

the business of cabinetmaking



YOU WILL PROBABLY FIND THAT SETTING UP the workshop is one of the more enjoyable aspects of the woodworking vocation. Cabinetmakers seem to have boundless energy and enthusiasm when it comes to finding the right space in the right location, adjusting the tools and fixtures to be just so and fine-tuning the production process until everything meshes together as one well-oiled cabinetmaking machine. Unfortunately, these activities do not a business make. Having created the machine, it is also necessary to run it; you have to establish a business and find work. For many cabinetmakers, accustomed as they are to shaping things with their hands, this is the biggest challenge of all.

At the outset, you must decide just what you expect to get out of cabinetmaking and where you wish to go with it. There is a big difference between the avocation of working with wood and the occupation of woodworking. When you ask people to pay for your work, you must define the shop as a legal entity. You must procure all the necessary business permits and licenses, and you must register with the Internal Revenue Service (IRS). Financial records must be carefully maintained to satisfy the bureaucrats and to benefit you. Written contracts should be sound for the sake of all parties involved.

Next the goal is to get the business to generate work for itself. You must provide a product or service that enough consumers wish to purchase for a price they are willing to pay. Thus one of your most necessary, and likely most difficult, jobs will be to define your market: who they are, where they are, what they like to buy and how much they can and will spend. As if that were not enough, you will have to learn how to draw a modest but steady portion of that market to your product.

Once you've carved out your niche, it becomes critically important to foster the growth of a good reputation. Contrary to advertising propaganda,



this precious commodity cannot be created by words alone. Only by working harmoniously with clients and trade professionals and by honoring all guarantees of craftsmanship (both written and implied) will your name become synonymous with honesty and quality. If you have a name like that, the world will indeed beat a path to your door.

For many woodworkers, all this might seem too tall an order, but be

assured that you already have the raw materials necessary to become a successful businessperson. In creating that well-oiled cabinetmaking machine, you have engaged in forethought and planning, paid painstaking attention to minute details and experienced a deeply rooted desire to produce the best results with only the necessary effort. If the one-third of your being that will act as the businessperson contin-

ues to make use of these attributes, the two-thirds of you that anxiously waits to work in the shop will be kept busy indefinitely.

A desk tucked into one corner of my shop serves as a mini office where I can make phone calls, look up hardware and refer to job papers and drawings.



15 | structure the business

The three types of legal business entities a cabinetmaker can choose from are sole proprietorship, partnership or incorporation. Small businesses often start out as sole proprietorships because that's the easiest entity to set up and maintain: The cabinetmaker works alone, receives all the profits (and, of course, assumes all the liabilities) and has the right to sell or terminate the business at will.

Entering into a partnership or incorporating is usually considered in response to a perceived need to grow. While the temptation to do so is very great from the standpoint of profit, growth usually entails certain sacrifices. The mere act of taking on employees, for example, can quickly transform a formerly independent woodworker into a wood monger and an administrator whose primary responsibility is managing people rather than projects. There are other complications. Any employee will have to increase shop profit to the point where you can afford to pay a decent wage plus an additional 30 percent for workmen's compensation insurance, federal unemployment tax, your share of the Social Security and Medicare taxes and an increase in liability-insurance premium. Remember that paying these bills, filing quarterly statements, preparing payroll ledgers every pay period and managing the employee gets done on your own time — or someone else's time that you must pay for. Finally, if you hire one or more employees, you must run your shop in accordance with the equipment and safety standards formulated by the Occupational Safety & Health Administration (OSHA) or risk a substantial fine.

Forming a general partnership brings another worker onto the shop

floor without the complications and expense of becoming an employer. Working with another person on an equal basis is often a real shot in the arm, bringing in a burst of creative energy, new ideas and perhaps a larger clientele. Before you say "howdy, partner," consider some of the disadvantages. Working productively with another person means learning to get along together, not always an easy task. Decisions concerning design and production routines become negotiable, and the products of the shop will no longer represent your talents alone. In a general partnership, you are legally liable for all of the work and services of the shop. If your partner produces a lemon and a client responds with sour grapes, both you and your partner must eat the loss.

Although there is no legal way to limit the sharing of liability, you should draw up a written agreement that at least clearly defines the relationship between the partners. In addition to defining the responsibilities of each partner, the agreement should stipulate how income will be drawn from the business, how profits will be shared, the amount of capital to be invested by each partner and the way in which the business may be sold (including buy-sell provisions within the partnership). Neglecting to address these issues in advance can lead to a long, bitter round

of negotiations later, which may be impossible to resolve without fattening the wallets of several lawyers.

Because of the increased liability, partners often opt for corporations. (Sole proprietors may incorporate to protect their personal assets from business-related liabilities.) In a corporation, an individual's personal liability is limited to the amount paid for his or her share of the stock. Corporations also offer distinct tax advantages, such as the ability to fully deduct the cost of life and health insurance. (These deductions currently are not available to unincorporated businesses.) A subchapter S corporation is specifically tailored to small businesses: Because shareholders can claim profits, called dividends, as ordinary income, double taxation is avoided. Be aware that a corporation is expensive to set up and maintain, and the reams of paperwork require professional expertise.

In the creation of any business, it makes good sense to seek the advice of qualified professionals. While some lawyers specialize in business law, you can also work with a certified public accountant (CPA). CPAs are usually less expensive than lawyers and often more receptive to small-scale business matters. Find a good CPA by asking other small shop owners for recommendations. An accountant should help you set up the books unless you have expertise in this area.

License, Registration and Reporting Requirements

Most counties and municipalities require businesses that operate within their borders to be licensed. If you operate under a name other than your own, you will probably have to file for a "doing business as" (dba) or "fictitious name" designation. Obtain information

on these requirements from city hall or the clerk at the county courthouse.

Your state probably requires registration of a business, especially if the government collects sales tax on the exchange or sale of tangible property (like cabinets). The state will issue a permit to sell taxable property, which also allows you to purchase raw materials and supplies tax-free. (Most wholesalers require tax-exempt customers to file their permit numbers with them.) In addition, your state may require you to register as an employer if you qualify as such. In either case, the state will require you to file quarterly income reports. Obtain state registration information from the taxation agencies located in the capital or from branch offices located in the larger municipalities. Check the Internet and the government section of the phone book.

Last, but far from least, consider the federal government, which will insist on knowing all about your little business. If you run a simple sole proprietorship without employees, your Social Security number serves as identification; otherwise, you are required to file for a Federal Employer Identification Number (FEIN). If you have no employees, your contact with Uncle Sam will be simplified. Any profit from the business is treated simply as income (which is summarized on Schedule C: Profit or Loss From Business) on your personal income tax return. Social Security tax is collected as a self-employment tax, computed on Schedule SE: Self-Employment Tax and filed with your Form 1040. The government requires quarterly payments against your tax liability if it exceeds a certain level.

If you have employees, you will be in touch with the government on a regular basis, depositing federal unemployment tax, Social Security and Medicare taxes and withholding tax, and filing quarterly earnings statements. A corporation must renew its license in the state of registration on a yearly basis and file its own tax returns. (This is the extra paperwork I warned you about.)

Help Without Hiring

If you find yourself sharing the work with another cabinetmaker in your shop, legally you have to hire him or her outright or form a general partnership. You have some ways to get help in the shop without becoming an employer. There is nothing illegal about someone working there without pay (excluding minors, of course). This someone will be either crazy or your spouse (or, more than likely, both). With a spouse's help, the business will generate more income without the headache of additional tax liability and paperwork. There may even be some tax advantages in hiring a spouse, including the ability to create a 401(k) that can shelter a great deal of pretax money. (These laws are constantly changing, so consult an accountant before you decide.)

The other strategy, which I occasionally use when faced with impending deadlines, is hiring subcontractors. The federal government defines subcontractors as people in business for themselves who sell their services to you. A subcontractor can supply you with components, such as drawers and doors, or perform special milling operations, such as running molding or sizing panels, and simply bill you for the work. (If your annual payments to any one subcontractor exceed a certain amount, you will have to file a Form 1099 on the subcontractor at tax time.) As long as subcontractors work on their own time, in their own way (not subject to your management) and on their own equipment, the federal government will not classify them as employees. If you have any questions about the specifics of this relationship, ask the IRS before they ask you.

