

# Create Bigger Profits With Better Estimating

*By Lisa Waggoner*

**C**reating estimates for jobs is time consuming, tedious and absolutely necessary for maintaining a good working relationship with your clients. The problems that arise in a job without an estimate can range from forgotten tasks and missed costs to expensive underbilling and lost clients. Taking the time to plan a job—including time and costs— will ultimately result in happier clients and more profits for you.

An estimate is more than just good business. From the printed estimate, your client should have a clear idea of what will be done on the job and how much he can expect it to cost. You may even choose to show deadlines that need to be met and how much time each task requires. With most clients, you probably have some sort of contract indicating your terms and conditions, but it may well be worth having a simplified version of that extensive agreement printed on your estimates.



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## BIGGER PROFITS FROM BETTER ESTIMATING



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The more you disclose before the job begins, the less chance there is for misunderstandings that cost you money, a client, or both.

### Protect Yourself

Besides a commitment to the client, the estimate is also a commitment from the client to you. Your client's signature indicates that he understands the deal and agrees to it. When the client then calls for changes, additions, and revisions, you can issue change orders to the original estimate and then willingly do whatever work is required without having to worry about being able to bill for it. Neither the client nor you have to deal with unpleasant surprises.

### Know Your Costs

Budgeting your costs in advance and estimating what you are going to charge your client helps you make informed decisions as the job progresses, too. Periodically check a job to see what costs have been incurred against the estimate. Agency software can help you by making it easy to review estimate amounts and costs-to-date for jobs and by automatically warning you as you approach preset limits. The system should also be able to determine if a job or task has been approved beyond the estimate stage so that no work is done without authorization.

### Strategies for Better Estimates

Creating an estimate requires you to think through the job in detail. Break an estimate down into its basic components or tasks. Then, to save time, set up templates of preset tasks for typical jobs so that you won't have to rethink every step every time. Templates of typical tasks prevent you from forgetting key elements or steps that can be costly to absorb if they aren't itemized for the client.

Unfortunately, estimating takes a lot of time. A final estimate can't be created without calling vendors for quotes and carefully determining the time needed to do the work. However, you don't have to create the estimates from scratch every time since repetitive work like this lends itself to automation.

### Don't Forget The Past

Save hundreds of hours of unbillable time with a system that allows you to quickly review past jobs and create a ballpark price for the client. Having detailed information about specific job types and their costs easily available, lets you determine whether a

given project is even within your clients budget—without picking up the phone to a single vendor.

Since costs can fluctuate over time, be sure to date estimates and specify an expiration. You may also use a revision number for the estimate to keep track of which version was last submitted for approval.

**“Your client's signature indicates that he understands the deal and agrees to it. When the client then calls for changes, additions, and revisions you can issue change orders to the original estimate and then willingly do whatever work is required without having to worry about being able to bill for it.”**



### Why use Clients & Profits for estimating?

A recent survey showed 75% of advertising agencies and graphic design firms that use Clients & Profits use it for estimating jobs. Before using Clients & Profits, most used Microsoft Excel, ClarisWorks, FileMaker, and Quark to print estimates for clients.

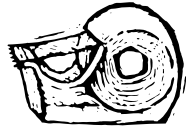
The survey asked: What do you like about estimating with Clients & Profits? Their answers make a compelling case for ditching your spreadsheet:

- Estimates are flexible, and easy to print (and reprint)
- Creating estimates is fast (since there's no double-entry)
- Estimates are easy to revise
- The printed estimate looks professional
- A client can be billed directly for an estimate
- Estimate amounts flow automatically onto job reports

How do you compare:

- Estimates printed per week: 18
- % that actually become jobs: 75%
- % of shops that add contingencies: 65%
- The typical contingency is 10% to 25%
- Estimates are revised 4 times, on avg.
- 40% of jobs begin without a signed estimate

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## FLEXIBILITY HELPS EVERYONE MAKE SMART-LOOKING ESTIMATES

By Mindy Williams



"Clients & Profits gave us a consistent structure to the (work) process which speeds up estimating and makes one consider all costs," says Mark Deitsch, the Accounting Manager for Vienna, West Virginia-based Deitsch Design Group.

Clients & Profits was designed specifically to give everyone in your shop a common place to estimate jobs. Since everyone uses the same system, everyone's estimates will look the same. No matter who does the estimate, your clients will recognize that they're from you. But while each estimate looks the same, Clients & Profits gives you the flexibility to tailor an estimate for each client.

