

How to evaluate a service company estimate Value versus Price

What you don't know can cost you!

You can't beat the Internet for shopping. From the comfort of your own home and at your leisure, you can locate and check out different stores and compare products, pricing and shipping.

You can decide that an Acme model XYZ is just what you're looking for, and from the dozens of shopping sites find an Acme model XYZ at the lowest price.

The nice thing about this is that the product made by the Acme Manufacturing Company with a model number of XYZ will be the same at every shopping site. You can indeed compare apples to apples; it's exactly the same product, same model number, and a true value. A diligent shopper can find a lot of name brand products at substantial savings.

Unfortunately, shopping for a Service Company is more complicated than online shopping. It's easy to list the lowest price, but how to you shop for technical expertise, continuing education, quality workmanship, safety and trustworthiness? Value, with respect to a service company is a bit more complicated to determine.

A service company is basically the manufacturer of its own product or service. The company controls the content, production and quality, building and assembly of the product. It determines the cost of the product or service to the consumer, based upon its costs of time and materials. Licensing, skilled labor and benefit costs, vehicle and auto insurance costs, workmen compensation and liability insurance costs are also part of the equation that go into determining fair pricing. Two companies may look equal, but here's the story behind "a better value".

The story of two estimates

Big Bob's Service Company always has the cheapest estimate. That's because Big Bob has cut his expenses to the bone. Bob doesn't have a contractor's license, his workers are unlicensed, unskilled, maybe undocumented or illegal, so they work for peanuts. Big Bob doesn't spend anything on cars or trucks or vehicle insurance; his workers get to the job site on their own—with or without their own insurance. Big Bob doesn't contribute to the economy or the society; he's not incorporated, never pays payroll taxes or workmen's compensation. He doesn't provide bonding, background checks, health insurance, pension or continuing education. Big Bob really doesn't care if his workers don't come back tomorrow; Big Bob's never coming back, either.

Quality Service Company has all the proper licensing, hires only the best trained, most experienced employees and pays top dollar. Those employees can buy homes, educate their children and support their communities. And they respect the customers, and the customers respect them—in fact, many customers leave the key under the mat for them!

Quality Service supports their workers as they continue their education in the industry. Quality Service provides bonding, insurance, vehicles, quality parts (with warranties and name brands and everything!) to protect customers and employees alike. Their bottom line is higher than Big Bob's, but they do the job right the first time. If something, rarely, does go wrong, they can be counted on to come back and make it right. The employees show up for work tomorrow, next week, next year.

What if a worker falls off a ladder and gets hurt? Damages the walls or furniture? Leaves a messy work site or the job unfinished? Runs over the family cat? What if there's a fire or injury to the customer or family member? Big Bob made sure that all the risks and liabilities fall on the customers. And can you trust the work, or will you be sleepless worrying about a fire? Was it really worth saving a few dollars after all?

The true “cost” of service work is its function and value over time.

How to evaluate a service company

Since service companies do not have corresponding product or model numbers to compare their products, here's a check list to help you compare apples to apples.

- Obtain a detailed written proposal fully outlining the specifics of the work to be performed, disclosure of all costs and applicable permits, and estimated completion date.
- Inquire if the workmen are employees of the company or subcontractors.
- Inquire if the workmen who will be in your home are trained and qualified.
- Obtain proof of proper and current licensing. Some trades people are required by local and state authorities to be licensed.
- Ask for a written list of verifiable references—and actually make those calls!
- Ask who does the cleanup and removes debris from the site.
- Ask how long has the company been in business.
- Obtain current certificates of insurance from the service company prior to starting any work

Red flags—how to know when you're in trouble

Avoid hiring a service company who:

- Have no real physical address (Do you want to do business with a PO Box?)
- Pressures you for a quick hiring decision
- Requests that YOU obtain the required building permits
- Accepts only cash payments
- Solicits door-to-door
- Quotes a final price without seeing the job
- Offers only lifetime warranties (which are only as good as the life of the company)
- Requires a large down payment to buy materials
- Offers a discount for an on-the-spot hiring decision
- Wants to use materials left over from another job to save you money
- Has no business number in the local telephone directory, only a cell phone number

- Suggests you borrow money for your project from a lender he recommends
- Tells you your job will be a “demonstration”
- Offers discounts for finding other customers
- Requests complete payment upfront

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