Set Up and Keep the Books

You cannot successfully run a business of any kind, size or structure without accurately keeping track of what is coming into it and what is going out. Actually, there is no choice: The federal government requires that books be kept for any operating business. Once properly set up, however, the books for

a one-person shop are not that difficult or time consuming (perhaps six hours a month) to keep. Well-maintained books are a good barometer of just how well business is doing.

It's a good idea to have professional help for setting up the record-keeping system and even maintaining it. An experienced bookkeeper can generally do as good a job at the books as a CPA and be less expensive. Get recommendations from owners of small businesses in your area: The more an accountant knows about small business, the more he or she can do for you.

Even with the help of a good accountant, the cabinetmaker will still be involved in the day-to-day bookkeeping. Since few accountants enjoy visits from clients bearing a shoe box full of receipts and check stubs, you should find a good way to keep track of daily business. Standard procedure is to post income on an income ledger and outgo on an expenditure ledger. Summarize the entries each month and at year-end simply enter the sum of the monthly subtotals on your tax returns. While standardized ledger forms are available at any office supply store, my versions shown on pages 100 and 101 are specifically tailored for the independent cabinetmaking shop. When using these ledgers, post entries on a regular basis as receipts won't pile up and cause confusion.

The system of bookkeeping I use is single entry cash-basis accounting. Single entry means that income and expenditures are recorded without consideration of other assets or liabilities. Cash-basis accounting is simply recording income when it is received and expenses when they are paid; no provision is made to account for money owed to suppliers or due from customers. To make entries easier, use a checking ledger that lists the same distribution columns that appear in your bookkeeping system. Although these simple accounting practices limit the extent to which the overall health of the business may be assessed at any given point in time, they are sufficient for businesses with a low sales volume,

INCOME LEDGER

Month of:

DATE	PROJECT NAME	AMOUNT RECEIVED		
		Deposit	Final	TAX COLLECTED
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
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17				
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19				
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21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
TOTAL				

EXPENDITURE LEDGER

Month of:

DATE	CHECK NO.	PAYEE	TOTAL AMOUNT	DISTRIBUTION																			
				Materials and Shop Supplies	Shop Rent	Utilities (Including Telephone)	Taxes and Licenses	Subcontractors	Advertising and Portfolio	Bank charges	Vehicle Expenses	Dues and Publications	Freight	Insurance	Laundry	Bookkeeping and Legal Services	Office Expenses	Shop Repairs	Misc. Hand Tools and Bits	Sharpening	Work Clothes	Misc. Costs	Cash (Nondeductible)
1																							
2																							
3																							
4																							
5																							
6																							
7																							
8																							
9																							
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27																							
28																							
29																							
30																							
31																							
END OF MONTH SUBTOTALS																							
Nondeductible																							

a minimum of uncommitted inventory and a low credit load: a good description of a one-person cabinetmaking shop.

If, however, you plan to hire personnel, prepare to deal with considerably more paperwork and the more complex accounting methods of double entry and accrual basis. As an employer, you will also need payroll ledgers and the complete set of federal and state tax forms.

Finally, two other important aspects of record keeping are equipment depreciation and inventory control. Work with your accountant to design the depreciation schedule and inventory control list most suitable to your specific needs.

Banking

Before you pay a single bill or a single check is accepted, open a separate bank account specifically for business use. The only nonbusiness use of this account may be the occasional withdrawal of cash for personal use (listed in accounting records as a nondeductible expense).

Many banks charge considerably higher service fees for business accounts than for personal accounts, but you don't need to open a business account unless you work under an assumed name (the dba designation). Just open another personal checking account and use it strictly for the shop. If the local commercial banks won't go for that, try a savings bank or a credit union. These customer-owned institutions usually don't charge extra for business accounts, and many don't charge for checks at all.

Immediately deposit all received income in the shop account. When writing checks, always write in the check register and on the check itself the category from the expenditure ledger to which the check's recipient belongs. At least weekly, transfer the numbers from the check register to the monthly expenditure ledger. In this simple system of cash-basis accounting, the income and expenditure ledgers should reconcile exactly with the check register. Any error is usually due to a slip

in the recording of entries (or to faulty arithmetic). An hour or two at the end of each month should allow you to keep everything up to date and your accountant underemployed.

A word about collected sales tax: Bank it, don't spend it! I have a separate savings account (under the same number as my business checking account) that I use solely to park collected sales tax. This way, it doesn't show up as "income" in my regular account and risk being inadvertently (or not so inadvertently) spent. When it's time to pay the tax man, it's always a relief to know that the money is sitting in the account ready to go.

Contracts

A handshake is fine when greeting potential customers, but it's not the way to seal a deal. If a customer wants something from you, get it in writing; that's the only handshake that counts. Unless you have a client's signature (two signatures if you contract with a married couple) on a document that specifies exactly what you promise to supply and for what price, you will have no recourse if the client decides not to pay you for your work. You could end up owning someone else's custom cabinets (not always such a bad thing but not your goal).

Run your business with the hard and fast rule that no work will be performed and no materials will be purchased unless you receive a signed quotation from the customer. (When the quotation form is signed by all the parties involved, it becomes the contract for the specified work.) In custom work a substantial deposit (enough to cover materials) should accompany the accepted quotation. This way, you have some protection even in a worst-case scenario, such as the sudden death of the client. The quotation form I've used for nearly 20 years is available at most print shops or office supply stores; the print shop adds my letterhead at the top, but otherwise the form is unchanged. Buy a two-part carbonless form. For each quotation, keep the copy and give the customer the original.

When filling out the form, accurately record the full name and billing address of the customer and the address of the site for product delivery. Note the phone numbers and e-mail addresses for the customer's office, home and site (if different), and double-check them for accuracy. If a general contractor is involved in the project and the cabinetry is included in that contract, submit the quotation to the contractor. (Since the contractor adds a certain percentage to the bid, it isn't ethical for you to tell the customer the quoted amount.) If the cabinetry has been omitted from the general contract so that the customer can shop and contract for it independently, submit the quote to the customer directly. If you're not certain how matters stand, ask.

The main body of the quotation form is for the precise description of the product. Include the grade as well as the type of materials that will be used, the style of the product (referenced to a sample number if possible), specific sizes and configurations and the type of finish. Be careful not to infer the inclusion of items or processes that are not quoted, such as counter surfaces and their installation. If there is not enough room on the form, don't condense the descriptions; instead, use another sheet and cross-reference it. Have the customer initial your copy of the additional specification sheet.

Immediately below the product description, present the bid itself. (See page 109 for information on pricing.) As in issuing a check, write out the amount in full. If your state has a sales tax, specify "plus tax" after the amount. I generally avoid including sales tax in a bid because it is too easy for a client to perceive my bid as high in comparison with others where sales tax is not quantified. The payment schedule is up to you and the client. I usually ask for one-third down on acceptance of the quotation, a second one-third halfway through the project and the final one-third on delivery. Avoid specifying the date of delivery in the contract if possible. Since delivery can mean different things to different

already lists a number of these clauses: the requirement of a written order to initiate any change in the quoted specifications, freedom from liability due to delays beyond your control and the requirement of the customer to carry his own site insurance. Other contingencies, if predicted, should be covered in a separate clause. These may include the right to substitute materials if the specified materials are unavailable or would unduly delay the project, the right to change the quoted price due to the substitution of items at the client's request and the exemption of liability if the client supplies or requests unconventional or unknown materials (particularly finishing products). In general, if you can foresee the possibility of any contingency that will affect your control over the final product, get it down in writing. If you should think of one after the contract has been signed, write it on all copies and have the client initial it.

The signed quotation form (now a contract) offers a basic guarantee to the purchaser: The product you supply will be the one specified and will be constructed in a workmanlike manner according to standard practices. If you wish to add to this rather nebulous promise, that is entirely up to you. A time frame within which any defects in workmanship will be corrected without charge can be stipulated in writing, but I find it better to leave this unwritten and open. It seems to me that specifying a 30-, 60- or 90-day limit implies that the work will fall apart one day after that time period.

Finally, be sure that your quotation, once accepted, is complete. If the client accepts your bid with the specified deposit and a hearty handshake, you still do not have a contract. Look at the bottom line, the one provided for the client's signature. That signature makes the document legal and binding; don't do business without it. If the unthinkable should occur and the client reneges on subsequent payments, the terms of the contract ensure that the products belong to you and can be liquidated to cover your investment in

them. If, however, you slipped up and delivered the cabinets without taking the final payment, your only recourse may be to place a mechanic's lien on the client's property and take him or her to small-claims court. Consult an attorney, or do it yourself after reading up on it (see Appendix 2).

