GROW AND PROFIT

PRICE FOR PROFIT

Most under-pricing comes from counting a technician-hour as if every paid hour were billable.

THE TRAP

Many owners set prices by looking at what competitors charge, or by adding a markup to wages and parts. Neither tells you what a job has to bring in for you to make money. Your competitor may be losing money, and you can't see that from their price.

BUILD YOUR HOURLY COST

Here's an illustrative calculation. Replace every number with your own.

Start with a technician earning $32 an hour. Add payroll taxes, workers' comp, insurance, paid time off and other benefits. BLS data on employer costs shows benefits for construction-related occupations adding about 47 cents for each dollar of wages, as a national average. That makes the fully loaded cost about $47 an hour.

Now count what's actually billable. If that tech is paid 2,080 hours a year but bills only 1,250, each billable hour has to carry 1.66 paid hours. Your direct labor cost is about $78 per billable hour.

Next, add overhead. If your overhead is $800,000 and your team bills 20,000 hours a year, that's $40 per billable hour.

Cost per billable hour: $78 + $40 = $118, before parts and before any profit.

Finally, add profit. To net 10%, divide by 0.90. The rate you need is about $131 per billable hour. Change the billable hours in this example, and you'll see how quickly the answer moves. Going from 1,250 to 1,500 billable hours cuts direct labor per hour by about $13.

FLAT RATE OR TIME AND MATERIALS

Time and materials feels transparent, but it penalizes a fast tech and leaves the customer with an open-ended bill.

Flat rate gives the customer one price up front. It requires a well-built price book, with task times that reflect reality. Done right, it makes selling simpler and protects your margin. Review the book at least once a year and whenever material prices change.

MARK UP MATERIALS ON PURPOSE

Your cost for a part isn't only what you paid. Add the trip, the time to stock it, shrinkage, warranty handling and returns. Many shops use a sliding markup, with a higher percentage on small parts and lower on large equipment. Check your margin by category.

SET A FLOOR

Calculate the minimum you need for any truck roll. A $79 service call that takes 90 minutes all in can lose money before anyone picks up a wrench. If you offer a low-cost or no-charge visit as a marketing move, treat it as a marketing cost, and measure it the same way. Know what it needs to produce. See No-Charge Visit Playbook.

GIVE OPTIONS

Three real choices let the customer decide what they value. They don't all need to be expensive. Present the smallest honest fix alongside better and best. Most people don't automatically pick the cheapest. See better field sales.

RAISE PRICES WITHOUT DRAMA

- Review them at least annually, and when wages or parts move.
- Give your team the numbers behind the increase, so they can defend it.
- Change the price book first, and let time do the rest.
- Watch close rate and average ticket for a couple of months.

A small price increase can have a large effect on net profit. Using the example from know your numbers, a 3% increase on $2,000,000 is $60,000. If your volume holds, nearly all of it reaches the bottom line.

Do not discuss prices or pricing plans with competitors. That's an antitrust issue, and it includes casual conversations at trade events and in online groups.

TEACH YOUR TEAM TO SAY THE PRICE

Plenty of pricing trouble is really discomfort. A tech who earns $60,000 may be nervous saying $4,800 out loud. Role-play it. Teach them to state the price, then stop talking. Show them what that money pays for.

CHECK YOUR WORK

Each month, compare the margin you expected with what you actually earned, by job type. A flat-rate job that keeps running long tells you the book is wrong, or the tech needs help. Warranty, callbacks and unbilled time are where profit tends to leak away. Find the leak and fix it.

Sources: BLS, Employer Costs for Employee Compensation, June 2026. Worked examples are illustrative. Not accounting advice.

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BEST PRACTICES: PRICING AND KNOWING YOUR NUMBERS

MAKE IT A HABIT

What good looks like

> A handful of numbers reviewed every week.

> Prices built from your real costs and target margin.

> Cost per booked job known for every lead source.

The habits

1. Pick five weekly numbers: answer rate, booked jobs, close rate, average ticket and revenue per tech.

2. Price from your true hourly cost, including drive time and overhead.
3. Review prices at least once a year and when costs change.
4. Track every job back to the source that created it.
5. Cut the lead sources that cost more than they bring in.
6. Share the numbers with your team, so everyone knows the score.

Signs it's time to get help

- You learn how a month went when the accountant tells you.
- You can't say which lead source pays best.
- Prices haven't changed in over a year.

Where we fit: ProCall Field reports by source, tech and job type, and Service ProCall reports every campaign from call to sold job.

More on pricing and knowing your numbers