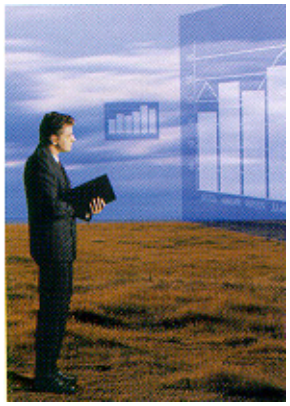
ACCURATE ESTIMATING

Little things Mean a Lot

By Michael J. Stott



Accurate estimating is about what-if scenarios. What if the customer wants the edges of the display routed? What if the brackets need to hold 20 lbs.?

Estimating involves bringing lots of little things together to create an accurate bid that covers manufacturing costs while building in a profit margin.

"To do a true estimate or ratio analysis is a process that involves time," says Alan Fenstermacher, president of Modesto, CA-based Keytrix Data Systems, maker of Woodwork/2001, a parametric costing and estimating program. It requires an internal review first and then a lot of permutations before presenting a final proposal to customers, he says.

"Some people have been in the business for 40 years and can [create estimates] with complete accuracy. Others look at it and say, 'it's $100 ' 'For a lot of people, it's an “I think number, not based on fact," Fenstermacher says.

Axel Wagner, vice president of development and training services for People Logic Software Corp., developer of takeoff™ estimating software, says store fixture manufacturers must, at a minimum, know their bottom-line pricing. "You have to be able to bargain and justify your costs quickly. If you don't do that, you're either guessing or not in the game."

After nearly five years on the market, estimating software is slowly taking the place of guesstimates and changing store fixture pricing methods. In terms of speed and precision, estimating software has the potential to escalate the pace from glacial to warp, but knowledgeable observers view industry acceptance as a leisurely work in progress.

"Right now, there is not enough demand for quality estimating because times are too good," Fenstermacher explains.

"[But] these are the times when you need to prepare for the bad by building your systems. A successful estimate is how you are going to build a product."

In large part, he observes, the store fixture business is one of relationships, which allows store fixture manufacturers a chance to put more time into the estimating process for its clients.

C&E Seminar Addresses Industry Challenges

Those relationships are typified by the camaraderie found in NASFM. In preparation for the associations annual Costing & Estimating Seminar recently held in Las Vegas, James Terranova, chair of the C&E Seminar Committee and NASFM board member, sent a questionnaire to members asking them to first costing and estimating challenges currently facing the industry.

In order, the top 10 responses were:

- quote return lead-time;
- insufficient customer information and accuracy;
- estimator training and education costs;
- specialty item, product, and material sourcing;
- job costs and follow-up;
- labor estimating;
- development of history for estimate;
- direct labor standards on new products;
- material cost capture;
- and timely information from vendors.

Seminar planners used these responses to develop programming that included estimator training and panel discussions on material, labor, data collection, and job costing. The conference also examined how the Internet impacts outsourcing.

Estimating software is changing industry pricing methods as manufacturers look beyond spreadsheets and guesstimates to bids based on historical data and indirect costs.

Referring to the No. I challenge, Terranova, president of Accel Group Inc. (formerly Ohio Cabinet Works) in Wadsworth, OH, says, "Fast turnaround requires the estimating department to have great organization.' That means having standard pricing, particularly for labor and material costs. "This is an area where software will help," he says.

Terranova added, however, that even though myriad estimating programs are available and useful, he hasn't run

across anything specific to the industry. "Existing programs don't address all the aspects [store fixture] manufacturers need," he says. "As a consequence, even those estimators who do use software occasionally find themselves jumping between programs to complete detailed estimates."

Software a Key

According to Russ Wheelock, president of Marietta, GA based TradeSoft Inc., most manufacturers-about 70% - use spreadsheets to create estimates, although a number of firms, including large shops, still use pen and paper. With the advent of more advanced estimating software in 1996, the industry has begun an inexorable crawl toward modernity. When manufacturers finally make the leap and the estimating function improves, software vendors say the ultimate result will be quotes closer to reality.

With software, "you can increase an estimator's productivity two or three times," Wheelock says. "Quote-driven, custom manufacturers need to know their true direct and indirect costs in order to compete with confidence and maintain profit margins."

An important trend is estimating at a detailed level, breaking down jobs into material and labor operations. Shops that used to rely on lineal-foot pricing are now embracing more accurate estimating techniques such as component breakdown and parametric formulas.

Estimating at the micro level doesn't have to lengthen the time needed to get a bid out the door, Wheelock says. Rather, the use of an estimating package enables manufacturers to produce accurate bids in a shorter period of time. "Even highly custom 'one-off' shops are discovering they can take advantage of the reusability built into a database-oriented estimating package," he says.

Estimating software that can be shared across a network is an important technological development, Wheelock notes. "We see more and more companies standardizing their bidding process and sharing information throughout their organization by networking computers together," he says. A shop's ability to keep up with bidding opportunities, while generating detailed costing data, is a critical success factor.

One such example is People Logic Software Corp. in Victoria, British Columbia, which does business with the government. "Frequent budget cuts require re-pricing very quickly," says Wagner. Software makes that process easier.

Intangible Creates Tough Sale

The main obstacles to increased use of estimating software are comfort, time, and cost. "It's a challenging sale," says Wagner. "People in woodworking are very reluctant to spend money for software, and I think it's because it is not tangible. They haven't grasped its value. It's not a machine. They'll spend $100,000 on a woodworking machine and think nothing of it,but balk at spending $5,000 for a software program."

Wheelock says 95 percent of his companys prospects admit the estimating software would help them. "Ifs getting them to take the time to evaluate it," he says.

Says Wagner, "What the industry needs is more education in technology." In urging companies to take the final step in connecting the front office to the manufacturing system, he recommends training employees.

"People always think they can train themselves. If you don't do it right the first time, you have to go back in ... and it always costs more. The real trick is to ascertain how to use the new software profitably," Wagner says.

Fenstermacher cautions, however, that going from manual to automated estimating systems takes time. "Management needs to understand there is setup time and training involved. There is a learning curve of one to six months that will cost more in implementation time and commitment than the original purchase price," he says.

Once in place, though, the benefits of using estimating software *are* numerous, including the ability to build a repository of knowledge so that if an estimator walks out the door, the company has a historical database on which to train a new estimator.

English essayist C.S. Lewis once observed that human beings can't just go on being good eggs, they have to either hatch or go bad. So it is with the store fixture industry. The good news, says Wheelock, is that "the companies that take the time to review the material and software are the ones that will grow and thrive, but it's hard to get the message across because estimators are so doggone busy."

He candidly reports that when he began selling TradeSoft's ProjectPAK software in 1996, people didn't understand it or recognize that they needed it. "We did a lot of missionary work then and still do now," Wheelock says. But ProjectPAK sales at IWF 2000 were better than ever. "Consciousness has been raised and people know who we are now." More competitors in the marketplace will make it easier to sell software in the days ahead, he notes.

And in an industry with machinery and a mentality geared toward just-in-time manufacturing, faster and more precise estimating tools will be a welcome addition to any firm's bottom line.

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