Insurance

Unfortunately, innumerable things beyond our control besides a client's disinclination to pay a bill are beyond our control. Fortunately, in this country we have a booming insurance industry in this country ready and willing (for a price, of course) to protect us from the vagaries of nature and the inhumanity of man. To protect business and personal assets, cabinetmakers need to purchase two basic forms of business insurance: loss insurance and liability insurance. If the shop has employees, workmen's compensation and disability insurances must also be obtained. Consult your state's labor board to ascertain from whom this coverage gets purchased and the amounts required.

Protection against loss due to fire is provided in a three-part package: "Basic" insures your equipment, inventory and the building, if you own it; "legal liability" covers a rented building and is necessary if your landlord won't include a "hold harmless" clause in your rental agreement; and "property damage" insures other sections of the building not occupied by the business. Optional extended coverage protects against loss from causes other than fire, such as smoke, storms, explosions, vandalism and theft. The premiums for these policies are relatively high for woodworking businesses but can be reduced somewhat by installing dust collection and sprinkler systems and by using nonflammable finishing materials.

Liability insurance offers protection from lawsuits in the event that a nonemployee sustains an injury while in your shop. (Have you ever watched helplessly as a curious customer picked up a gleaming 2" chisel, said "This looks sharp," and proceeded to slice off a chunk of thumb?) Of course, liability

insurance also protects customers if they should suffer from any ineptitude on your part (for example, when you show a client how sharp the chisel is by slicing off the end of his or her thumb). "Product liability," sometimes called "works completed" coverage, covers you in the event that your product, once beyond the shop's doors, somehow manages to injure somebody or cause damage. Don't laugh: I once had a lazy Susan go berserk, literally flying off her hinges and strewing \$75 worth of exotic spices across my client's kitchen floor. If someone had slipped on them, it wouldn't have been something to sneeze at. Liability premiums depend on the amount of coverage desired, the projected gross annual income and the number of employees retained. Since I have no employees and do not operate as a subcontractor (I am considered a vendor), I have not had to buy workmen's compensation or disability insurance. In addition to a basic package of loss and liability insurance, I purchase my own medical coverage. To keep the rate on the latter down, I accept a large initial deductible.

For all these insurances, select a broker who has experience insuring woodworking shops. A knowledgeable broker can help determine the amount of coverage you need and clarify the details of the coverage as they relate to the woodworking business. Stay away from brokers without commercial experience because they will not know how to specify the details of your operation or ask the right questions to obtain the lowest premium rates.

market analysis, product design and pricing

The business of the custom cabinetmaker is to supply people with cabinetry designed to meet specific needs. These needs can range from the purely aesthetic to the strictly pragmatic. To become a viable part of this marketplace, cabinetmakers must learn who the clients are and how to find them and develop appealing products that can be built efficiently. Cabinetmakers must learn to price this work to ensure not only survival but profitability within a few years. Otherwise, this work won't rise beyond a hobby — and I mean that literally from the IRS's point of view.

The Clientele

The survival of the custom cabinetmaking business attests to the existence of aware, appreciative consumers, but this clientele is neither evenly distributed across the country nor homogeneous in character. It is easy to assume that the patrons of the custom shop come from the upper-income levels of the population, but I have discovered that there is considerably more to the demographics of our clientele than money. Although I can't claim statistical accuracy, most clients I've dealt with over the past three decades share the following common traits (in descending order of frequency):

- an attraction to the beauty of wood and other natural materials
- a strong appreciation for fine craftsmanship
- a good education, often at or beyond college level
- ample disposable income
- the ability to verbalize clearly, if not illustrate, the product they wish to have built
- a desire to interact with the craftsman behind the work

Where do you find these people?

Begin by looking in areas that have a strong tradition of woodworking, as these usually boast a large, appreciative group of potential consumers. The New England states; parts of New York, Pennsylvania and Kentucky; the upper Midwest; the northern coast of California and parts of Arizona and New Mexico readily come to mind. Regions with colleges and universities and regions with high-tech industries have proportionately large populations of people characterized by the traits listed above. Other areas of the country, because of outstanding beauty and attractions such as large ski or golf resorts, seem to attract that portion of the population having an enthusiastic desire to dispose of their disposable income.

For a region to be of interest to cabinetmakers, it must appeal to a promising clientele and offer prospects for future growth. You will not be employed for long if there is a dearth of homes into which to put your products. (As Neil Young so aptly put it, "You can't have a cupboard if there ain't no wall.") In general, the healthier the construction trade in a region, the larger the trade in custom cabinetwork.

The Marketplace

To develop a clear picture of construction activity in an area, look at the building permits issued over the past several years. These documents are public record; check the county's building or planning department. Search for a substantial number of large single-family homes with a high cost per square foot and for owners who are also listed as builders. These are good indicators of custom homes, which likely have custom cabinetry. Of course, a strong showing of kitchen remodels is also a promising sign. Talk with several realtors who list custom homes, and meet with a representative of the local builder's association; this should help complete the picture of a community's current vitality and give you some insight into the future.

If construction in a region is doing well, it's a good bet that there is considerable competition for the work (unless the growth is a recent phenomenon). While you should never give up because of an abundance of cabinetmakers in a region (I'll talk more about this in chapter seventeen), try to get a handle on the intensity of the competition. Divide the number of consumers by the number of suppliers. If the building permits reveal that 300 new homes were built last year and you assume they all procured their cabinets locally from the 25 cabinet shops listed in the local yellow pages, each cabinet shop had the potential for supplying 12 homes with cabinets. Unless these cabinet shops were all one-person operations, this is not good news. This kind of market analysis can be misleading, however, as not all custom work results from the construction of new homes and not all shops seek out custom homes. For shops geared to the high-volume production of modularized cabinetry, custom work is all too often a losing proposition. They make their money supplying tract homes and multiplexes.

To gain a more accurate feel for the competition, get out in the field and visit the cabinet shops oriented toward custom residential work. It won't take a Sherlock Holmes to detect how many

are competing directly for your market, and how pressed they are to meet the demand.

To complete your understanding of a region's marketplace, research the types of products that are in vogue. Get a feeling for the area's prevalent trends in cabinet styling, configurations and finishes by visiting new homes for sale or viewing photographs of interiors on file at local real estate offices. Talk with local interior designers, residential architects and custom-home builders to broaden the scope of your inquiry. It is not necessary to be an absolute conformist to succeed in this business, but if the style of your work falls outside the current trends, you may need to rethink your product.

Product Definition

For the successful introduction of a product into a marketplace, it must have widespread recognition and appeal. If you were to insist on marketing traditional New England pine cabinetry in an area such as coastal California, the response would be innumerable blank stares. In that part of the country, a cabinetmaker is better off working in the style of traditional California craftsmen and designers such as Green and Green. In the far northwest of the United States, cabinetwork with a delicate, Japanese style finds widespread favor, as does the Taos style in the southwest. In my experience, it is far less frustrating (and more healthy economically) to either work within the parameters of a regional flavor or strike out and develop an entirely unique style. Don't waste your time trying to sell a traditional style that has as much local appeal as a fish stuck in a tree.

Once you develop a style that sells well and that you enjoy producing, stick with it. There are two good reasons to do so: product recognition and production efficiency. Before long, your shop and the work it produces will become synonymous in the collective mind of the marketplace. The continued production of an established product is necessary to avoid killing the goose that laid the golden egg. Production efficiency allows you to earn the

butter for your bread. Efficiency cannot develop if you have to change set-ups and processes every time you get a job. Once you set up shop, your time should go primarily to the production of the product.

You have two more ways to define yourself and your product to the public. The first strategy is to specialize in one type of cabinetry, such as wall systems or kitchens. You can bill yourself as a specialist ("Mr. Kitchen" of the Hoboken Kitchen Design Center, for example) and focus production and marketing strategies to take full advantage of a narrow field of endeavor. The second strategy is to enter the market at the very top end. The competition is usually sparse for work at the leading edges of the market, but if your product doesn't truly belong there, you could end up running home with your tail between your legs. Since either of these strategies automatically reduces the pool of prospective customers, employ them only in a healthy marketplace with strong growth potential.

Price the Product

Having targeted the clientele and developed an appealing, well-built product, you must now price it fairly. Both overcharging the consumer and short-changing yourself are ultimately fatal errors. To price accurately, you must thoroughly understand the factors that determine a product's price. Then develop an estimating system that will quickly and accurately price the work in a way that maximizes its appeal to the client while minimizing compromise of your profit margin.

