

starlog

A SERIES OF FLOORCOVERING BULLETINS

PURCHASING CARPET DIRECT AN UPDATE ON THE COSTS AND COMPLICATIONS

Here's a subject that is as relevant and topical today as it was when StarNet first covered it in "Carpeting Without A Professional" in StarLog Volume 1, Issue 4, published in 1999. StarNet members consistently rank that newsletter as one of the most requested of all StarLogs. We've received many requests to revise the original newsletter with updates on the costs and complications. So, we'd like to take this opportunity to reintroduce this important topic to StarNet member customers.

Carpet prices may be less expensive if purchased directly from the mill instead of through a StarNet member. But think ahead. There are many issues surrounding the installation of that carpet.

They include:

- site analysis and layout
- warehousing the materials
- management time and expense
- municipal compliance
- insurance liability
- on-site performance and maintenance assistance
- the costs down the road associated with removal and disposal

Additional costs and services that are necessary to complete the installation could negate your lower initial direct purchase price. In fact, purchasing carpet directly could actually increase your total installed cost.

Proof, Not Promises

A recent national survey conducted by W. E. Imhoff & Company provided quantitative proof validating what StarNet members have been telling their customers all along. The initial savings of direct carpet purchases are negated by add-on expenses, and the long-term ramifications of installing carpet through a third party labor subcontractor leads to service issues that can erode customer satisfaction as well as the carpet's service life. When you add up the dollars and cents, installations managed by a StarNet member have unmatched

buying power, unlimited selection, unbiased recommendations, the most experienced labor pool and a vested interest in your long-term satisfaction. The survey highlights several of the key issues and expenses you should be aware of before you decide to buy direct. The conclusions are as germane today as they were when published nearly three years ago.

HIDDEN COSTS AND ADDED HASSLES

Overestimating Materials

A direct purchase requires a third party labor subcontractor to install the floor-covering. Labor subcontractors often increase material estimates to ensure more than enough carpeting is on hand for the installation. Overall, material estimates received from subcontractors are 2% to 3% higher than estimates through a StarNet member. Third party labor subcontractors overestimate to make the installation easier for them, including making up for miscalculations, on-the-job mechanic errors and pattern matching issues. In contrast, StarNet members conduct on-site inspections and analysis in

their cost scenarios to determine the correct quantity for the job and any anticipated contingencies.

No Price Breaks

The cost for installation by a third party subcontracted installer for a one-time job can be as much as \$1.25 higher per square yard than when estimated as part of a StarNet member package price. His established presence in the region and high volume of business puts him in a better position to negotiate lower pricing with the national mills, plus his dedicated labor force means you get a skilled installation. This relationship advantage translates into a lower cost of goods and installation plus your ROI amortizes more effectively over the installation's life cycle.

Making Up For Lost Margin

When you purchase carpet direct, you remove the profit incentive the installer normally realizes by purchasing the carpet as part of his service contract with the end user. Third party labor subcontractors

Survey results showed the additional cost of buying direct was between \$4.05 and \$8.33 per square yard	
STAND-ALONE QUOTE	\$20.00
	+
AVERAGE ADDITIONAL COSTS	\$4.05
	+
POTENTIAL ADDITIONAL COSTS	\$8.33
	=
TRUE TOTAL INSTALLED COST	\$24.05 to \$28.33
Costs are per square yard	

A direct purchase does not equal a lower total installed cost.

count on that profit not just as a materials percentage for the job, but to help cover their overhead expenses. A labor subcontractor who only provides installation has to charge more per square yard to make up for the difference.

Added Management Time And Expense

Carpet installation management experience has a direct impact on installation efficiency and therefore costs. The difference in experience between a StarNet member flooring contractor and a third party labor subcontractor hired by the mill or end user can double the management hours necessary to complete the job. As a result, the end user may incur an additional cost of \$.84 per square yard. This is an estimate based on the typical carpet installation project requiring an average of 6 to 12 hours of management time per thousand square yards. The hours include time spent:

- planning the installation
- arranging deliveries
- verifying material arrival to warehouses or storage facilities
- monitoring job site deliveries
- scheduling heavy equipment
- overseeing the actual installation
- inspecting the final work
- resolving problems with product appearance or performance

Put simply, we can protect your interests because we understand what can go wrong, anticipate problems and resolve conflict. StarNet members have the relationships and long-term experience to resolve these situations, freeing the end user from additional management time and expense.

End user personnel and third party labor subcontractors can double the management time needed for flooring installation, compared to jobs managed by StarNet members.

Insurance Risk

Ignoring the need for insurance is risky business. Insurance is a necessary precaution that protects the end users from possible installation problems. An end user or labor subcontractor insurance premium for a one-time policy can add \$.65 per square yard to the cost of buying carpet as a stand-alone purchase. The labor subcontractor may not even offer insurance protection at all, or offer protection that falls short of total coverage. On the other hand, StarNet members typically provide two kinds of insurance. One protects against the financial losses incurred from theft, damage or loss of the carpet while being transported from the manufacturer and when it is stored in local warehouses awaiting installation. The other covers the service the full-service flooring contractor offers to compensate for unforeseen circumstances. If there are problems with product appearance or performance, StarNet members are uniquely prepared to work with the mill to resolve the situation. Backed by the strength of nationwide cooperative, your StarNet member flooring contractor has the high visibility needed for facilitating insurance claims.

StarNet members insurance coverage protects you from jobs that go awry. Will your insurance, or your labor subcontractor's, do the same?

