

# NEWS BRIEFS

Newsletter of the Architectural Woodwork Institute

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## AWI NEWS BRIEFS

AWI's monthly newsletter is published as a service for members to help them improve operations and grow their businesses. NewsBriefs is also a resource for news and information about AWI's products, programs and publications and other membership benefits and services. •

## COMING NEXT MONTH

AutoCAD for Profitable Millwork Drawing •

NOTE: The information, examples and suggestions presented in this newsletter should not be construed as legal or other professional advice. Neither AWI nor guest contributors accept any responsibility for the accuracy nor completeness of this material and recommend the consultation with competent legal counsel and/or other professional advisors before applying this material in any particular factual situations.

## Are Woodworkers Doing Well? Could Your Business Be Operating Better?



Have architectural woodworkers been hit hard by the economic crisis? What are manufacturers predicting for the year ahead? What will business conditions in the past year tell us about the year ahead? How is your business doing compared with industry averages?

Participating in the AWI Annual Cost of Doing Business Survey (CODBS) will give you answers for steering your business on a safe and steady course in a volatile economy.

The annual survey period, which opened February 2, is reserved exclusively for AWI Manufacturing Members. The annual CODBS measures the operating costs that are vital for business owners to manage their company's financial health, operating efficiencies and profits.

**For the first time this year non-participating AWI Manufacturing Members will only receive a complimentary Executive Summary of the survey results.** However, they will have an opportunity to purchase the full report at a special AWI Manufacturing Member price. As in the past, participating AWI Manufacturing Members will receive the full published report along with other financial management tools to put to work immediately.

To participate in the 2009 CODBS, follow the link in the e-mail you received from Inverra, the survey developer. All responses to the online survey will be held in strict confidence by Inverra. The survey period will close April 1.

(continued on page 4)

## Gross Profit versus Markup: The Formula for a Better Bottom Line

By Bruce Spitz, Chair of the Estimating Team of the AWI Education Committee

Determining your gross profit percentage and markup percentage are critical calculations for building a healthy bottom line for your architectural woodwork business. Using the wrong percentage in your planning process can cause you major problems. It is essential to understand the difference between the two percentages and apply them at the correct times. If you don't know that gross profit percentage is typically smaller than markup, then this exercise, which is a component of AWI's Advanced Estimating course, will help you.

If you intend to stay in business very long, it is no surprise that sales should be greater than cost. In estimating, more time is spent calculating cost of a job than on actually pricing

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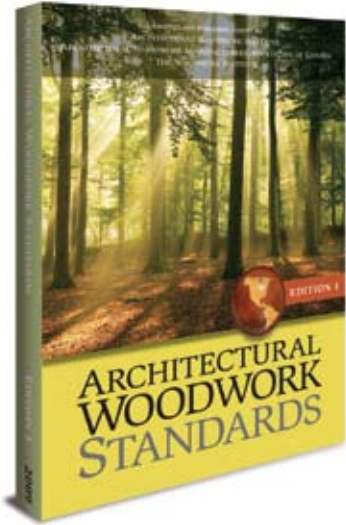
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# Woodwork Standards: Reviewers Needed

## STANDARDS



The NEW *Architectural Woodwork Standards* are now expected to be released in mid-May. The Joint Standards Committee\* has begun working on the cabinet section of the Standards and is still urging the review of the other draft sections posted at: <http://awi-development.wikispaces.com/AWSreview> copies. Take a look at the Beta version of the Standards before they are published to help the committee assure the accuracy of the text which is based on the CSI Master Format.

Meanwhile, the AWI Speakers Bureau, chaired by Joe Sorrelli of Aljoe Woodwork Consultants, has conducted its first introductory session for trainers to present the Standards to AWI chapters and others. A grassroots approach to educating the industry about the Standards will expand the network of presenters nationwide. •

\* The JSC is comprised of the Architectural Woodwork Institute (AWI), the Architectural Woodwork Manufacturers Association of Canada (AWMAC) and the Woodwork Institute (WI).

## Hot Topic of the Month

This new feature of *AWI NewsBriefs* is designed to elicit information – tips, suggestions, best practices – from AWI members about various issues that affect the business of woodworking. Questions will also appear in *AWI e-briefs* with links to respond. Some answers to selected questions raised in *AWI NewsBriefs* will appear in a subsequent edition of *AWI NewsBriefs*, while all answers will be posted on the AWI web site.