To determine the price of a product, first add the cost of the materials and shop supplies consumed to the expense of shop time and outside subcontracts. Next multiply this sum by a factor to produce a price equal to the profit margin plus cost. Sound simple? It actually can be quite complex. Let's take a close look at the components of this formula.

The materials cost is based on the total amount of wood products consumed by the project. Add a 15 percent markup to account for production

waste. Add to this the cost of fasteners, finishing materials and hardware. Shop supplies include materials consumed in portions (glue, filler putties, solvents and thinners) and disposable items (rags, sandpaper and throwaway brushes).

Determine your hourly shop rate by adding the shop overhead (computed per hour) to an hourly labor rate. To figure the shop overhead, refer to the expenditure ledger (see page 101), which accounts for most monthly expenses; if you are just starting up, use project expenses. Be sure to account for the following items: rent or mortgage; facility repair and maintenance; utilities, including telephone; business expenses such as insurance, office supplies and license renewal fees; vehicle expense (actual or based on mileage); bookkeeping and tax preparation fees; advertising and portfolio development; machinery maintenance; and such miscellaneous expenses as work clothing, laundry and hand-tool replacement. To be really accurate, go beyond the expenditure ledger and account for equipment depreciation and other losses, such as bad debts or projected inflation on basic shop expenses (including major tool replacement).

Determine the overhead rate by summing all the expenses incurred by the shop over a certain number of hours and then dividing by that number of hours. For example, if in one month of operation (160 hours) shop expenditures totaled \$622 and the shop incurred \$58 in depreciation and other losses, the shop overhead rate would be \$680 divided by 160 hours or \$4.25 per hour.

That was easy; the hard part is determining the amount of money you need to make an hour. If you are the head of a household and the shop is your family's sole source of income, you will need as high a labor rate as possible. If you are independently wealthy and think custom cabinetmaking is nothing but pure entertainment, you can reflect that in low prices or by simply working less for hire. For the sake of us householders, please refrain from the former and have fun with the lat-

ter — a woodworker's dream is to have time to build pieces on speculation.

The point is that the labor rate can range from zero to any number that will support you and your family. Of course, you must give to the business in relation to what you draw out of it. To earn a high labor rate without pricing your products out of the market, you must run an efficient shop and be one sparking spark plug in both the shop and the marketplace.

For example, assume you decide to draw \$630 (before taxes) per week from the business; that is \$15.75 per hour for a 40-hour week. Adding this \$15.75 to the \$4.25 overhead rate yields a shop rate of \$20 per hour of operation. Knowing this figure makes pricing a particular product simple. If the materials for a hutch, including shop supplies cost \$500, a subcontractor charged \$150 for a set of doors and production of the hutch required 50 hours of shop time, the price formula would look like this: \$500 + \$150 + (50 × \$20), resulting in a product cost of \$1,650. Add profit if you want it; if you don't, your shop does. A profit margin provides capital for reinvestment, not necessarily for growth but for the upgrading of major stationary machinery. (Only the replacement of existing tooling is captured in the shop overhead rate, which includes loss due to depreciation.) In addition, the accumulation of profit cushions the shop through periods of production downtime caused by machinery glitches or your absence from the shop floor as you work on the books, talk on the phone and woo prospective clients.

The profit margin, like the labor rate, is rather arbitrary. Profit is not always linked solely to pricing, as profit can be generated by increased production efficiency and purchasing thrifty materials. I suggest, however, that you add a bare minimum profit margin equal to 15 percent of the product cost. Twice that amount is better if it keeps your pricing competitive. This extra percentage will provide a cushion if you need to adjust your prices to meet market conditions. Going back to

Determining Shop Rate Based on Monthly Expenses

Expenses Per Month

FIXED

Shop rent	\$250.00
Waste collection and water	14.00
Equipment depreciation	58.00

AVERAGED

Shop maintenance.....	45.00
Telephone.....	30.00
Electricity	30.00
Business expenses.....	158.00
<i>(insurance, licenses, office supplies, bookkeeping, advertising)</i>	
Vehicle.....	95.00

Total overhead.....	680.00
per hour (÷160) =	4.25

Labor rate per hour.....	15.75
Total hourly shop rate.....	\$20.00

JOB CARD	PROJECT NAME:						
SPECIFICATIONS							
Dimensions:		Wood type:		Special hardware:		Other:	
MATERIALS				LABOR			
Date drawn	Qty.	Description	Price @	Cost	Date	Operation	Hours
Waste factor on wood (15%)							
MATERIALS TOTAL						TOTAL SHOP HOURS	
SUMMATION							
SUBTOTAL MATERIALS				/	NET COST		
SUBCONTRACTS					PROFIT (margin _____)		
SHOP HOURS @ _____					PROJECT COST		

the hutch, adding 15 percent profit to \$1,650 makes the price \$1,897.50 (plus sales tax). To simplify the arithmetic, multiply the cost by 1.15 (price = cost + [cost × .15] = cost × 1.15).

Cost Estimating

While it is easy to figure out a product's cost after it has been completed, it's the rare customer indeed who will wait until the job is done to learn the bill amount. The custom cabinetmaker is doomed to give bids based on the basic specifications of a proposed project.

The key to making an accurate bid is a careful estimation of material and labor costs based on a structured assessment of previous work. This task is manageable if all the production data for every product built are carefully recorded on job cards designed for this purpose. I keep a copy of the job card shown on page 108 on the clipboard that hangs on my mobile tool caddy, Moe. Fill in the top of the card with the name of the project (usually the client's last name followed by a number if it's part of a larger project) and its specifications. (Include all external dimensions, the type of wood products used and any hardware other than the typical fastenings, hinges and drawer slides.) The balance of the job card is a ledger having two categories. The first describes the materials consumed in the project, including an estimate of shop supplies and their costs; the 15-percent waste factor appears at the bottom of that column. The second category lists the hours of shop time. The abbreviations shown on page 110 identify the production processes discussed in section two. The bottom area of the card gives the subtotals and gives the cost of the project.

For a tool to be effective, it must be used properly, and a job card is a tool. Use it habitually. Log all materials and the labor time of each process. Using a homemade timer (see page 111) is a great way to track elapsed time up to a total of 12 hours. Reset the clock to 12:00 at the beginning of each process and activate the timer with the switch. (The light indicates when the timer is

counting.) When the process is completed, or anytime work is interrupted, switch off the timer. To prevent the desire to strangle wooden birds every 15 minutes, avoid cuckoo clocks.)

Pricing Formulas

Don't be surprised at how soon you appreciate the usefulness of job cards. Armed with a sheaf of cards, you can develop pricing formulas to accelerate the cost estimation process to nearly warp speed.

The formulas, derived directly from the information tabulated on the job cards, are based on the cost per square (or linear) foot of the products. In general, the standard lowers and uppers of kitchen cabinetry, as well as other varieties of cabinetry, can be accurately priced with a linear-footage formula. Larger cabinets (such as floor-to-ceiling oven units and pantries) and freestanding units (such as china hutches and entertainment centers) are more accurately priced using a square-footage formula based on the surface area of the cabinet face.

As an example, let's develop a formula for pricing out a $4\frac{1}{2}' \times 7\frac{1}{2}'$ kitchen hutch. Looking at a job card for a recently completed 4'-wide by 7'-tall china cabinet, we find that the total materials cost was \$450 (including the 15 percent for waste) and total shop time was 100 hours (at a shop rate of \$20 an hour). The cost of that project was thus \$2,450 (= \$450 + [\$20×100]). Dividing this figure by the faces surface area ($4' \times 7' = 28$ square feet) results in a per square foot cost of \$87.50.