How does it work? First, there are two estimate formats: Simple estimates and advanced estimates. Simple estimates let you make an estimate fast by simply entering each task's budget, hours, markup, billing rate, and estimate amount. An advanced estimate is more detailed, providing up to three separate estimate

amounts per job. If you need to give your client a choice among different printing quantities (10k, 20k, 30k) or various color qualities (1-color, 2-color, 4-color), then the advanced estimate is used. The column headings are customizable.

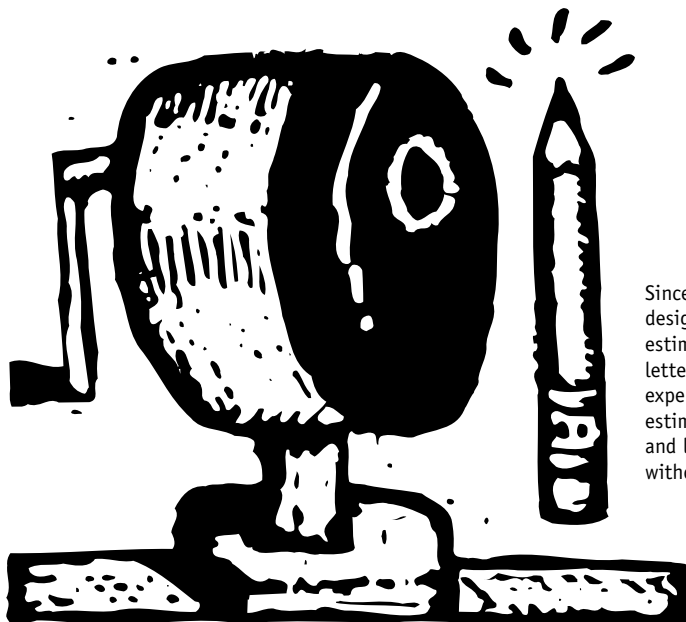
Estimates can be revised as many times as needed. Each revision is numbered automatically. Estimate revisions are published instantly as they are saved, and can be reviewed and reprinted from anyone's computer. If your co-workers need to see the estimate, it's available to them as soon as you save it.

Each estimate has display options that show more or less detail on the printed estimate. Tasks can even be rolled up into one another to show a client only totals, not individual estimate amounts. Or, you can show a client the job's grand total only.

Concludes Deitsch: "Be faithful to it, always use it, and you'll always have a clear goal to work towards."

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*Mindy Williams is a senior member of the Clients & Profits support team.*



Since Clients & Profits is designed for laser printers, estimates print on letterhead and not expensive forms. The estimate's font, margins, and logo can be customized without programming.

### PROS & CONS: Showing Hours on Estimates

#### SHOW clients hours because:

- Showing estimated hours promotes an open, trusting relationship with clients. After all, you're not hiding anything. You're providing them with a complete picture of the work you're doing, which can prevent embarrassing (and potentially client-losing) surprises.
- It holds your agency to a higher level of accountability. But if the hours go over, what do you do? (Answer: A change order!)

#### DON'T show client hours because:

- Clients can easily calculate your hourly rates. It's a simple calculation for a client to figure out the billing rate per hour for a task that they feel is unreasonable.
- For shops that get monthly retainers, the Show Hours option probably wouldn't be used. Since retainers typically (hopefully) cover the cost of staff hours, a job's estimate would only show outside and free-lance costs.
- Your client might question the number of hours shown on an estimate. That's because your client sees that your agency plans its work very carefully, down to the hour.
- The ad business is turning away from a time-and-costs billing model to a value-based model, where agency compensation is based on the value generated from the work. If your work is increasing the client's sales and profits, it may be more profitable to simply estimate the total cost of job—including creative time.

The Show Hours option is just an option, after all. You can always estimate the hours for internal job tracking—just don't include them on the printed estimate. You can decide to show or hide estimated hours separately for each job. The problem is, once your client knows it's there, they may ask to see estimated hours on every estimate.

# MAKING THE PERFECT ESTIMATE

## Twelve Steps For Clearer, More Complete Estimates

**1.** Paste your shop's logo here.

Estimates are designed for plain paper, so no letterhead is needed. Also, your logo will print in color on a color ink-jet printer.

**2.** The client's name and address are copied from the Client file, so there's no double-entry. It helps make your estimates more consistent, too.