### The Question for January/February is.....

What steps has your business taken to become a “green” company and has going “green” improved your bottom line?

To respond to this question and view responses received, go to [www.awinet.org](http://www.awinet.org) and click on the links under “We Want to Know” on the front page. •

## AWI NEWS

### New AWI Members

- Manufacturing**  
**Architectural Materials, LLC**  
 Las Vegas, NV  
**Blake Clotia**  
 Wichita, KS  
**Chadwick Designs, Ltd.**  
 Fort Wayne, IN  
**CME Caseworks**  
 Fairview, PA  
**Columbine Kitchen and Bath**  
 Castle Rock, CO  
**Custom Craft, LLC**  
 Sumner, WA  
**Exact Millworks, LLC**  
 Fort Lauderdale, FL  
**JFV Designs, Inc.**  
 Orlando, FL  
**L&L Group, Inc.**  
 Indianapolis, IN  
**Martin Woodworks**  
 Metairie, LA  
**Progressive Cabinets of Ocala**  
 Ocala, FL  
**Right Choice, LLC**  
 Denver, CO  
**Smokey Hill Woodcrafters/  
 Legacy Design Group**  
 Hays, KS  
**TMJ Wood Products Company**  
 Savage, MN  
**Wausau Cabinet & Design, LLC**  
 Wausau, WI  
**Woodworkers of Denver, Inc.**  
 Denver, CO
- Suppliers**  
**A.M.I. National Corporation**  
 Thornton, CO  
**Holzcraft Custom Wood Doors**  
 Barrington, IL

Use the online Directory of AWI Manufacturing and Supplier Members at [www.awinet.org](http://www.awinet.org) for contact information and access to the Web sites of these and other AWI members. The resource is open 24/7 for use in seeking manufacturers and suppliers of architectural woodwork. •

# AWIEF – A Charitable Branch of AWI

By Robert Stout, President of RLS Commercial Interiors, Inc.

With delivery of education programs being one of the primary focuses of AWI, it has been a dream of many members in the past to support individuals seeking educational development within our industry. That support has been in motion since the beginning of AWI's history with the forming of the Southern Woodwork Association (SWA) Scholarship and later with the establishment of the William H. Winter Scholarship.

having recognized woodworking programs. The schools are being sent a letter that will ask the teacher to nominate a worthy candidate through an application form with letters of recommendation. Once received within the designated date, the applications will be reviewed by the AWIEF board with the best applicants awarded the scholarship funds. Winners of the scholarships will be acknowledged with an article in AWI NewsBriefs.



At their first meeting on January 23, the 2009 AWI Board of Directors began updating the AWI Preferred Futures. Left to right in the front row are: Rick Kogler, Strategic Development; Patrick Narther (AWI Treasurer), Ted Bolle Millwork, Inc.; Doug Carney (AWI President-Elect), R & S Casework; Whitney Coombs (AWI President), Ivan C. Dutterer, Inc.; Robert Stout (Vice President), RLS Commercial Interiors; and Doug Mock (Past President Delegate), Mock Woodworking Company. Back row, l to r are: Matt Lundahl, Meyer & Lundahl, Inc.; Weldon Riley (Development Council Delegate), Terrill Manufacturing Company; Teresa Bell, Kentucky Millwork; Bill Popp, High Plains Millwork, Inc.; and Skip Heidler, Heidler Hardwoods Company.

## Foundation Formation

Throughout AWI's history, it has supported the existing scholarship funds with varying levels of attention. Lately, with the growth of the association, timing has been right for AWI to actively pursue the separate designation of a 501(c)(3) charitable and educational organization that would focus on growing these funds and represent AWI as the charitable arm of the association.

I am excited to have the support of the AWI Board of Directors in this endeavor and be a part of a core group of individuals who are committed to the task of forming the vision, mission, and direction of the AWI Educational Foundation (AWIEF). With the establishment of the Foundation taking place in 2008, we are in the early stages of formulating the process to receive and give scholarship support to worthy candidates. The Foundation will not only be monitoring our scholarship programs, but also will be serving as a conduit for donations and estate planning contributions for those interested in supporting the program.