This figure, however, includes the china cabinet's doors and drawers: To arrive at a universal factor for pricing hutches, which will most likely be configured differently, doors and drawers must be treated separately. Referring to prior job cards reveals that a run of 20 drawers costs \$200 in materials and \$400 in shop time. Simply dividing \$600 by 20 drawers yields a cost of \$30 per drawer. A similar analysis of a door run yields a cost of \$24 per door. Since the china cabinet had two drawers (\$60) and eight doors (\$192), subtract \$252

Abbreviations of Production Process

Job preparation	C D/C M/H	Consultation Design and calculations Material handling
Sheet-stock sizing processes	Sht-C Sht-Dwr Sht-Dr Sht-Shf	Carcass panels (including backs) Drawer components Door panels Shelves
Sheet-stock milling processes	Sht-Prep-C Sht-Prep-Dwr Sht-Prep-Misc	Carcass components Drawer components Miscellaneous sheet components
Solid-stock sizing processes	Sld-Face Sld-Dwr Sld-Dr Sld-Pan Sld-Misc	Face-frame components Drawer Faces Door rails and stiles Moldings Trim, edgings
Solid-stock milling processes	Sld-Prep-Face Sld-Prep-Dwr Sld-Prep-Dr Sld-Prep-Pan	Face-frame Ritter process Drawer-face hardware preparation and edge treatment Edge treatment of rails and stiles Lamination of panels, final sizing, edge treatment, other milling processes
Component-assembly processes	Comp-Face Comp-Dwr Comp-Dr Comp-Shf Comp-C Comp-Misc	Face-frame assembly Drawer assembly Door assembly Shelf edging Carcass panel edging Sub-unit assemblies (moldings, trim packs)
Final assemblies	Ambly-C Ambly-Face Ambly-Hwr Ambly-Mld	Case assembly Installation of face to case Hardware installation Installation of molding and trim packs
Finishing	Fin-Prep Fin	Sanding and scraping processes Application of finishes, including buffing out
Delivery	Del	Delivery
Installation	Inst Inst-Tm	Installation of cabinet units Trimming out

from the total cost of \$2,450. Dividing this new figure (\$2,198) by 28 square feet yields a cost of \$78.50 per square foot of face; the universal factor for hutches. Thus the price of the 4½' × 7½' kitchen hutch under consideration can quickly be estimated as shown on page 112.

That's a handy system, but what do you do when the only job cards you own are the blank ones you just copied out of this book? When you are just starting out you have little or no data for calculating universal factors. You need to ascertain what the other boys on the block are doing. I'm not suggesting you get bids on a hypothetical project from your neighborhood custom cabinetmakers (you have to live with these guys). Instead, develop universal factors by analyzing the price sheets of a number of ready-made cabinets distributed in your area. To approximate custom work pricing, look at the models near the top of the line. Extrapolate figures for cabinets of various dimensions and configurations, with and without doors and drawers, to generate some pricing formulas. Use these until you collect enough job cards to produce your own formulas. Remember to update your factors continually as your production skills increase.

Write Bids

We've addressed presenting a quotation that specifies the contingencies under which the bid is written and how payments are to be made, but what about the bottom line — the one with the dollar figure on it? You must reveal your price sometime, but be sure you don't cut your throat when you do so. Few feelings are worse than when a prospective client takes one look at the bottom line and says, "Wow." You know at that instant that you have just either lost the job or your shirt.

Fortunately, you can write bids that won't cause such misery. Scrutinize the blueprints or drawings for every factor that could affect the final cost of the project. Account for all doors and

Time Clock

The clock is wired through the switch.
The light indicates that the clock is running.



Reset the clock to 12:00 at the beginning of each time period.
The time in the sketch indicates 8 hrs. 20 mins. of elapsed time.
(Courtesy of Stanley Rill)

drawers and any specialized hardware items, such as lazy Susans and slide-out baskets. Note cabinets with exposed end panels, because they cost more to build than those with unfinished ends. Record any unusual layouts that will affect construction methodologies and any dimensions that will produce a lot of waste in 4' x 8' sheet stock. While your nose is in the blueprints, make sure built-ins will fit through the site doors on installation day. (Second-floor bathroom vanities have been the Waterloo of many a custom cabinet-maker.) Also, since architects are not infallible, make sure the cabinetry will not cross windows or other wall openings. Once I caught this type of mistake too late. The client wasn't amused by the suggestion of installing a glass back on a cabinet that marched across an expansive picture window.

The worst job situation I ever encountered was the case of the house that was put on backwards. (Actually, it was the mirror image of the house intended for that foundation.) A mix-up of plans resulted in a "left-handed" home with a "right-handed" set of kitchen cabinets. Fortunately, we did find those cabinets a "right-handed" home eventually.

Consider some other factors before writing that final bid. If the project

will demand an unusual amount of consultation or design, due to inherent complexity or an intransigent client, account for the extra time. Large projects require more time for the logistics of handling raw materials. If a project will include delivery, check the distance to and access to the site before bidding. As I mentioned earlier, never include installation of the cabinetry within the terms of a bid (unless you are forced to). If a project is done on a fixed price, installation is a certain way to nick your throat, if not worse. Finally, think about that profit margin. While a 30-percent markup is ideal, a lower margin might be in order if competition for the project is stiff or if acquisition of this job will lead to more profitable work. In the latter case, a lower initial margin will serve as the infamous "loss leader" that helps get your foot in the door. Going below a 15-percent margin, however, should be out of the question. You may win jobs, but they will not sustain your business. Remember, you work for yourself and for your shop as well.

ESTIMATION FORM		PROJECT: KITCHEN HUTCH	
SPECIFICATIONS:			
- 4'-6" x 7'-6" x 22" (lower)		- 4 Flat recess-panel doors	
12" (upper)		- 2 Drawers	
- OAK THROUGHOUT		- Shelves open in upper	
SQUARE FACE FOOTAGE		FACTOR	
or			
LINEAL FOOTAGE			
33.75		18.50	624.38
ITEM	NUMBER OR FOOTAGE	FACTOR	
Doors	4	24.00	96.00
Drawers	2	30.00	60.00
Moldings	7 LFT. CROWN	2.50	17.50
	7 LFT. COVE	1.25	8.75
SUBCONTRACTORS			N/A
OTHER COSTS (freight, delivery, etc.)			30.00
HARDWARE			
ITEM	QTY.	PRICE @	COST
Drawer Slides	2	5.00	10.00
Door Hinges	4pr.	6.00	24.00
Shelf Clips	16	.15	2.40
Levelers	4	1.95	7.80
SUBTOTAL HARDWARE			44.20
SUMMATION		TOTAL NET	880.83
		PROJECT (margin 15%)	132.12
		TOTAL (plus tax)	1012.95

ESTIMATION FORM	PROJECT:
-----------------	----------

SPECIFICATIONS:

	FACTOR	
SQUARE FACE FOOTAGE _____ or LINEAL FOOTAGE _____	_____	

ITEM	NUMBER OR FOOTAGE	FACTOR	
Doors			
Drawers			
Moldings			

	SUBCONTRACTORS		
	OTHER COSTS (freight, delivery, etc.)		

HARDWARE			
ITEM	QTY.	PRICE @	COST
SUBTOTAL HARDWARE			

SUMMATION	TOTAL NET	
	PROJECT (margin)	
	TOTAL (plus tax)	

17

market and sustain the business

When marketing a line of high-quality custom cabinets, you must understand that you are selling yourself as well as your work. As mentioned, the consumers of these products are not motivated just by the beauty of wood and the quality of the construction. They are drawn to the opportunity to interact personally with you, the craftsman. People expect a true craftsman to reflect the qualities inherent in his or her work. You are expected to be as creative and exacting and honest and durable as the cabinets you build. Your task is to meet those expectations in how you present yourself to your clients both in your business media and displays and in your personal etiquette.

Business Media and Displays

Business cards and stationery are your emissaries to the marketplace; they should reflect your dedication to quality and hint at your creative talents. Use eye-catching graphics but avoid cartoonish, timeworn depictions of hand tools or furniture. In design, simplest is often best, and no harm can come from simply stating your name and occupation and the location and phone number of the shop.

At right is a collection of effective business cards. Although Dale West's card is simple, its all-text design is tasteful while his mission statement of "uncompromising craftsmanship" gives potential customers an ample heads up about what to expect from his work. The Huey's card is also simple but striking because of its dramatic color contrast. Michael Morrow's card uses bold colors and artwork to stand out and a statement that succinctly sums up his business. Bruce Kieffer's card offers a more general statement, though the photo of the unique vanity dresser leaves no mistake about his products. Claude Boland's card similarly uses a portfolio photo (though more as a watermark) and makes its mission statement by implication: a photo of a cabinetmaking ancestor. Finally, Ernie Baird uses a line drawing of a traditional boat from a widely seen photo

that has graced boating event posters and CD covers around the Puget sound area for years to inform the type of boat work his shop specializes in. The well-known boat was built by Ernie.

Use the same logo and typeface for your business card and your letterhead. Although not essential, personalized business stationery used to communicate with clients and trade professionals helps foster the impression of a meticulous, committed craftsman who means business.

