market and help them understand the value of quality in a tiered system. Without compromising your profit margin, you will never price yourself out or lose profitability. Am I getting it?

Rick Friesen:

Bingo. And I really mean it. That's not just semantics or word tricks - that's the actual way you are successful in business.

It's never about the price!

Remodeler Rob:

Cool, I like that perspective. Makes a lot of sense. I think the client will have a better experience as well.

Rick Friesen:

That is also true. Which means you'll have profit leftover for marketing, a happy client at the end for testimonials and social proof, aligned referrals and you have further defined who your target market is. Win win win.

Rick Friesen:


If you review all this and you're still not convinced, or still think it's EVER about the price...

Look up the story of the Gold Tiffany Paperclip. Or go to this link for something similar...
<https://www.tiffany.com/accessories/decor/everyday-objects-sterling-silver-tin-can-60559139/>

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