## Scholarship Program

Our first task is to bring about early recognition of the scholarship program to selected post-secondary schools. Schools were chosen this year from within the AWI Educational Foundation Board's acquaintances with schools

Last year, AWI's William H. Winter and Southern Woodwork Association Scholarships were awarded \$6,000 for the WoodLINKS USA – IWF 2008™ RTA Competition. The scholarship funds went to support the WoodLINKS "Teacher In-Service 2008" Program which helped enable 45 instructors from the U.S. and Canada to attend IWF 2008 for the competition and industry education.

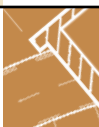
## Initial Funding for 2009

This year, the AWI Board of Directors has approved a budget for 2009 that will allow the AWI Educational Foundation to support educational scholarships and the WoodLINKS program. In addition, we will provide and monitor continued support of the Tropical Forest Foundation.

If members of the association have any recommendations about the best practices of the AWI Educational Foundation, please contact me with your suggestions. •



Mr. Stout is the 2009 AWI Vice President and also Chairman of the Insurance and Safety Committee. RLS Commercial Interiors is a manufacturer of architectural millwork, commercial casework, and retail fixtures offering products of the highest quality and flexibility in design. Founded in 1984, the company is located in Wendell, NC.



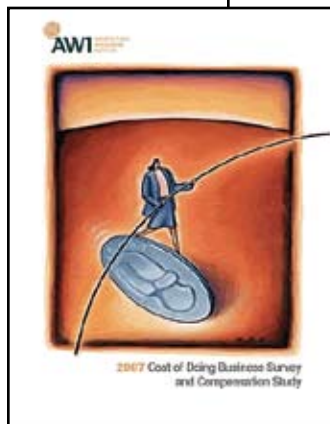
## CSI Webinars on Construction Business Profitability

The Construction Specifications Institute (CSI) will conduct a new webinar education series in March that will address sound business management practices in the construction industry. *Creating and Maintaining Profitability in Your Construction Business* will offer guidance on dealing with delays, differing conditions, changes to the work and unauthorized communication on the job site between sub-tier contractors and owners.

### BUSINESS TOOLS

The interactive telephone/Internet sessions are scheduled between 2:00 pm and 3:30 pm EST on March 5, 12 and 24. Participants can view the session materials and ask questions of the instructor in real-time during each of the 90-minute classes:

- **Thursday, March 5** – discussing the effect of contract language on profitability; how to identify historical risks and address them in the contract; and the risks and rewards of various project delivery systems.
- **Thursday, March 12** – addressing managing the risks associated with code compliance, specification and industry standards; managing communication and documentation to keep the owner aware of the costs throughout the project; and avoiding confrontation after delivering the final invoice.
- **Tuesday, March 24** – covering the latest information on alternative dispute resolution; establishing internal policies regarding dispute negotiations; and transferring costly risks away from your company.



### Are Woodworkers Doing Well?

(continued from page 1)

## How One Member Views the CODBS

"I have participated in the AWI Cost of Doing Business Survey every year since I joined my current employer. There is no other source for this type of specific, detailed financial information on our industry. To be able to directly compare our shop with other shops, and see the differences when allowing for sales volume, geographic region, and other variables, is vital to understanding where we are and helping us get to where we should be. I benchmark our results against a cross section of similar size shops every year, and never fail to gain insight that helps us manage toward our goals.

The job description and pay information section in the survey takes some time to fill out properly, but to have the pay data available for every job and experience level across the country is invaluable. It helps in setting pay rates of new and existing employees, and allows us to balance the risks of over- and under-compensating people. This helps ensure we have properly paid loyal employees. The job descriptions alone are valuable. They could be used in written job descriptions for a shop that does not currently have them, with minimal extra work.

Participation in the Cost of Doing Business Survey by a large sample of our members is the key to maintaining, and even improving, the value of the report to all members. The results are free to participants. If this type of industry data had to be purchased, it would easily exceed the cost of an AWI membership, assuming it was available at any cost.

I am looking forward to seeing the results this year. I'm curious about the effect of the general economic slump on architectural woodworkers."