Do not use or distribute your business media indiscriminately: Placing business cards at local restaurants and bowling alleys is a complete waste of time, and using company stationery for personal communication is a waste of a rather expensive material (and it

smacks of showmanship). Your business media should be used primarily to identify you to present and potential clients, and to lend credibility to your communication within the trade.

The rest of this chapter deals with ways of getting the market to open its doors to you. Once it does, you must have something besides your good looks and a business card to show off. I recommend preparing a portfolio of photographs and a sample case, which represents your work in three dimensions.

My present portfolio is composed of about twenty 8" x 10" color photographs that present an overall view of installations and about twenty 5" x 7" photos highlight the details. (Although projected slides are more impres-

An Overcrowded Business Card

HANDCRAFTED WOODEN CABINETRY

European Master Craftsman

15 Years Experience

- * Cabinet Design and Construction, All Styles
- * Built-Ins and Freestanding Units
- * Kitchens and Bathrooms
- * Installations
- * Antique and Furniture Repair

FREE ESTIMATES
Excellent References
914-525-0822

John Doe
222 Fog Road
Littleville, NY 00000

Some Effective Business Cards



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CUSTOM FURNITURE, INC.

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#dalewsw99jny

Claude M. Boland
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Port Townsend, Wa 98368



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cboland@cablespeed.com

Over



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www.hueyfurniture.com

sive than prints, the hassle and time involved in presenting them are real obstacles.) In the early days of my career, when the pickings were slim, the criteria I used to select portfolio candidates were somewhat less exclusionary than they are now: As long as I wasn't embarrassed by it, any piece could be included. Although the portfolio was rather small, the pictures were very good. Prospective clients will judge the quality of your work by the quality of your pictures, so consider investing in professional photography for your portfolio. Freestanding pieces are especially responsive to professional studio treatment.

Even the best photography won't survive shoddy presentation, so forget about stuffing the photos in your kid's Marvel comics folder. Buy a high-quality portfolio case from the local office supply store. Ideally the case should hold each photo in a glare-free sleeve. Each sleeve should be loosely attached to the binding for easy adding and reshuffling of photos. I like to caption each photograph with a title such as: "East Wall, Hargrave-Garrison Kitchen." Going to these lengths reinforces your image as a creative, meticulous and detail-oriented craftsman.

A nicely constructed sample case, which is just a miniature cabinet on a swiveling base (see at right), will accent the "highly skilled" facet of your public image. This cabinet can feature a number of different door and drawer styles; provide examples of face-frame and European-style cabinets; and demonstrate drawer slides, door hardware, adjustable shelf clips and adjustable legs (with clip-on kickboards). The sample case stores wood samples and a selection of miniature doors that represent other available styles. Do your best work in the creation of this case, but use standard materials and procedures in its execution. It is, after all, a representation of the product you offer to the marketplace. Don't include hand-cut dovetails in rosewood drawer sides unless you intend to offer such features in your production units.



This sample case is actually a miniature standard cabinet module. The sides display different styles of doors and drawer faces and pull hardware. One face is operational, opening to reveal a miniature drawer, an adjustable shelf and a slide-out. Don't get carried away with extraordinary details on your sample case; it must honestly represent your production cabinetry.

Build Relationships Within the Trade

A custom cabinetmaker's work often comes through referrals from architects, interior designers and custom builders. For this reason, you should cultivate relationships with as many of these professionals as possible. When developing a list of potential contacts, begin with architects as they can offer referrals to other members of the trade. Since the work of many architects carries them far from the world of custom woodworking, you needn't call on every one of them. Eliminate any listed under "industrial designers" and "project management" in the yellow pages. Screen the remaining architects with a simple telephone introduction: "Hello, I own Woodchuck Woodworking. We specialize in high-quality custom cabinetry and wonder if you have anything on the boards that might require this kind of product." Most architects will respond with a straightforward yes or no. The ones who respond immediately with a firm yes are usually involved in a residential or commercial design where they have some control over the selection of subcontractors. These are your hottest prospects; respond with a brief rehearsed soliloquy about yourself,

then request an opportunity to show your portfolio and sample case. A reserved yes usually means the architect is designing for builders who handle their own woodworking or subcontract it. All is not lost, however, as architects are usually willing to name local general contractors who specialize in custom-home construction or who use custom woodworking elsewhere in their businesses. Architects have nothing to lose by offering the names of their clients, and you have everything to gain by growing your network of contacts.

Begin screening this select group of contractors by telephone. Mention the name of the referring architect, then ask whether any of the projects currently under construction or in proposal will have bids let out for custom cabinetry. If the answer is positive, recite your introductory soliloquy and request an opportunity to show your sample case and obtain a copy of the blueprints for the project. Many contractors will say that they already have shops they feel comfortable dealing with, but they will be open to meeting a new guy. Take advantage of this; you can be pretty comfortable to work with, too.

Some architects may offer names of interior designers. Introduce your

products to them as well. You'll find, however, that most interior designers have little to do with interior woodworking and custom cabinetry. They are primarily contracted to choose and coordinate wall and floor coverings, fabrics, furniture styles and other decorative aspects of interiors. You may just find a designer who's involved in built-in furniture designs and kitchen layouts and is happy to learn of craftsmen who can provide well-built products.

Contact Cards

Before long, you'll be inundated with the names, addresses and phone numbers of contacts and contact referrals. Follow up on all of these, and develop a system for organizing the information and keeping it up-to-date. On a card like the one below, contacts are put into four categories: architects, interior designers, general contractors and owner-builders. There is also space to write in the source of the referral. (You can always get a toe in the door if you mention the name of a contact's colleague when introducing yourself.) Use a series of columns to record the sequence of any transactions; be sure to date each transaction and indicate its nature using the abbreviations pro-

A Contact Card

CONTACT:							REFERRED BY: Architect Interior Designer Contractor Owner (Circle one)								
ADDRESS							TRANSACTION ABBREVIATIONS								
PHONE (home) _____ (office) _____ (site) _____							NA - No Answer			MA - Made Appointment					
							LM - Left Message			MR - Made Referral					
							CB - Instructed to call back			UD - Update					
TRANSACTIONS															
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
DATE															
REFERRALS:															

vided. Never leave a dated transaction column blank. If an appointment is made, write it into a separate appointment calendar immediately. If referrals are offered, note them on the card and fill out a new contact card for each name.

Appointment Etiquette and a Pep Talk

When scheduling a business meeting outside the shop, avoid Mondays. Everybody is recovering from the weekend and wondering why they are at work; don't make them wonder why you are there, too. Fridays are also bad. Everyone is anxious to go home; don't be one more reason why they can't yet.

Having arranged a potentially lucrative meeting, make the most of it. Be punctual. If you must cancel the appointment, or if you run late call as soon as possible and reschedule. Such courtesy is noted and appreciated, and it makes a good impression before you even show up. Dress in clean clothes you keep for these occasions, but don't overdo it. You are a woodworker first and a businessperson second. Avoid suits; a casual sport coat is fine.

With an impressive portfolio in one hand and a sample masterpiece in the other, you have some heavy artillery for any business meeting. Avoid two thoughts that could damage that valuable first impression. The first: "My work stinks compared to the work of a lot of other people around here." A good way to respond to this thought is to acknowledge its truth. Nearly every woodworker at some time meets somebody whose work is better; those who feel they are the best may have ceased to appreciate and learn from the work of others and it shows. The other damaging thought: "With so many other woodworkers out there, how can there possibly be room for me?" Of course you won't know unless you try, but chances are there's plenty of room at the inn. Remember you are the woodworker currently meeting with this particular client. The opportunity for you to be in the right place at the right time puts you light-years ahead of those

craftsmen who are hiding in their shops (even the ones whose work is somehow always better than yours).

Once in the meeting, be polite. Introduce yourself via an orchestrated journey through your portfolio. The photographs will provide a stimulating visual backdrop as you intone your resume. Make your sojourn as entertaining as possible, offering quips and interesting (but brief) sidelights to the material being presented. At the end of your portfolio, turn the spotlight on your sample case. Let your host open and close the doors and drawers of the case; he or she will discover the door and wood samples stored within. Questions and comments will invariably result, and the prospective client will take over the show. Very likely the subject of his or her own work will come up, and you should encourage this. When the time looks right, steer the conversation toward current projects on the boards and under proposal. This gives you a chance to evaluate the job potential of this particular contact.