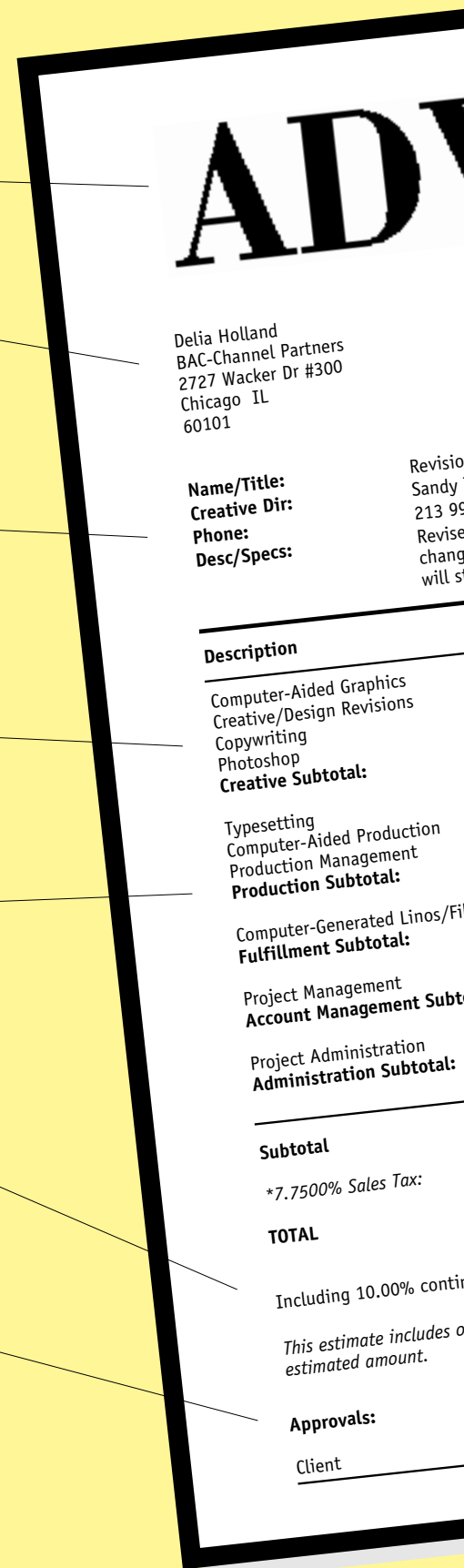
**3.** The job name and description describe the work you're doing for the client. The AE's name and phone appear for the client's easy reference.

**4.** The steps needed to complete the job can be listed in detail, or summarized in different ways. You decide what tasks are called, as well as how they appear, on the printed estimate. An optional description (not shown) can be shown for each job task.

**5.** Job tasks can be sub-totaled by groups. They make estimates more logical by arranging like tasks together.

**6.** Every job needs a contingency. You can enter either a percentage (say, 10% to cover revisions) or a dollar amount (like \$1,000 to cover printing overruns). A short description can be entered to explain the contingency.

**7.** Up to three approval names can appear on the printed estimate. By getting the estimate signed, you'll have something in writing that can help resolve billing disputes.





# Estimate

Date  
Number  
Revision  
AE/Team  
Client PO#  
Due Date:

05/02/96  
BAC-121  
4  
AAA  
A-1284300  
02/29/96

ns to Service Brochures  
Templeton  
99-1927

covers and inside pages to 8-page plus cover brochures. Includes Photoshop  
pages to cover. Copy changes are handwritten. Finished art is digital file. Printer  
trip in 4c art at same size as previously used.

	Est. Hours	Estimate
	2.00	\$ 900.00 *
		\$ 700.00 *
	3.00	\$ 180.00 *
	3.00	\$ 450.00 *
		<b>\$ 2,230.00</b>
	6.00	\$ 360.00 *
	10.00	\$ 540.00 *
	2.00	\$ 540.00 *
		<b>\$ 1,440.00</b>
		\$ 700.00 *
		<b>\$ 700.00</b>
		\$ 360.00 *
		<b>\$ 360.00</b>
		\$ 70.00 *
	1.50	<b>\$ 70.00</b>
		<b>\$ 4,800.00</b>
		\$ 372.00
		<b>\$ 5,172.00</b>
<b>Total Estimated Hours:</b>	<b>27.50</b>	\$ 5,689.20

gency:  
only the items listed above, and does not include client revisions that exceed the

Date: \_\_\_\_\_

8. The title "Estimate" can be customized on a given job. The title can be changed to "Authorization" or "Proposal" to better fit a client's demands.