#### Dave Nadolski

Vice President/Chief Financial Officer  
A. J. Pietsch Company, Inc.

**Participants can view the session materials and ask questions of the instructor in real-time during each of the 90-minute classes.**

One fee covers the registration for all participants at a single site. Participants can register for an individual session, or save money and guarantee a seat by registering for the entire three-part program for one fee. For more details, including information about the presenter and to sign up for the webinar series go to <http://www.csinet.org/> and click on event registration. •

## National Studies Show Green Building As Key Part of America's Economic Future

**E**ven as the dire financial news continues to dominate headlines, a cascade of newly released studies and reports points to green building as one of the growing bright spots for the U.S. economy.

In fact, as economic experts call for a recovery plan focused on green jobs and infrastructure, as consumers look to live in more economically sustainable homes, as businesses strive to cut operating costs, and as our national security needs depend on an end to reliance on foreign energy sources, green buildings' ability to deliver solutions to these pressing challenges promises to change the way we view the building industry, the U.S. Green Building Council says.

According to Turner Construction Company's "Green Building Barometer," 75% of commercial real estate executives – including developers, rental building owners, brokers, architects, engineers and others – say the credit crunch will not discourage them from building green. In fact, 83% said they would be "extremely" or "very" likely to seek LEED certification for buildings they are planning to build within the next three years.

Other key findings from this and other studies, conducted over the past year among constituencies ranging from consumers and homeowners to commercial real estate executives, include:



**A September 2008 study found that a national green economic recovery program investing \$100 billion over 10 years in six infrastructure areas would create two million new jobs.**

- 70% of homebuyers are more or much more inclined to buy a green home over a conventional home in a down housing market, according to McGraw-Hill Construction's 2008 SmartMarket Report, *The Green Home Consumer*.
- More than 80% of commercial building owners have allocated funds to green initiatives this year, according to "2008 Green Survey: Existing Buildings," a survey jointly funded by Incisive Media's Real Estate Forum and GlobeSt.com, the Building Owners and Managers Association (BOMA) International and the U.S. Green Building Council (USGBC). Some 45% plan to increase sustainability investments in 2009.
- That same study showed that 60% of commercial building owners offer education programs to assist tenants in implementing green programs in their space, up 49.4% from last year, illustrating a growing understanding of the importance of environmental awareness among employees and customers in addition to the use of green materials and systems.
- LEED-certified projects are directly tied to more than \$10 billion of green materials, according to a Greener World Media study on green building. That could reach more than \$100 billion by 2020, contributing to a vibrant industry that could drive an economic recovery.
- The Center for American Progress and the Political Economy Research Institute at the University of Massachusetts Amherst, in a September 2008 study, found that a national green economic recovery program investing \$100 billion over 10 years in six infrastructure areas would create two million new jobs. The investments would include retrofitting existing buildings.

By 2013, the overall green building market (both residential and non-residential) is likely to more than double from today's \$36-49 billion to \$96-140 billion. Green building is estimated to be 10-12% of the current commercial and institutional building market; McGraw-Hill predicts it will represent 20-25% of new commercial and institutional construction starts by 2013.

For more information about LEED, which can be applied to all building types, visit [www.usgbc.org/LEED](http://www.usgbc.org/LEED).

FEBRUARY 2009

## Gross Profit versus Markup *(cont. from page 1)*

the job. The selling price of a job is usually calculated by applying a percentage to the cost to arrive at the total bid. A mistake in the percentage used can critically affect the outcome of the bid process.

What is the purpose of estimating? To calculate a price for an amount of work that is acceptable to the *seller* (your company). That amount, by the way, may or may not be acceptable to the *buyer* (your company's customer). Regardless, the seller must be comfortable with the bid price of the estimates in order to present them to the buyer.

## LEARNING FORUM

### Estimate Calculation

It's up to the estimator to arrive at a price for the work by calculating the cost of the amount of work you are doing and then pricing it according to the needs of the seller. These are two different numbers – cost vs. price.

There are three basic components of an estimate: cost, overhead and profit. In the estimating process, we spend a lot of time calculating cost, which may be referred to as direct cost consisting of material and labor.