Conclude the meeting by affirming whatever follow-up seems appropriate. If the potential for work is imminent, suggest another meeting, perhaps with your host's clients present. Even if the potential rewards of this meeting seem far off, say you will stay in touch, then keep that promise. Do not join the crowds of shop-bound woodworkers, forever lost to the contacts that you have just begun to nurture. Before exiting, hand over several of your business cards and extend thanks for the meeting. If you have a Web site that features sample photos and testimonials on your work, be sure to mention it and to point the address out on your card.

Don't dawdle; sweep yourself out the door before the secretary tries to sweep you under the rug. As soon as possible, write down everything pertinent to the meeting. Log on the contact card the follow-up, note if other forms of follow-up are necessary (such as sending copies of photos in your portfolio), fill out new contact cards for any referrals and enter subsequent appointments onto your calendar.

Direct Marketing to Consumers

A large portion of your work probably will come through direct contact with consumers. Through relationships with trade professionals, you may receive direct referrals to their clients. These are always good prospects, as their names would not have been released unless they had reserved the right to contract for their own cabinetry.

Another way to find these owner-builders is to comb through recently issued building permits at the county's planning department. If a project is to be built by the owner, the permit will say so. A more convenient strategy may be to join the local builders association; up-to-date listings of building permits often appear in their newsletters. There are, of course, other benefits to joining these organizations, not the least of which is the dissemination of your name among a receptive group of tradespeople.

About once a month, peruse the permit data and send a business card and standard letter of introduction (see the sample next page) to promising prospects. The postcard mailer shown on page 120 is another excellent option. Select the lucky recipients of your communication based on the category of the permit, the value of the project per square foot and the location. In my own estimation, if the category is residential, the value of the project reflects an above-average investment and the location is in an area of high land values or other custom homes, then I've found a hot prospect. After sending the letter or postcard, wait about a week and follow up with a phone call. Politely ask if the prospect received your mailing and whether he or she wants to meet with you to discuss the project further. He or she will probably say no. Don't be surprised; the rate of positive return on any kind of marketing strategy is, almost without exception, far less than 10 percent. Prospects will tell you they have already hired a cabinet-maker or they are doing the cabinets themselves with the jigsaw they got for Christmas (don't laugh) or they are planning to order cabinets from

A Direct-Marketing Letter



Dear

I recently learned through the local builders' grapevine that you are contemplating, or have already begun, the construction of a new home or remodel. If you are interested in obtaining competitively priced, well-built cabinets for your project, you might wish to consider the services of a local custom cabinetmaker.

Employing the skills of a local craftsman allows you to obtain products that will be carefully designed and constructed to meet the specific, demanding requirements of your unique project. Nearly any configuration of cabinet can be constructed, and any of the wide variety of cabinet woods and specialty hardware items can be incorporated into the design. The choice is up to you.

I would be pleased to show you a portfolio of my work, which encompasses twenty years of supplying fine homes with fine cabinetwork in styles ranging from the strictly period reproduction to the uniquely contemporary. Please feel free to call and arrange for an appointment. I look forward to meeting you, and I wish you well on your project. Thank you for taking the time to read this letter.

Sincerely,

Home Depot. For the one in twenty who says, "Yes, I'm glad you called," pull out a fresh contact card; fill in the name, phone number and address (and the site address, if different); and indicate in the transaction column what the next move is to be. If a meeting is planned, note it on the contact card and on your appointment calendar.

Whether to meet prospective clients at their home (or the site) or in your shop is generally left up to you. Most people, however, will express a desire to see where you work. As we discussed earlier, the public seems to carry a universal image of the vener-

able woodworking craftsman, and they are curious to see one in action. Don't disappoint them; invite them to your shop.

Schedule the meeting to take place during a logical break in your workday, such as at lunchtime or immediately after quitting time. Try to have the shop somewhat neat so your prospects won't trip over wood scraps, but leave some hand tools out to satisfy their expectations of Geppetto's workshop. Once they arrive, give them the shop tour and briefly mention your work in progress. As in your meetings with the trade professionals, your big guns are

your portfolio and sample case. Steer the clients to the office (if you have one) and make them comfortable. Offer a beverage, and then jump right into the show.

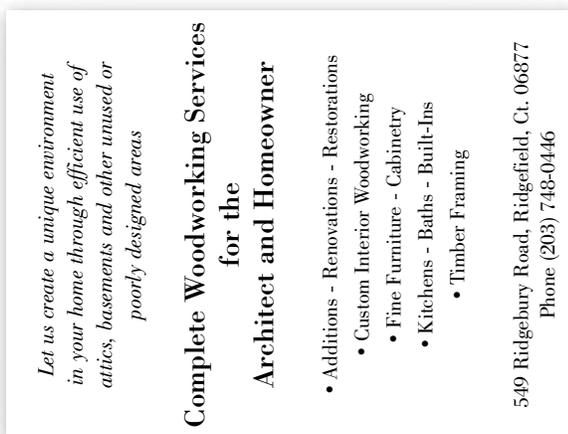
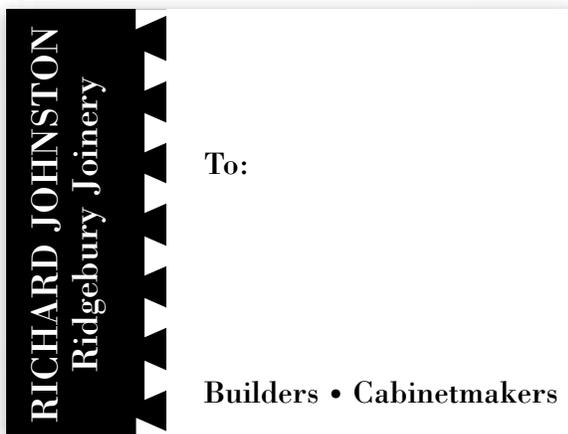
You can determine quite a bit about your prospects by the questions they ask. If they all relate to money, heed the caution light in your head; these people are less interested in your product than in what you charge for it. This doesn't necessarily mean all bets are off. It can simply indicate they are pricing out the various components of their new home. In this case, spend less time on product information and get right down to the bottom line.

It doesn't hurt to bring up the subject of money. In fact, I usually tell people the approximate prices of the projects shown in the portfolio. I can then judge from their reactions how serious they are about investing money in their dream cabinetry. Don't try to shatter these dreams, but don't get yourself into a nightmare, either.

I am usually wary of the prospective client who concentrates solely on the work and shows absolutely no interest in the price. While it might appear that the ideal money-is-no-object consumer has come to your door, this person is probably just there to pick your brain and get some free ideas. Never write off a prospective client with whom you meet; simply arrange to develop a bid for the project. If the client cannot leave a set of plans, arrange for copies to be made at a print shop where you have an account. The copies can be left for you to pick up at your convenience. (Clients usually pay for the copies, but if they're charged to your account, you will likely pay less than you would to mail the original prints back to the client.)

Be prompt with any quotation, and send it with a note on another business card thanking the prospective clients for coming to your shop. Don't hold your breath awaiting their response; it may take months, or it may not come at all. Following up the quotation with a phone call is not necessary. If the job is yours, which is all you really want to know, they will tell you in due time.

A Postcard Mailer



Advertising Avenues

Many people in the trades say that trying to find work through advertising is a dead end. In my experience, they are mostly right, especially about paid advertising. However, nearly everyone puts things inside cabinets. If you are just getting started or have moved your shop, it is worth trying to reach people through advertising.

The least expensive (but not free) advertising is a classified ad in the local newspaper. You can spend a little more money for a display ad, but I don't believe these are more effective. Newspapers usually offer a price break to long-standing advertisers (which is the only effective way to use this kind of advertising) and often provide a separate column for service listings, including cabinetmaking. See if you can get them to add custom to the title. For a while, you may be the only one listed under this heading.

The ad I usually run is shown on the

next page. It contains only 16 words plus a phone number, yet it conveys enough information to introduce the products I make. Placing my name and occupation in bold print at the beginning of the ad leaves nothing to chance. Over an extended period of time, the classified readership subconsciously links that name to cabinetmaking. This will occasionally produce an inquiry; but don't pin your hopes on it.

Another way to buy advertising at a reasonable rate is to list your business in various regional yellow pages. For people who are new to an area or who have no source of referrals, the yellow pages serve as a credible introduction to the service community. If your name is there, you may get a call. Always ask callers where they got your name; learn which of your advertising dollars have some effect.