9. The printed estimate always shows the revision number. Revisions are numbered automatically whenever the job's estimate is edited.

10. Each task shows its estimate amount. You have the option of showing one, two, or three different estimates per task. As an option, the printed estimate will show the hours estimated to do the work. If a task has no estimate, the words "no charge," "TBD," or some other phase can appear in the estimate column.

11. Sales tax can be added to each task on the job ticket. Up to two sales taxes can be calculated using tax rates from the client's account.

12. Here's the Fine Print. It's a user-defined disclaimer that sets the terms and conditions for this estimate. The standard disclaimer is copied to every new job, but it can be tailored as needed.

## ESTIMATING QUESTIONS AND ANSWERS



### Q. How do I show sales tax on estimates?

Sales tax is calculated from the estimate amounts for each job task. Each task has a sales tax setting, either taxable or non-taxable, for one or two different sales taxes. The sales tax settings are copied from the Task Table to the job ticket every time a new task is added. The job task's sales tax settings can also be edited. The sales tax rate is copied from the client account. When the estimate is printed, you'll see asterisks indicating taxable job tasks.

### Q. We frequently add the same tasks to new job tickets. Is there a shortcut?

Yes! Job templates can be created that contain standard selections of tasks. The job template is part of the job type/spec sheet, so you can set up dozens of different templates. When a job is added, you'll be prompted to choose a job type. When the job is saved, the template's tasks will be copied automatically. Of course, job tasks can be added, edited, or removed from a job ticket later.

### Q. We print estimates on a laser printer. How can we print several copies of the same estimate?

Up to five separate copies of an estimate can be printed by entering distribution names in the job's Estimate Options window. Then choose the "print distribution copies"

option when the estimate is printed. A separate estimate will be printed, with the distribution name (such as AE, Client, Job Jacket, etc.) appearing at the bottom of the page.

### Q. Can estimates be faxed directly from Clients & Profits?

**Faxing from Clients & Profits is easy:**

**"With a modem and fax software, it's easy to fax estimates, invoices, job lists, purchase orders, and any other report directly from Clients & Profits."**

Yes! With a modem and fax software like GlobalFax by Global Village, it's easy to fax estimates (and any other report) directly from Clients & Profits. In fact, any report can be printed directly to a fax machine—it's no different than printing to a laser printer. On a Mac, most fax programs let you choose the fax by holding down the Option key (or something equivalent to the Option key) then choosing Print... from the File menu. In some cases, however, some reports are printed without choosing Print from the File menu (for example, reports printed from Lookup windows). In these cases, choose your fax software in the Chooser first. Once chosen, any report will be printed directly to the fax. When you're finished faxing, open the Chooser

then select your regular printer. In Windows, make the fax driver the default printer then print normally.

### Q. Is there a program that would spell check Clients & Profits?

Yes. Try Spelling Coach Professional by Deneba Software. It costs less than \$100 and checks your spelling as you type, so it works with any program (including E-mail). Call Deneba at (305) 596-5644.



## GUARANTEED GREAT IDEAS!

### Estimating Tips from Real Clients & Profits Users

**Clone, clone clone.** Cloning makes an exact duplicate of an existing job, down to the estimate amounts and disclaimer. Jobs that are repetitive (or typical) can have their specs, job tasks, task notes, budgets, and estimates cloned into new jobs. Cloning jobs is much faster than adding a new job, and any part can be changed once it is saved.

—Wendy Brock, *Aller & Rasmussen, Salt Lake City, Utah*

**Plan for contingencies.** Estimating is not a perfect science. That's why there's contingencies. The contingency option alleviates the need for having to document small increases to estimated costs. In situations where even the contingency is exceeded, but be sure to add change orders. —Shawn G. Zwillig, *Axcess Group, Atlanta, Georgia*

**Showing "No Charge" Tasks.** A no-charge task may be added to an estimate for different reasons: To show a client-paid cost, to highlight a task with costs included elsewhere, or because you may not know it is real estimate amount yet. The job's Estimate Option window includes a field labeled "show zero as" just for this purpose. Any text entered into this field will appear on the printed estimate on tasks without estimates. —Danni Sandroni, *Merkel Schleicher, Orlando, Florida*



## WHEN THE CLIENT CHANGES ITS MIND

By Mark Robillard

Change is inevitable, right? It certainly is when you're talking about clients and their jobs.

I don't think I've ever heard of a job that didn't change from its original estimate. The question always was: who pays? In the good old days of retainers and fat media commissions, an agency could (sometimes) afford to change a job—in the name of client relations—at no charge.

