

Service Business Price Quote

If you are starting a service business, markup is more difficult to calculate, particularly for new business owners. With most service businesses, the key variable cost associated with the service to your customers will be you and your employees' time. In computing proper markup for a service business, you must pay close attention to the time spent to provide the service to customers, as well as to market prices of the services provided. In starting a service business, you will need to research the going rate paid to employees and the market prices for the services you will be providing.

For instance, if you are starting a temporary help agency, you will need to know what rate is typically paid to employees in the industry as well as the market rate charged to your customers for temporary labor. Below is a work sheet you can use in your own service business.

	Hours/Unit	Cost/Hour	Cost/Unit	Number Of Units	Total Cost
Labor #1		\$			
Labor #2		\$			\$
Supervision		\$			\$
Total Labor Cost ¹					\$
Other Variable Costs			\$		\$
Total Labor & Other Variable Costs			\$		\$
Total Labor, Materials & Other Variable Production Costs ²					\$
Desired Markup³					%
Price Quote to Customer⁴					\$

¹Depending on the type of service business, there may be many more labor contributions. All should be considered.

²Derived by adding together Total Labor Costs & Other Variable Costs.

³Stated as a percentage markup on the costs to provide the service. In most service businesses, this will range from 25% (0.25) to 100% (1.0).

⁴Price Quote computed as follows:

Total Labor Costs + Total Materials Costs + Other Variable Production Costs + ([Total Labor Costs + Total Materials Costs + Other Variable Production Costs] x Desired Markup)