



**CAPRICORN**

*...it's just easier!™*

**Other resources in step 3c:**

- Quotes and estimates log book

## Quotes or estimates

A quote by definition is a formal statement of promise by a potential supplier to supply goods or services required by a buyer, at a specified price, and within a specified period. The quotation may also contain terms of sale, payment and warranties. Acceptance of a quotation by the buyer constitutes an agreement binding on both parties.

Unlike quotes, estimates are not legally binding. Many businesses find estimates are an effective way to indicate the likely cost and scope of a job without committing to prices and terms.

Understanding the difference between a quote and an estimate can save you time and money and protect you from legal risks and business losses.

In the aftermarket auto industry, like most industries, there are huge variances in the way quotes and or estimates are delivered. As a result there are plenty of horror stories where a quote or estimate has gone horribly wrong on both sides. For the mechanic there is the risk that the technician takes much longer to repair the problem than was originally quoted or estimated resulting in lost time and money. At the other end of the spectrum there are also plenty of stories where customers have been quoted or estimated a price only to turn up at the end of the day to be surprised that the final price is very different.

Whatever your position on quoting or estimating here are some tips that will help ensure both parties are happy with the final outcome:

## **Quote or estimate?**

A quote is legally binding whereas an estimate is not. Because of this, estimates are more suitable where you are unable to guarantee prices of parts or labour or are unsure about the complexity of the job. This very much applies to the auto industry. If you are not 100% sure on the repair then it's advisable to deliver an estimate rather than a quote. Don't think you can associate an estimate for a lack of research and effort into the required job.

## **Variations**

There will be times when the price of the job could vary depending on what parts are used or when the complexity of the job might not be 100% known until the vehicle is taken apart. In this situation, where possible, you should provide details of any variations and the potential increased cost. This will help reduce surprises for the customer throughout the job.

## **Positioning customers through a disclaimer**

It's important to remember that most customers have selective hearing when you present them with your quote or estimate. They will remember the price and that is it. So any variations above the original stated price will not go down well and may result in a lost customer. Most disputes around quotes and estimates could have been avoided if customers were better informed on the detail of the quote or estimate. So take your time and make sure your customer understands what's included and what is not. Read out your disclaimer to them, making sure they understand it. An example disclaimer could be as follows:

*Disclaimer: This is an estimate/quote for the price of the job described above. The price may vary if the client changes their requirements or the complexity of the job is more than could be reasonably expected. We will contact you ASAP if we encounter any issues.*

## **Communicate any variations early**

There will be times when a quote or estimate does not go to plan as you encounter problems that might have not have been reasonably expected before you started the job. The key is to communicate any issues ASAP while the job is still in progress. Don't wait until the job – that is too late. By communicating any issues early while the job is still in progress customers will feel like they still have some control over what is happening which will greatly improve your chance of charging any variations.

The key to communicating any variations early is the communication between the service advisor and the technician working on the job. Technicians need to know how long they have and exactly what the estimate or quote is for. This way they can communicate any variations as they arise.

## **Warranty and payment terms**

If you have warranty and payment terms and conditions make sure you explain that to the customers. Don't assume they know everything. By explaining this to the customer you will portray an image of professionalism and reduce the chance of any misunderstandings.

Quotes and estimates also have a limited life so you also need to outline this to the customer. You don't want someone turning up to hold you to a quote you did 12 months ago.

## **Verbal quotes and estimates**

With a correctly laid out quote or estimate there is a lot more information than just a price. When you just present a quote or estimate verbally it's generally only about the price. Given that quotes are legally binding you should try to avoid verbal quotes that don't include any documentation. With verbal estimates, where possible try to back it up with some form of documentation.

## **Emailing quotes and estimates**

It's very common practice these days to email a customer a quote or estimate. The only problem with emailing quotes and estimates is that the customer is most likely only going to read the price and ignore everything else. Again they will miss many of the points raised earlier. For this reason whenever you email a quote or estimate you should try to follow them up with a phone call to take them through the quote just like you would in person.

## **Following up quotes and keep a record**

In September 2013 we dedicated an entire article to the importance of following up quotes. I won't go into detail here again but if business is a bit quiet, by following up quotes or estimates you are more likely to win the business than not.

It's also strongly advised to maintain some form of quote or estimates log book. This could be electronic or manual and it will help ensure that all staff can very easily look back through the book to see what a returning customer was quoted or estimated.

So here's the challenge. In the next four weeks, review your quoting or estimating procedure to ensure that you are covering all bases and customers are crystal clear about what is included and what is not.

The place to start is [www.tatbiz.net.au/capricorn](http://www.tatbiz.net.au/capricorn).

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*Just go for it!*