But these days? Forget it.

Since client changes are inescapable, what's the best way to not get nailed? There are two choices: revise the estimate or add a change order.

Revising a Clients & Profits estimate is quick—just type in the new amounts over the old ones. Clients & Profits makes it easy to track revisions, since it numbers each revision to an estimate automatically. When the estimate is printed, you'll see the revision number at the top of the page. Store copies of these estimates in the job jacket and you've got a visual history of the

job's changes. But estimate revisions have a serious drawback: They remind the client (again) of how expensive the job has become.

A better solution is a **change order**.

Here's how it works: you'll add a change order each time the client makes a substantial change—even if it doesn't cost anything. The change order only shows what the client wants changed, not the job's original estimate. The printed change order even looks like the estimate, as to not draw attention to itself. But it includes a signature line to document the client's approval of the change.

Change orders increase the job's budget and estimate, which your account managers track on job summaries and job lists. Clients & Profits will even combine change order amounts with estimates automatically on client invoices, preventing lost income.

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*Mark Robillard developed Clients & Profits and is a cofounder of Working Computer.*

## 7 WAYS TO CUSTOMIZE ESTIMATES IN CLIENTS & PROFITS

1. Change the heading "Estimate" to "Authorization," "Proposal" or some other meaningful title.
2. Pick a cool font (but use trial-and-error to find the one that looks best).
3. Change the estimate's margins to fit your fancy letterhead.
4. Paste any PICT file (or .BMP file in Windows) into the estimate's logo field. You may not need to print on letterhead!
5. Rearrange job tasks into easy-to-understand categories (i.e., Creative, Production, Out side Costs, etc.) by using the Group and Sort fields.
6. Combine several tasks together using the Roll-up option.
7. Show a different disclaimer for different kinds of jobs by creating and using job types/spec sheets.



*How to make these changes:* The estimate heading, disclaimer, and display options are customizable for each job and is changed in the Job Ticket window. The estimate logo and margins are system-wide preferences, and are changed by choosing Report Options from the Setup menu. Group and sort are task settings, and are customized by double-clicking on a task in the Job Ticket window. To change the estimate's fonts, choose Report Fonts from the Utilities menu.

## BETTER ESTIMATING (con't)



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A contingency for minor overruns will prepare the client for a slightly higher amount without having to revise and reapprove the estimate for minor changes or unforeseen costs. Show a 5% to 10% contingency amount in case some costs run a little over the original quote. The extra amount also prevents you from having to absorb extra costs incurred on the client's behalf—extra costs that eat into your profit.

### How Much Choice?

Before you can begin a job, it is common to provide two or more estimate choices depending on the final specifications required

by the client. An automated system should let you keep all estimates on line so that as soon as one is selected you can immediately open the job and begin work. Sometimes a previous estimate option becomes the final estimate so you want to keep all original variations handy. It is very convenient if your software allows you to easily merge the cost information against the estimate changes while still keeping all the estimate variations available for reference.

### Change Orders Are Essential

If the original job specifications change once work has begun, make up change orders for the revisions and present these to the client for approval. Any changes that result in additional costs can then be readily added to the billing. Revisions made to the estimate at this point can be noted by indicating a revision number on the estimate itself.

Determine where you can cut if the estimate is for more than you think you can

charge for the job or it's over the client's budget. But, don't cut hours unless you really think you can do the job in less time. For every hour you work that goes unbilled, you're working for free.

The complexity of your estimate depends on you, your client, and the job. The more you communicate to your client through the estimate, the less likely it is that he will be surprised with your work or the bill that you present. One simple way to achieve this is to compose your estimate in the same style as the invoice.

### Good Estimates Achieve Goals

Happy clients and healthy profits are the aim of every agency. Planning ahead—and using clear estimates—goes a long way towards achieving those goals.

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*Lisa Waggoner is the Clients & Profits marketing manager and cofounder of Working Computer.*

CLIENTS & PROFITS is job tracking and accounting software designed especially for creative businesses. Since 1986, more advertising agencies have chosen Clients & Profits over any other agency management software for Macintosh. Over 1,400 ad agencies, graphic design firms, and corporate marketing departments use Clients & Profits to track jobs, costs, and billings every day. For more information, send email to [info@clientsandprofits.com](mailto:info@clientsandprofits.com).

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4755 Oceanside Blvd., Suite 200  
Oceanside, CA 92056 USA  
(619) 945-4334

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