

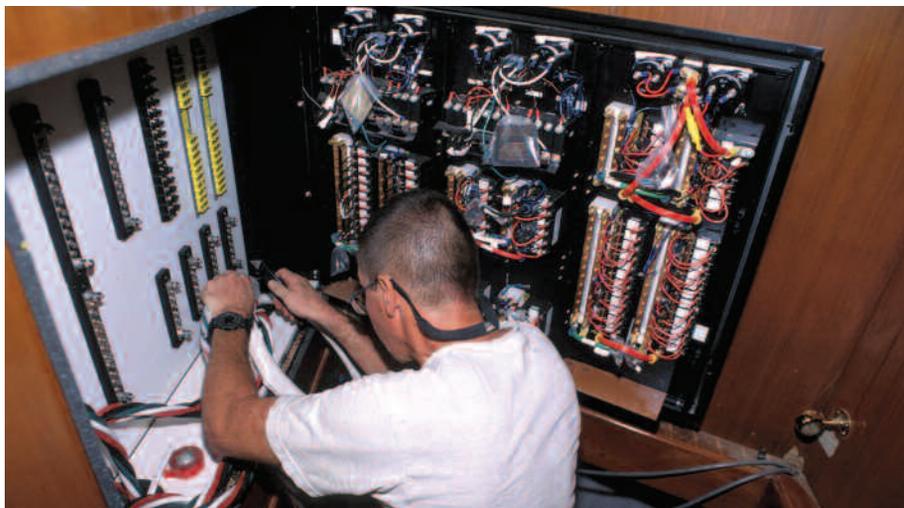
# GEARHEAD

## YOU CAN QUOTE ME ON THIS

A few months ago I wrote a column titled “A Case for Quoting” for a marine industry trade magazine for which I’m an editor. In the column, I threw down the gauntlet for boatyards, marine industry contractors, and, to some extent, boatbuilders (whom I’ll collectively refer to as “service providers”), making it clear that they need to get savvy when it comes to quoting.

You see, in my work as a consultant for boat buyers and owners, the most common complaints have to do with cost—not necessarily the high cost of a product, project, or repair, but the angst, frustration, and anger that result from not knowing what the final cost will be. Indeed, I’ve had more than a few clients tell me, “I ask the service provider for an estimate, then I triple it and I have a number that I know is realistic.”

To my peers and colleagues in the industry, I submit that this is no way to win customer loyalty, admiration, or respect. Instead, it’s a fast track to enmity, bitterness, and disputes. In the aforementioned column (which you can read at [http://www.stevedmarineconsulting.com/boat\\_brokers\\_dealers.php#caseforquoting](http://www.stevedmarineconsulting.com/boat_brokers_dealers.php#caseforquoting)), I shared another thought with those in the industry: expect more of your customers to ask for quotes. I insist upon it, and so does today’s economy, although the latter reason really shouldn’t matter. I would not accept a reversion to business as usual—i.e., customers needing to triple the estimates they receive—when our current economic woes fade from memory. Providing quotes must become the norm in this industry if it is to endure, and, like so many other changes, I believe this one will be driven by you, the consumer.



Steve D'Antonio

Full-vessel electrical refits and panel replacements, while complex, are projects worthy of the quote process. For skilled, experienced, and preferably ABYC-certified electricians who carry out such work on a regular basis, preparing a quote not only is reasonable but also can yield benefits in the layout and material-acquisition phases of the project.

### *Time And Material Versus Fixed-Price Quotes*

I routinely hear the terms “time and material” and “fixed-price quote” used in the marine industry. When I do, I often suggest to my clients that they request clear definitions of these terms from each and every contractor. My definitions, while typical, are by no means codified within the industry, which is why you must ask for clarification—in writing.

Time and material (T&M) means you will be charged a specified labor rate, which must be detailed in writing, for every hour spent aboard your vessel carrying out the agreed upon tasks. You also will be charged for the cost of all materials plus a *reasonable* markup; that is, for every pump, foot of wire, screw, pair of disposable gloves, quart of primer, sheet of sandpaper, etc. When the T&M approach is taken—and that shouldn’t be very often—I would argue strenuously that the material markup should be based on the service provider’s cost plus a percentage, rather than an arbitrary list price for the product that often is

based on a (fanciful) manufacturer’s suggested retail price that no one should actually pay. By the same token, you should expect a markup; it’s part of a service provider’s profit formula, and without profit, there’s no incentive. With the cost-plus-a-percentage approach, if the provider gets a deal on a product because it’s on sale or because it has been purchased in bulk, the savings are passed on to you.

While there is a time and a place for T&M work, this type of estimate should be used in the minority of cases. Mechanical and electrical troubleshooting are good examples of instances where paying by the hour is appropriate, provided the folks carrying out the work are skilled and efficient. Remember that T&M rewards inefficiency—the longer it takes to complete a job, even if the service provider is not intentionally taking longer than expected, the more the provider gets paid. This is an undesirable position for the boat owner and, in my opinion, for the service provider, too, because it’s the genesis of many billing disputes.

## GEARHEAD

On the other hand, quoting—and I mean fixed-price quoting, not estimating—is an entirely different ball game and one that offers clear advantages for you and for the service provider. With quoting, you are offered a guaranteed, fixed price for a clearly specified project. You will pay no more and no less. You have an opportunity to think about the fee,

and, if it fits your budget and you decide to proceed, you will be secure in the knowledge that the price will not change.

Because the service provider has carefully calculated the amount of work required, ideally he or she also will be able to establish a timetable. With this and the written quotation in hand, you'll have answers to the three

essential pieces of the service puzzle: what will be done, how much will it cost, and how long will it take? Clearly, it's advantageous for you to know the answers to these questions, but it's also advantageous for the service provider. With a fixed-price quote, efficiency is rewarded. If a project is completed within the quoted time and within the budget for materials, the profit margin is guaranteed. The service provider has been rewarded for careful planning, skill, experience, and efficiency, and there is clear motivation for finishing the project—a tenet of quoting that lies in stark contrast to the T&M approach, which, as mentioned earlier, rewards inefficiency.

### *Taking Charge*

When I discuss quoting with marine industry professionals, often they are reluctant to commit to what they consider a high-risk venture. T&M is safe, they argue, so why rock the boat?

If a service provider can't provide a fixed quote for routine work—and 75 percent of the work undertaken in this industry is routine—then your potential customers and your competitors will question whether you are skilled enough to successfully complete the project. The good news is that most experienced professionals are much better at quoting than they realize, and once they try it, they see it's not very difficult. The rewards are clear: happier customers, fewer billing disputes, and, often, higher profits. Additionally, in my experience, folks on the shop floor work with a renewed sense of urgency when a project has been quoted.

As the consumer, you are at the helm. If the service provider you use or are considering using doesn't quote and isn't willing to start, go elsewhere. You have the power to make this shift in the industry.—Steve D'Antonio 

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