Typically, the other two components – overhead and profit – are factored in by applying a predetermined company percentage. Add overhead, which may be called indirect cost, and profit, which is what we need to stay in business, to the cost to get the total estimate or bid price. Usually, the overhead component is determined by calculating all other indirect costs and determining its percentage to the total. Which total you ask – sales or cost? Therein is the difference between gross profit and markup. Gross profit is the portion of the selling price that covers overhead and profit. Markup is how much you add to cost to cover overhead and profit.

Most companies have established fixed rates for both gross profit and markup which are reviewed periodically for accuracy. In addition to that the

profit percent on each job is usually a goal set by the company. Overhead is usually a fixed percentage from job to job. That percentage may be identified as gross profit percent or markup percent. Depending on which percentage you are given or asked to achieve determines how you apply it.

### Price and Profit

Once you have determined cost, use your established percentages to determine your selling price.

The formula for determining your company's gross profit is: your company's total sales minus your direct costs leaves the remaining dollars to cover your overhead and whatever excess or profit your company desires. That amount divided by sales produces the Gross Profit Percentage. You can also calculate Gross Profit from Cost. **Question:** if you are trying to achieve a gross profit of 30% and you know that your cost is \$100.00, what would your selling price have to be?



## AWI Estimating Seminars

Fundamentals & Advanced Estimating are two of the many great course offerings available at the AWI Spring Professional Development Seminars, April 29 - May 2, 2009, in Charlotte, North Carolina.

The Fundamentals course is a one-day delivery designed for new estimators and is a prerequisite for the Advanced course, a two-day delivery designed for those with a minimum of three years experience.

Each course is packed with tips and techniques and formulas incorporating best practices to put to work immediately. Practice sessions are included to reinforce knowledge gained during the seminars. Be a successful estimator and an asset to your firm!

To find out more or to register today, please visit [www.awinet.org](http://www.awinet.org).

**The method to calculate that is:** 100 percent minus 30% gross profit equals 70 percent. *(Use the inverse of the Gross Profit Percent to calculate the selling price)* \$100 of cost divided by 70% equals a \$142 selling price.

To check the accuracy or prove this number, take the selling price of \$142 dollars minus the cost of \$100 which equals \$42 of gross profit. \$42 dollars of gross profit divided by a \$142 selling price equals 30% gross profit margin. Again, this is NOT to be confused with markup.

### Markup Calculation

Markup is applied to cost. If we want to determine the markup on this same example, the gross profit of \$42 dollars divided by the cost of \$100 dollars which equals a markup of 42 percent. Check the accuracy of this number by multiplying the cost of \$100 by 1.42 (that would

be 100% cost + 42 percent markup) which equals a \$142 selling price.

**Information is the Driver**

The course of action you take is driven by the information you have – that is, whether you use gross profit percent or markup percent. The fundamental difference between these two percentages is that gross profit percentage is a percentage of sales while markup percentage is a percentage of cost.

In summary, once you know your cost, you can arrive at your selling price by applying the markup percentage to the cost or the inverse of the gross profit percentage to the cost. Then tweak the final number by the current economic demands of your company.

The bottom line comes down to the game you are playing; whether you are trying to develop a long-term relationship with the buyer; putting work into an empty shop; bidding on a difficult project; responding to a job proposal request you either don't need or want but for particular reasons have to bid on. These are the variable factors you apply to the final number after you have arrived at a calculated selling value. If you master these methodical calculations, you are on your way to becoming a premier estimator. •



*A member of the AWI Estimating team for four years, Mr. Spitz is a regular presenter of AWI's Fundamentals and Advanced Estimating courses. A 20-year industry veteran, he is Owner and President of Classic*

*Millwork & Products, Inc. in El Paso, TX. The firm was founded in 1987 and specializes in custom commercial cabinetry fabrication and installation. Mr. Spitz has a Bachelor of Science degree in Accounting and also has experience working in Retail and Manufacturing.*

# Fun Leads to Funding

## How One AWI Chapter Turned Sports Events into Funds for Tomorrow's Woodworkers

### CHAPTER NEWS

This is a story about fishing and golfing expeditions. It begins with the AWI New England Chapter turning a thriving

long-term member activity into a success for the architectural woodwork industry. Camaraderie turned into contributions.

