BUILDER INTELLIGENCE · ECONOMICS

WHY GOOD CONTRACTORS STILL STRUGGLE TO HOLD THEIR PRICE

Know what the job needs to earn. Help the customer understand the price. Stop discounting the profit out of good work.

Opening

The estimate says the project needs to sell for $385,000. The customer says another contractor can do it for $330,000. The estimator starts explaining the scope. The project manager says the other contractor must have included less. Then everyone looks at the owner. The owner knows $55,000 can't come out of the price without changing the work, taking on more risk, or giving away most of the profit. But nobody has a clear way to explain that. That's where a lot of good contractors get stuck. They understand the labor, materials, scheduling, supervision, and risk. They may know exactly what the project needs to earn. Then the customer says, "Your price is too high," and the conversation gets uncomfortable. Some contractors explain too much. Some discount too quickly. Others hold their ground but can't help the customer understand why.

> *The problem usually isn't the contractor's knowledge. It's turning that knowledge into a conversation the customer can follow.*

The Real Question

A price objection isn't always a request for a discount. The customer may not understand what's included. They may be comparing two proposals that aren't actually comparable. They may be worried about overruns. They may not see what makes one contractor different from another. Or the project may simply cost more than they can afford. Those aren't the same problem, so they shouldn't get the same answer. Cutting the price before you understand the concern can give away margin without resolving anything. The customer is still unsure, and now the contractor looks unsure too.

A better response starts with a question: **"What part of the proposal concerns you most?"** Then stop talking and listen.

Financial Clarity

You can't confidently stand behind a price the company doesn't fully understand. Before the proposal goes out, you should know what the job is expected to cost, what could change that cost, how much time it will require from your managers and field leaders, and what margin the company needs. You should also know the lowest price you're willing to accept for the work as proposed.

If nobody establishes the line before the customer pushes back, the line tends to move. The decision gets made in the pressure of the conversation instead of during the estimate, when everyone can think clearly. An experienced owner may know the number feels right, but a feeling is hard to explain and even harder for someone else in the company to repeat. The number needs a reason behind it.

Make It Visible

Customers see the finished work. They don't automatically see everything required to produce it well: the planning, supervision, scheduling, insurance, qualified trade partners, jobsite protection, communication, documentation, quality control, or closeout work behind the project. All of that costs money. It also reduces the chance the job turns into a mess.

If the proposal talks only about labor and materials, a well-run contractor can look unnecessarily expensive beside a company with weaker systems and a lower number. The customer sees two prices. They may not see two very different project experiences.

> *A good proposal helps them see the difference, without a long sales pitch and without inflated language.*

Slow Down

When someone questions the number, the instinct is usually to start explaining right away. That can make things worse. A long defense can sound nervous. It can also bury the one issue the customer actually cares about.

- Is the concern the total budget or a particular part of the work?
- Are you comparing this with another proposal?
- What difference between the two proposals is hardest to understand?
- Are you worried about today's price or what the final cost could become?

Once you know the concern, answer that concern. Don't spend ten minutes defending supervision costs if the real issue is a kitchen allowance. The better you understand the question, the shorter and stronger your answer can be.

The Right Move

Sometimes the customer needs a lower price. That doesn't automatically mean you should do the same work for less. It may mean building a different project. You could reduce part of the scope, change a material, adjust an allowance, divide the work into phases, remove an optional feature, or change a schedule requirement that adds cost. Whatever changes, show the customer exactly how it affects the work and the price.

What you shouldn't do is quietly lower the number while remaining responsible for the same scope, schedule, risk, and expectations. That doesn't make the project more affordable. It transfers the customer's budget problem to the contractor.

Walking Away

There are times when the right answer is no. The budget may not support the work. The schedule may be unrealistic. The customer may expect you to take on risks you can't control. The job may fall below the margin the company needs. The relationship may already show signs of distrust or disrespect. The project may also push out better work.

Walking away can feel like losing revenue. Sometimes it's the decision that protects your people, your reputation, your cash, and your ability to take the next good job.

> *A full backlog isn't always a healthy backlog.*

Beyond the Owner

Plenty of experienced owners are already good at pricing conversations. They've handled enough customers to know when to explain, when to ask another question, when to offer an option, and when to walk away. The problem is that nobody else knows how they do it.

The estimator prepares the number, but the owner presents it. The project manager understands the scope, but the owner handles the difficult conversation. The customer pushes back, and everyone waits. That keeps the company dependent on one person.

The answer isn't a script. Customers can hear a script. The team needs a shared approach: how the company qualifies an opportunity, how it sets the required margin, what the proposal needs to explain, which questions to ask when price comes up, what can be changed, and where the company draws the line.

The Record

A contractor tends to remember the projects they win and move on from the ones they lose. That wastes useful information. For every serious proposal, write down what happened: was it won, lost, postponed, or declined? Did price come up, and how did the company respond? Did the scope change, and why? Did the completed project produce the expected margin?

After a while, patterns show up. Certain jobs may almost always require a discount. One referral source may send great-fit customers, while another sends people shopping only for price. Some customers may care more about schedule and communication than the lowest number.

Without a record, every pricing conversation feels new. With one, the company gets better at choosing, pricing, and winning the right work.

Alignment

The company has to know what the project needs to earn. The customer has to understand why the work is worth the price. If the number is wrong, a great presentation can win a job that loses money. If the number is right but nobody can explain it, the company may lose good work or discount when it doesn't need to. You need both.

Closing

The goal isn't to turn contractors into aggressive salespeople. It's to help them have a clear, honest conversation about the work. Know your number. Help the customer understand what's behind it. Listen before you answer. Offer responsible choices. Walk away when the job doesn't fit.

Good contractors shouldn't have to apologize for charging enough to plan the project properly, hire capable people, keep their promises, stand behind the work, and still be there for the next customer.

Price it right. Explain it clearly. Hold the margin.