

Kostprijberekening door de smid (Engelse versie)

Cost calculation by the blacksmith (English version)

1 Introduction

Cost calculation, as my experience shows, is always a tricky point for many blacksmiths. It is often considered annoying, but it is one of the most important things when you run your own business. You want to provide for your livelihood. You want to make some money. You have to make a profit. Not only does your business have to provide for your livelihood, but the company itself also needs breathing space such as:

- reserve;
- investments;
- evolution;
- grow.

In the forge, we can divide the costing work into two large groups:

-**free work** (artwork, furniture, lighting,...)

-**specific**, applied or not, **for a customer** such as stairs, railings, gates, furniture, windows, conservatories, etc.

You should always keep in mind that a cost price is more than iron and working hours, because that alone will not get you there in the long run. Cost calculation is not equal to what the work will cost you. We are going to discuss the two types of forging (free work and customer-oriented work) in more detail next.

2. The cost calculation

2.1. Free work.

By this we mean the work that you make without an appointment with a customer. In fact work in stock. You have an idea for a nice design, some time to spare and you get to work. This work ends up in a showroom and on your website. You can calculate a price for this with the following elements:

- material cost;
- workshop costs;
- the design;
- profit (is not something that happens by chance!).

For a pure and free work of art, everything depends on the creative added value, the demand (of the customers) and your reputation. If all your work was sold during the opening of an exhibition, you probably didn't ask enough. Supply and demand therefore play a major role in this.

When a particular piece of work is successful in sales, there is a great temptation to jack up the price. Try to avoid this, especially in the beginning. Provide a correct price that makes the blacksmith and the customer feel good. Too few asking is also wrong. You ridicule your knowledge and creativity as a blacksmith with this. If you do this too much, you will have a hard time getting out in the long run. You become a seller on the 'bird market'.

Example: in the Renaissance, a painter calculated all costs and did this (times) x 7.

We are talking about the added value here:

With a pure work of art, the added value in relation to your cost is great. With more applied items such as tools, knives, this is slightly less. This can of course change due to the demand for your work, i.e. your reputation or fame as a craftsman / artist.

2.2. Specific, applied work for a customer (Customized work)

Where with 'free work' the workpiece is already forged before you have a customer, you only start working when your future customer agrees with the price. This is slightly more difficult, but gives more security. When you start working, the costs are actually already paid, which is not the case with free work. There you incur costs without income (hopefully these will come later).

There are four important parts to customer-oriented work:

- The customer conversation;
- The design (alone or together with your client);
- The price calculation;
- The offer and its follow-up.

2.2.1. The customer conversation

This is where your paper starts, this conversation already determines a lot:

- is there a budget;
- estimating the customer (what is possible and what is not). Does he know anything about blacksmithing?
- the blacksmith psychologist.

After this conversation you should get started. So you have to make sure you leave your client with all the knowledge needed to make a design.

After your design/idea is ready you go back to the customer to discuss this and when you have an OK you can start calculating the cost. It is best that you do not leave a design behind with the customer because there may still be fellow competitors in the running. So try to have every decision maker at the table during the customer conversation. It wouldn't be the first time people will use your design to bid elsewhere. There are blacksmiths (also from other fields) who charge a price for design and quotations. This cost is then deducted from the cost price when the customer orders.

You can also make a formal retention of title on your design. This is not unusual, but you should put it in writing.

2.2.2. Calculating the cost price

The main components of the cost are:

- material cost; iron, accessories, extra (making the workpiece, finishing (e.g. painting), possible placement)
- workshop costs (energy consumption, tools, welding material, rivets....)

For example, you can also include a fixed amount for travel.

- time (forging and assembling and placement). Experience plays a major role in this. Depending on the phase in your career, you will be able to estimate this better and better.

Depending on the specialty of the workpiece, additional items may be added.

When you start with a certain work, good preparation will ensure that your cost price can be quite correct.

2.2.2.1. Material cost

When making the workpiece

-Iron or other metals (copper, brass, glass...). The price you charge for this is not the price you paid yourself. You always include a margin here, for example x 1.75. List all materials at studio cost per hour. This is for the wear and tear of your workshop, for energy consumption, for possible rent and for small materials (for example welding bags, rivets, screws,...)

-Finishing the workpiece

metallisations, powder coatings (always include a margin here);

Paint.

- Placing a workpiece (or removing a workpiece in, for example, a restoration project);

Transport

Do you need to hire equipment (racking, crane, aerial platform, large transport, trailer, special tools (e.g.a large bell drill). Application for parking (often also costs money).

Fittings for mounting (vices, bolts, chemical anchor,...)

2.2.2.2. Workshop/Workshop cost

This has been mentioned a few times before because it is often underestimated by the blacksmiths (or in other crafts) ... because it has to be paid by you too. For example, you can add a small margin to your hourly rate or simply charge a few extra man-hours to absorb this part of the cost price. or this is included in the total profit margin.

What can this workshop cost include?

-energy consumption (electricity, coal, gas,...);

- any rental price of the building;

-small movements;

-small consumption of materials (rivets, bolts, screws, tool wear.

This is not always so easy but be aware of such expenses.

2.2.2.3. Time /Man hours

These are the hours you need to design, make, and place a piece of work.

This is not always easy. The larger the project, the more difficult the estimate becomes. Experience will play an important role here. You can learn from yourself: compare the time you had foreseen with the final time you needed (= recalculation).

It may seem cumbersome, but it will certainly make you a lot wiser and avoid ripping your "pants."

There are no formulas for this, one works a bit faster than the other.

There is a small formula that is doing the rounds:

for example: you have to forge 10 curtain hooks, 30 min per hook, this would amount to 5 hours of work. But this can never be the outcome, the solution is to multiply these 5 hours by 1.3 = 6.5 hours, which will be much more realistic. Magic formula here is definitely a RECALCULATION of your project (time/material,...).

2.2.2.4 Profit

When you have calculated everything, there is still a profit. The oxygen for you and your company. Material and working hours are not your real income, that is an amount for which you give something in return and serve to cover your costs. Profit is the difference between survival and a healthy business. Profit is not something that happens by chance.

It is also the part of the cost price that you can 'haggle' (= negotiate price) with. With the price dropping below the point of no more profit is never advisable. Never work below cost.

3 Finally

If you read all this you would think: „Do I have to pass this on to my customer?“

Certainly, you do not work for free, money that you put into your business must also come out, preferably with a little extra. You should not be blind to the real costs you incur. It may be the case that, especially at the beginning of your career, you are wrong in calculation, but this can happen in two directions: too much or too little. With experience you will be able to estimate this correctly. You can learn a lot from subsequent calculation.

Always make a detailed quotation, this gives your customer more confidence.

This is of course different for free work, but the basis can be the same as for the cost price as described above. Don't be "stupid" out of respect for your own work. You are unfortunately not only a craftsman but also a bit of bookkeeper and business partner.

The cost takes precedence over the benefit.

Give yourself a fair price.

Be wary of (unfair) competition.

Often there are some nuts to crack before you have a 'fair price'.

1. “You know you’re priced right when your customers complain—but buy anyway.” - John Harrison [Pricing News Daily, 2014].
2. “What I 'charge' today has nothing to do with yesterday or tomorrow. It has to do with 'now!'”- David Wayne Wilson [Pricing News Daily, 2014].

Drafters: Peter De Beus and Philip Vercammen

Edited: Paul Vos

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