

PRICING CALCULATOR & PROFITABILITY GUIDE

How to find the real number your business needs to charge, before you raise prices or quote one more job

WHO THIS IS FOR

Home service operators who suspect they are underpriced but have never run the math to prove it.

WHAT YOU GET

A repeatable calculator for loaded labor rate, overhead recovery, break-even, and true equipment cost. Plus the diagnostic that tells you whether your problem is COGS or overhead, so you stop fixing the wrong thing.

BASED ON

Field research across 200+ home service operators spanning HVAC, plumbing, lawn care, roofing, and garage door verticals. Every number in this guide is sourced to a real operator who has tested it.

WHY YOUR GUT NUMBER IS WRONG

Before the math, accept the diagnosis.

Most operators charge what their last boss charged, what their competitor charges, or what feels acceptable. None of those numbers are tied to the actual cost of running your truck. The result is predictable. You stay busy, you collect revenue, you cannot figure out why the bank account never grows.

The blunt truth: there is no operational fix to being underpriced. You cannot cut your way to financial freedom. You cannot become so efficient that you make money. Until the price is right, every operational improvement disappears into the margin gap.

The foundational rule used by thousands of contractors: you have to charge more than it costs. If you do not know how much it costs, you are guessing. Everything in this calculator exists to get you to the real number.

The most common pricing mistake new contractors make is not knowing how to price in overhead. One roofing contractor nearly went under in year one because he priced \$70 to \$80 per square short of break-even. He had revenue. He had jobs. He did not have a number that covered the business behind the work.

This guide gives you the number.

STEP 1: FIND YOUR LOADED LABOR RATE

Loaded labor rate is what one technician actually costs you per billable hour, not what you pay them.

THE INPUTS

Base wage. What you pay per hour.

Payroll burden. Add roughly 20 to 30 percent for taxes, workers comp, and benefits. If your tech earns \$22 per hour base, your fully loaded labor cost is approximately \$27 to \$29 per hour.

Billable efficiency. This is the line most operators miss. A technician is paid for roughly 2,000 hours per year. They are billable for roughly 1,000 of those hours. The other 1,000 disappear into drive time, callbacks, training, paperwork, lunch, and idle days. The standard assumption is 50 percent billable efficiency.

THE MATH

Divide the loaded cost by the billable hours.

A tech costing you \$29 per hour fully loaded, billable 50 percent of the year, costs you \$58 per truly productive hour. That is the floor. Everything below that number loses money before you have paid for the truck, the phone, or the office.

THE MINIMUM CUSTOMER RATE

The 4x rule, validated across 200-plus franchise locations: the customer rate must be at least four times the base wage. If base is \$18 per hour, the minimum customer rate is \$72 per hour. Operators charging \$90 per hour against an \$18 base put labor at 20 percent of revenue and the business in clearly profitable territory.

The inverse of the rule: if base wage is more than 25 percent of your customer-facing rate, you are underpriced. At 33 percent (a \$20 base against a \$60 customer rate), the business is structurally unable to make money.

The cautionary version: a three-person crew billed at \$75 per hour total is effectively \$25 per person per hour. Once payroll taxes are loaded, that business loses money on every job. It cannot scale under any conditions. The cleanup math forces a complete pricing reset before any other operational change matters.

STEP 2: RECOVER YOUR OVERHEAD

Loaded labor rate covers the tech. It does not cover the business that sends the tech out.

WHAT COUNTS AS OVERHEAD

Rent, insurance, software, marketing, admin wages, owner salary, accounting, vehicle payments not assigned to a specific job, fuel, phones, uniforms, and anything else you would pay whether or not a single job ran this month. This is your fixed cost base.

WHAT DOES NOT COUNT AS OVERHEAD

Direct labor on jobs, materials, and subcontractors. Those are cost of goods sold (COGS). Mixing the two is the single most common chart-of-accounts mistake in home services. The three-category rule: labor, materials, subcontractors are COGS. Everything else is overhead.

THE RECOVERY MATH

Add up annual overhead. Divide by your total billable hours across all techs. That is the overhead recovery rate per hour, on top of loaded labor.

Example. Annual overhead is \$300,000. You have three techs, each billable 1,000 hours per year, for 3,000 total billable hours. Overhead recovery is \$100 per billable hour. So every hour you bill needs to recover \$100 of overhead before you have made a dollar of profit.

Stack that on top of loaded labor and you can see why operators charging \$70 per hour are running a charity, not a business.

STEP 3: RUN THE ONE TRUCK BREAKDOWN EXERCISE

This exercise has been run with hundreds of contractors across multiple markets. Across that group, the minimum required billable rate, with all overhead included, 50 percent efficiency, all wages loaded, ranges from \$250 to \$680 per hour. Most operators doing hourly pricing are charging \$70 to \$100 per hour. They are pricing below break-even and do not know it.