Probably the most effective advertising is the kind you don't have to pay

for. I call it indirect advertising, anything that ties your name to your work. Most communities offer a host of opportunities for this type of advertising. You can participate officially in community events that enjoy high public visibility, such as parades and fairs. You can donate shop time to local nonprofit endeavors. If you have the inclination, you can teach woodworking on a volunteer basis to kids, or for pay to adults at night school. For a number of years, I opened my shop several evenings a week to six amateur woodworkers. I charged by the hour for the use of the shop, throwing in advice and occasional instruction at no extra charge. Numerous referrals and subsequent jobs resulted from these contacts. I've also helped build playground equipment, parade floats and small boats (for raffles). Any of these activities can help make your name synonymous with your work and can set you up for a feature story in the weekend edition of the local newspaper.

Also consider joining the local chamber of commerce and other business organizations that promote local industry. This will enhance your credibility as a business entity within the community, and participation in these officially sanctioned groups will also spread word of who you are and what you do to a large number of professionally and socially active people.

A Good Reputation

The most important asset that a person can acquire in this business, other than a mastery of vocational skills, is a good reputation. When you are perceived by the community as having this near-mystical quality, your security as a self-employed craftsman is greatly enhanced. This esteemed stature becomes the only form of advertising necessary to attract a steady flow of business to your shop. You can groom a perception within your community that you do, indeed, have a good reputation. The secret lies in learning how to conduct yourself around the people you work for and those you work with.

I must admit that I have at times

paid dearly to keep the "good" in my good reputation. Indeed, I have found a great deal of truth in that old maxim that proclaims, "The customer is always right," even on the occasions when I knew I wasn't wrong.

With almost every client discrepancies somehow slip between the cracks of mutual understanding: times when a drawer will not be where it's supposed to be or when proportions of full-scale moldings do not match the client's expectations. I find that the best way to handle these situations is simply to correct the "error" if it can be done without a major expenditure of additional labor. This allows the clients to feel that you are truly concerned with their happiness.

On any job, one of your goals should be to leave the clients feeling good about you and your work. Remember that you are pleasing not just this client but all those clients in your future. In the end, it is great to have former clients speak highly of you to their peers, beneficial if they speak of you at all and absolutely deadly if they speak ill of you. The effects of ill will at the end of a job last long and reach far, and are far more detrimental than swallowing a little ego and eating some humble pie. If you are careful with the written agreements, you should never have to eat too heartily.

You'll likely be relieved to hear that there are less-stressful ways to help make a client feel good. Be courteous when customers walk into your shop but also be attentive to why they are there. While there is a limit to the amount of time you can take away from production without charging for it, your clients need to feel at ease talking with you. My own rule is that when the visit moves beyond 15 minutes, it's time to blow the whistle and schedule a paid consultation. If an unannounced, unknown visitor comes to your shop, graciously suggest scheduling a meeting at a mutually convenient time. If the inquiry begins to resemble a consultation, mention your consultation fees — that should separate the wheat from the chaff.

A Classified Ad

Jim Tolpin, Cabinetmaker:

Finely crafted custom kitchens, baths, furniture and entryways for fine homes since 1970.
768-3975.

As subsequent client meetings take place, always show interest and respect for their ideas on design, layout and, heaven forbid, construction techniques. You may be surprised to find that some of their ideas are even workable. In any case, your clients should feel that you share their enthusiasm and excitement about their kitchen, breakfront, etc., and that you are proud to be a party to its creation. Remind yourself that no matter how many kitchens or other projects you have done, this particular one will be unique and dear to the people who have entrusted you to build it. After all, if they didn't feel so strongly about their furnishings, they wouldn't have come to you, the master custom cabinetmaker, in the first place.

Having received a deposit and begun working on a project, stay in close touch with the anxious owners-to-be. At appropriate stages, invite them to the shop to view progress. Allow them to share the excitement of creation; this will also help them to remember to pay the installments without prompting.

When the project is finally complete and awaiting delivery, call your clients in for a viewing. Before they arrive, cover the work with a clean white sheet. This conveys to them that you are protecting the piece from the perils of the workplace, and it adds to the drama of the unveiling. This viewing allows everybody to discuss and enjoy the completion of the project free of the usual hustle and tension of installation. Again, do what you can to promote good feelings.

When installation time arrives, observe the basic rules of etiquette. Avoid damaging your clients' doors, floors, carpets or poodle(s). (I have done in one of each over the past 30 years.)

Protect vulnerable areas with drop cloths or moving blankets (the latter can be rented, and often purchased, at local U-Haul outlets). Give the poodle a bone and lock the dog in the bathroom. Before leaving, vacuum and wipe clean everything you touched and put everything you disturbed back in its place. The only evidence of your presence should be the professionally installed project. If the project is a kitchen, try leaving a fresh bouquet of flowers on the sparkling new countertop. Remember to leave several business cards tucked in the flatware drawer — and to let the mutt out of the bathroom.

Follow Up

Summoning the energy to follow up on a completed job can be hard to do, but it's definitely worthwhile. A month or so after the project has been completed, when your clients have had time to live with the work, call them and ask how everything is going. Chances are excellent that everything will be just fine. (If they aren't, you will hear about it in less than a month.) This follow-up phone call will be appreciated and will reinforce your clients' perception that you care about the quality of your work and their satisfaction with it. What a superb way to turn a former client into a future client.

Working for the Generals

In new homes and large remodels, you may find yourself working for a general contractor. Maintaining a good reputation with this breed of client requires a different form of etiquette. Leaving flowers for the general will not work.

Establishing a relationship with a contractor is less a matter of achieving personal rapport than it is of striving to be a useful cog in the machine that built Jack's house. That machine is a merry-go-round. On it you will find plumbers, electricians, painters, wall-paper hangers, stairmakers, tile setters, Sheetrockers, carpet layers, carpenters, architects, owners and six different radios set to six different stations. Your job here is to become a good carousel horse, running like mad in one place

and never getting in anyone's way. To this end, it helps to enlist the golden rule of subcontracting: Take your orders from the general, but do nothing until you've talked to the other subs first. These are the people who you will actually have to work around (and over, under and beside). Be assured that if you work well with the other subcontractors on the project, you'll look just fine to the top gun. His or her primary concern is that the job as a whole progresses smoothly, so don't stop the music (in fact, bring your own radio).

It pays to keep the army of subs happy with you as well, since you will probably find yourself working around them again. Remember that all subcontractors are essentially in the same business and that work for one tends to lead to work for everyone else. I always look forward to installation time and the sharing of bad coffee and even worse humor with other tradesmen whose respect I have earned.

Working With the Team

It may be clear on your contract who is paying you, but this is not necessarily the person who will be making critical decisions about the job. On larger projects, the decisions concerning your piece of the pie might be made by any number of people, including the general contractor, the architect, the interior designer, the finish subcontractor and the owners. At any given time, who should make a decision largely depends upon the aspect of the project under question. The owner (if there is more than one, make sure they speak with one voice), in conjunction with the project's designer, should have the final say on matters concerning layout, design details and options called for in the final approved drawings for the project. If you were not the designer, be sure you are clear who was. If a correction affects another subcontractor, inform the general contractor immediately.

In reality, almost any change that occurs after the final drawings are approved is likely to affect everyone. It's imperative that those involved in the

direction of a large project meet on a regular basis to keep the work on course. This is the only way you can be assured that any change orders you receive (you already know they have to be in writing) are understood and approved by the people who are affected by them. If you suspect that the orders haven't been seen by everybody (I've been on a number of jobs that were undermined by interpersonal hostilities), go up the chain of command and ask. Questioning orders properly will do your reputation no harm, but getting caught in the middle and blamed for a change that should not have been made can do you a world of harm.

epilogue

Our work as independent custom cabinetmakers is a relatively rare phenomenon in the 21st-century world. As we are apparently becoming a nation of consumers for the rest of the planet, the number of people who derive a livelihood from the creative use of their minds and hands will likely continue to diminish. Custom cabinetmakers will not likely ever be included on charts that list growth industries.

Yet the humane value of participating in an occupation that walks tenuously between the handicrafts of the last century and the electronic revolution of this one can hardly be judged by its impact on the gross national product. The work that we do is truly important. The lifestyle that comes to us through the nature of this work nurtures and enriches us, and I trust that the products that we build and sell to our neighbors will enrich their lives as well.

appendix 3 production flowchart

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