The New England Chapter's Annual Deep Sea Fishing and Golfing Outing is a highly anticipated event for over a 130 members who attend annually. The traditional outing is a popular networking and competitive activity that has bound chapter members together for years.



### Woodworkers of Tomorrow

In 2005, the chapter established an Outreach Committee with the goal of investing money in the architectural woodwork profession through scholarships and rewards. Since then, the chapter has made donations to WoodLINKS USA, the Woodwork Career Alliance (WCA), and other local school programs to help educate and train the woodworkers of tomorrow and support development of a career path for newcomers to the profession.

### Turning Fun into Funds

When the committee began seeking ways to generate funds for these programs, they decided to add a greater purpose to their already successful Annual Deep Sea

Fishing and Golfing summer event. All funds generated from "sponsored" items would be donated to local and national programs that promote and train a future skilled workforce.

In 2008, the committee and chapter were very pleased with the \$4,500 generated and hope to grow this program! How can your chapter replicate this successful activity? Contact New England Chapter President Michael Sarno at [msarno@masscabinetsinc.com](mailto:msarno@masscabinetsinc.com) to learn more.

### Just Do It

Many AWI chapters and members consider supporting the workforce of tomorrow as one of the most worthy investments they can make for their businesses and for the architectural woodwork industry. Contact your local schools to see what they need for their woodworking program. Donations of time, talent, materials, equipment and money can make a difference for academic institutions struggling to meet tight budgets. Take the first step today. For more information on chapter programs contact AWI Chapter Coordinator Greg Bednar at 571.323.3636 or e-mail [gbednar@awinet.org](mailto:gbednar@awinet.org). •



## QCP Ships Redesigned Accreditation Certificate for 2009

All new and renewing AWI Quality Certification Program (QCP) participants will receive newly designed certificates in 2009. Like the old participant certificate, the new version confirms that QCP accredits and entitles the woodworking firm to certify its projects for compliance with the *AWI Quality Standards Illustrated*. The Certificates of Compliance, which are used to certify specific projects, will not change.

The new accreditation certificate is comprised of ash plywood and acrylic, both of which are silk screened with the program's logo and seal. Additionally, replaceable aluminum inserts display the company's name, scope of accreditation and the current year. Inserts will be updated on an as-needed basis, such as when a company's scope of certification changes or when the expiration date is extended upon renewal. "The new certificate was designed to differentiate the achievements of the accredited firms," said AWI Quality Certification Corporation Director Craig Elias. "We hope accredited woodworking firms proudly display their new certificates."

For more information about the QCP, visit [www.awiqcp.org](http://www.awiqcp.org).

### ABOUT QCP



## AWI Saddened by Tragic Loss

### IN MEMORIAM

Marc Böhlke, Executive Vice President and Managing Director of M. Böhlke Veneer Corporation, died on January 10th following a

snowboarding accident while on vacation with his son in Canada.

Mr. Böhlke, 39, of Hyde Park, was educated as an architect but grew up working in his family's wood veneer business, founded by his father, Manfred Böhlke, in Fairfield, OH. Marc began his career in the company's warehouse and log yard, and quickly became recognized internationally as an industry leader, culminating with the direct responsibility for all of the corporation's domestic and international sales.

M. Böhlke Veneer Corporation has been a member of AWI for 20 years and a great supporter of AWI programs and services.

Marc attended the Seven Hills School, graduated from Withrow High School and studied architecture at the Illinois Institute of Technology in Chicago. He was a member of the Board of Trustees of The Summit Country Day School and was actively involved with the Young Presidents' Organization.

A passionate sportsman, he loved spending time with his family and friends. Marc is survived by his wife, Anna Cunningham Böhlke; children Nicholas, Isabella, Sebastian, and Francis; and his parents, Manfred and Katrin Böhlke.

Donations in Marc's name may be made to Children's Hospital Medical Center, as follows: Cincinnati Children's Hospital Medical Center, 333 Burnet Avenue/MLC 9002, Cincinnati, OH 45229.



## 2009 AWI Sponsors

Thanks to all of the following 2009 AWI Sponsors whose support helps to fund association programs and services that benefit all AWI members. Visit [www.awinet.org](http://www.awinet.org) to contact these suppliers the next time a need arises for their services.

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