The exercise:

1. Pull one technician and one truck out of the business.
2. Calculate every cost that truck consumes in a year. Wages, taxes, benefits, fuel, insurance, vehicle payment or depreciation, allocated overhead share, software seat, phone, uniforms.
3. Assume 50 percent billable efficiency. So 1,000 billable hours per year.
4. Divide total annual truck cost by 1,000.

The number that comes out is your true required rate per billable hour for that truck. If the number scares you, that is the point. Now you know what you have to charge to break even on that truck. Anything above that number is profit. Anything below is loss.

One 70-truck operation ran this exercise on themselves in 2004. They switched from hourly to flat-rate pricing. First year of flat rate: revenue went from about \$600K (stuck for years) to \$1M. They have averaged about 30 percent annual growth since.

STEP 4: THE COGS VS. OVERHEAD DIAGNOSTIC

Once you have the math, you can diagnose where your profit is leaking.

STABLE COGS, RISING OVERHEAD

This is the most common pattern at \$1M-plus operators. Field labor and materials as a percentage of revenue stay flat. Revenue rises from \$600K to \$1.2M. Profit does not move. The culprit is overhead creeping up: a bigger shop, a salaried admin, more trucks parked in the yard that nobody is using to capacity. One multi-location operator admitted he fell into this trap himself, buying trucks because customers said "we see you growing." Social signaling masquerading as growth.

The test for whether an overhead purchase is legitimate: ask whether you are actually capacity constrained. If you could grow revenue without the truck or the shop, you are not constrained. The purchase is ego, not infrastructure.

BLOATED COGS, CLEAN OVERHEAD

This is the early-stage problem. Labor as a percentage of revenue runs above 50 percent. Materials run above 20 percent on jobs where they should run under 15. The business cannot turn a profit no matter how lean the office is. The fix is upstream: raise prices, tighten estimating, install pay-for-performance.

The hard rule: labor cost above 50 percent of revenue makes profitability nearly impossible. The target is 40 percent or below for labor-dominant services like mowing and cleaning. For landscape and design-build with material costs, labor needs to be under 30 percent because materials consume another 15 to 20 percent.

BOTH BROKEN

One lawn care operator: \$200K revenue, four people on payroll (two field, one GM, one office). That math produces under \$50K in gross revenue per employee, a guaranteed indicator of zero profit before any other number is checked. Wages were 70 percent of revenue. Overhead was inverted at one overhead person per field person instead of one per four. The diagnosis is simple: contract back to owner-in-the-field plus one crew member until the math works, then rebuild.

STEP 5: TRUE EQUIPMENT COST

Operators consistently miscalculate equipment cost by looking only at the loan payment. The full math is bigger.

WHAT YOU ACTUALLY PAY

- Monthly loan payment
- Insurance increase (equipment stored on site can raise premiums by about 20 percent)
- Maintenance and repairs
- Storage if applicable
- Larger truck and trailer requirements to move the equipment

A \$70,000 skid steer with a \$1,200 monthly loan payment costs roughly \$1,800 to \$2,000 per month all-in once everything is loaded. The visible payment is roughly two-thirds of the real number.

THE DEPLOYMENT TEST

A piece of equipment only earns its keep when it runs. If a skid steer is parked five days a week and runs two, it costs you the full \$1,800 every month. The break-even job count to justify the equipment is a separate calculation. Most operators do not do it and end up paying \$20K-plus per year for a truck that bills \$5K.

THE FIXED-RATE RULE

Equipment debt should be fixed-rate, never variable. A line of credit moving from 6 to 9 percent can add \$500 to \$1,000 per month in pure interest. That increase wipes out the margin assumption that justified the purchase. Operators who took variable HELOCs at 3 to 4 percent during 2020 to 2021 saw payments nearly double when rates rose.

STEP 6: BREAK-EVEN PER CUSTOMER

For one-time job businesses and recurring service businesses, break-even is not zero revenue. It is the point where CAC plus cost-to-deliver are both recovered.

ONE-TIME JOB MATH

At a 25 percent net margin and a \$100 customer acquisition cost, a contractor has to book \$500 in revenue from one customer before any profit is earned. The first \$400 of revenue is consumed by delivery costs and ad spend.

Drop the CAC to \$50 and raise the margin to 50 percent and the break-even drops to \$250 in revenue per customer. The two levers compound. Halving CAC and doubling margin more than halves break-even.

RECURRING REVENUE MATH

The right question is: how many months do I have to keep this customer to make a profit?

If break-even is \$1,000 per customer and they pay \$100 per month, the answer is 10 months. Lose them at month 9 and you have lost money despite collecting nine months of revenue. The visible revenue masks the net loss. Churn is the silent profit killer in recurring service models.

CAC IS NOT JUST AD SPEND

Even with no paid advertising, every customer has a real acquisition cost. Admin time, salesperson hours, the owner's hours on estimates. The check did not go to Google, but the cost is on the books. Count it.

STEP 7: SET THE PRICE TARGET

You now have every number you need to set a defensible price.

The total-cost-recovery method: add up all costs of doing business, divide by billable hours, and charge more than that number for profit. Materials are gravy on top. The labor rate alone has to cover all costs.

