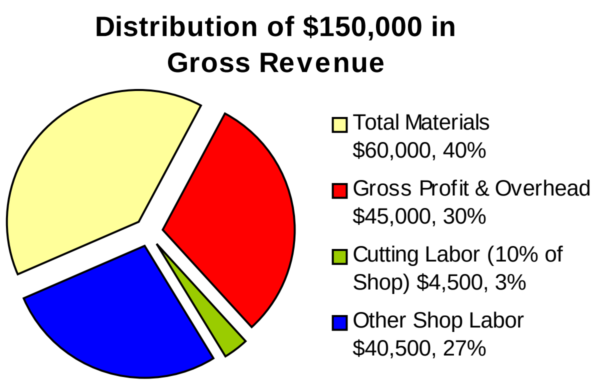
As an owner of a woodworking shop there is always plenty of things to spend your money on. We are constantly being inundated with multi media sales pitches that encourage us to purchase the latest and greatest equipment. Equipment that will cut, edgeband, drill, sort and package all faster and better than ever before. We are also looking over our shoulder at the competition and like homeowners everywhere trying to "keep up with the Jones's". With a limited amount of purchasing power the question begs to be asked, " How do we analyze the cost benefits?".

Typically the woodworking industry has focused on increasing productivity on the shop floor in order to increase profits. Although increasing production is very important, consider the following comparison between the effects of an estimating and business management software purchase versus an equipment purchase for a shop with monthly sales of $150,000.



Using the above monthly cost distribution, if you purchase a panel saw for $100,000 that will increase your cutting output by an amazing 30% you are looking at saving only $1,350 on the $4,500 you currently spend on cutting per month. Even with no interest factored in it will take you over 6 years to recover your investment on that piece of equipment.

Now that you are able to cut materials 30% faster you will likely need to upgrade the piece of equipment at the next stage of production in order to avoid bottlenecks. Once all your equipment is matched you will need to consistently get more work in order to justify the expenditure.
For this example suppose for a moment that your estimator had to bid 4 jobs in order to get the $150,000 in gross revenue. If you purchased an estimating software tool for $10,000 that could increase your estimating output by 25% you would increase your gross monthly revenue by $37,500. Naturally, your gross monthly profit would increase by $11,250 making the payback time for the software measurable in weeks instead of years.

With this new perspective it is easy to see why streamlining the office processes first, then using the extra profit to drive the upgrade in manufacturing capacity is a much more sound approach. Especially when you consider that the most costly mistakes are usually made at the estimate and not the production level. Also, if you are an owner/estimator, you are certainly the most expensive labor in your company, so tools that can help you be more accurate and productive will be your shortest path to higher profits. Doesn't it make more sense to automate the highest cost, highest impact areas of your business first?