Two operational rules built on top of the foundation:

The 50 percent gross margin floor. Revenue minus direct labor and materials, expressed as a percentage, should be at least 50 percent. Below that, enterprise value drops sharply and the business gets harder to sell. Getting COGS below 40 to 45 percent of revenue is where operators "almost cannot lose."

The Rule of 100 for total cost recovery. If your overhead recovery is \$100 per hour and loaded labor is \$60 per hour, your floor is \$160 per hour. Add profit (typically 20 to 30 percent of revenue as a margin target) and you arrive at the customer-facing rate.

WHAT "GOOD" LOOKS LIKE AT EACH REVENUE BAND

This is the band-by-band reality, sourced from analysis across 250 home service businesses in four industries.

\$0 to \$200K (solo operator). Profit margins commonly run 50 to 70 percent at this stage because labor and overhead are near zero. A solo operator who raises prices steadily over three to five years can realistically hit 50 percent net profit, taking home \$100K-plus with low overhead.

\$200K to \$500K (the Wilderness). Margin compresses hard. New overhead arrives: employees, trucks, insurance, an office person, commercial rent at \$2K to \$3K per month, marketing to keep crews busy in the off-season. A contractor running \$500K at 10 percent net takes home \$50K, the same dollar amount they could earn solo at \$200K with less stress. 60 to 70 percent of home service businesses fail to survive five years specifically because of this dip.

\$500K to \$1M (the rebound). Margin starts rebounding as the business can afford a GM and the systems that let the owner stop doing direct labor. 20 percent net profit on a \$1M business means \$200K in owner distributions paid after a salary. That is a really good business.

\$1M to \$1.5M (the second wilderness). Adding a non-revenue-producing overhead role wipes out profit gains. Owners doing \$1.2M can make the same profit as owners doing \$700K because added overhead cancels the revenue gain.

\$1.5M-plus. The economies of scale arrive only after the second overhead role is fully absorbed. Operators in growth mode who pre-hire, run inefficient routes, and buy trucks before full utilization will see margins drop. That is expected. Growth sucks cash.

THE THREE-METRIC PRE-DEBT CHECKLIST

Before you borrow against the business, you must be able to fluently report three numbers. Operating without them is "driving without a speedometer."

- 1. Profit percentage.** Profit divided by revenue, current month and trailing twelve months.
- 2. Labor efficiency.** Budget hours divided by clocked hours. The primary field-level efficiency metric.
- 3. Close rate.** Quoted-to-booked conversion, by service line.

If you cannot produce all three in under five minutes, you are not ready to add debt. Period.

IMPLEMENTATION CHECKLIST

Loaded labor rate:

- ☐ Base wage documented for every position
- ☐ Payroll burden percentage calculated (taxes + workers comp + benefits)
- ☐ Billable efficiency assumed at 50 percent (or measured if higher)
- ☐ Customer rate is at least 4x base wage (the 4x rule)

Overhead recovery:

- ☐ Annual overhead total separated from COGS
- ☐ Total annual billable hours calculated across all techs
- ☐ Per-hour overhead recovery rate documented
- ☐ Chart of accounts splits labor / materials / subcontractors as COGS, everything else as overhead

Required rate:

- ☐ One Truck Breakdown Exercise completed for one representative truck
- ☐ Required rate per billable hour calculated and compared to current rate
- ☐ Gap between required rate and current rate documented in dollars per year

Diagnostic:

- ☐ COGS as a percentage of revenue calculated
- ☐ Overhead as a percentage of revenue calculated
- ☐ Profit leak diagnosed (COGS issue vs. overhead issue vs. both)
- ☐ Ego-purchase test applied to any equipment or shop expansion in the last 24 months

Break-even per customer:

- ☐ CAC calculated for each lead source (including time-based CAC for unpaid channels)
- ☐ Break-even revenue per customer calculated
- ☐ For recurring services, months-to-break-even calculated per service line
- ☐ Churn rate compared to break-even month threshold

Pre-debt readiness:

- ☐ Profit percentage current and accurate
- ☐ Labor efficiency (budget hours / clocked hours) tracked weekly
- ☐ Close rate tracked by service line

WHERE THIS GUIDE ENDS AND THE OTHERS BEGIN

This guide gets you to the right number. It does not get the number into your sales process. For that you need an operational system: a flat-rate price book, technician training, a way to deliver the number with confidence. That is in the Home Service Pricing SOP.

This guide also does not connect the math to a profit goal. If you want to work backward from a target profit number to find the revenue, average ticket, close rate, and tech count you need, that is in the Profit Goal Planner.

Use this guide to find your real rate. Use the SOP to deploy it. Use the Planner to aim it at a number.

All math and benchmarks in this guide are sourced from field research across 200+ home service operators. Full source index available in the BurksUP Field Intelligence Library.

• WHAT'S NEXT •

READY TO *INSTALL* THIS?

BurksUP builds the marketing systems that make home service operators findable, bookable, and referable. This guide is the playbook. We're the team that installs it.

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