Pre-Installation Handling, Delivery And Warehousing

Carpet rolls are big, bulky and heavy. Carpet installations must take into account the handling, delivery and warehousing of these rolls prior to the actual installation. When an end user assumes this responsibility, it can

increase the cost per square yard by as much as \$.69. The costs cover the handling and the redelivery of the product, breaking down pallets and transporting the cartons and roll goods from the warehouse to job site, and utilizing specially equipped forklift vehicles to move the rolls. And since very few construction jobs proceed on schedule, the carpet often needs to be stored until the building is ready. These expenses are factored into the total cost when a StarNet member handles the job, but not in a direct sale.

Incomplete Site Analysis

A complete site analysis translates into an average of \$.80 per square yard added value for your carpeted space. A professional site analysis takes into consideration:

- building codes and compliance regulations
- how the physical demands of the space affects the selection of carpet fiber and backing materials
- maintenance characteristics for low and high traffic areas
- long-term maintenance characteristics to extend the time between carpet replacement

Your StarNet member takes the time to present and get your approval of a site analysis that encompasses pre, during, and post-installation issues. That's because they've established a heritage of excellence over time, and your job is

Most third party labor subcontractors do not provide a site analysis because they focus exclusively on the installation. In-out-gone.

as important to their continuing reputation as it is to your ultimate satisfaction. In contrast, most third party labor subcontractors focus exclusively on the actual installation. In-out-gone. And although the mills want to stand by the long-term performance of their product, it is not logistically or economically practical for them to provide site analyses for most installations.

StarNet's contribution to "carpet selection, care and feeding" may increase the product's service life by as much as 50%		
Expected Lifetime	Added Service Life	Increase in Value
5 YEARS	2 YEARS	40%
10 YEARS	1 YEAR	10%
12 YEARS	6 MONTHS	4%

Carpet That Uglies Out

Most carpet looks great when first installed, but you don't have to look far to see evidence of installations that have uglies out from crushed tufting, traffic wear patterns, dirt and stains. Even the best carpet choice needs a good maintenance regime to minimize cleaning costs and to maximize the lifetime of the carpet. StarNet members can provide recommendations and continuous service that assists the end user in maintaining the carpet's appearance and performance over time. These services translate into extended carpet longevity and an ultimate savings of \$.80 to \$2.00 per square yard. In contrast, most labor subcontractors consider the job finished after installation, and do not provide the continuous service or recommendations that extend a product's lifetime.

EXPERIENCE COUNTS

Up Front

StarNet members work on a daily basis with their contacts at the carpet mills. They are familiar with the manufacturer's support services, such as marketing services, post sales services and internal consulting. They have the experience curve, knowledge, contacts and "muscle" needed to complete a full service installation and to leverage mill relationships.

They have access to:

- broadest selection of product options
- best values on materials and services
- widest range of mills and manufacturers

Understanding and utilizing these resources is important for fast, professional service on a routine basis and especially when complications arise. In addition, as a member of the nation's leading cooperative of independent flooring contractors, your StarNet member is not limited by mill alliances or lock out programs.

In contrast, end user personnel and labor subcontractors generally do not have the same level of experience or relationships to bring to play. Many labor subcontractors have a limited selection of mills they work with, and therefore a smaller selection of products and services they can offer to you.



When The Job Is Done

StarNet members handle other aspects of installation that are not part of direct buy cost scenarios. These include demolition, disposal, and final clean up. The combined value of those additional services can be as much as \$2.00 per square yard. In addition to these job site services, StarNet members work with the mills in reclamation and environmentally friendly disposal programs. These members are involved in a nationwide system of carpet removal employing the very latest disposal alternatives, including turning old carpet into new, and recycling waste into useful new products. In a direct sale these services are added expenses. In a nutshell, StarNet members offer the one source accountability that addresses all of these concerns.

Best Total Value

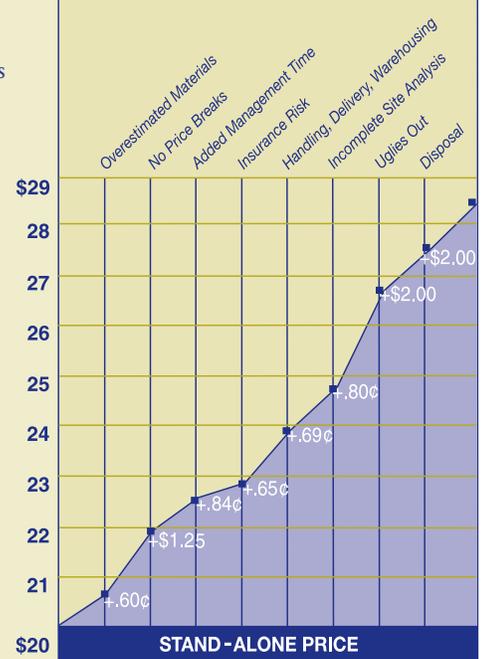
On the surface, it would seem that buying carpet direct could save money. In reality, the savings just don't add up. You have to account for the many hidden, added and unexpected expenses in hard dollars and cents and in time, whereas, a comparable quote from a StarNet member is inclusive of these. Every job may not have all the issues or incur all the contingency costs mentioned in this newsletter. The key point, however, is that additional and often hidden costs do exist, and they can be significant. Your best protection and smartest way of doing business is to get a comparable quote from a StarNet member that is inclusive of all those extra, hidden, and unexpected costs.

Why You Should Work With A StarNet Member

They ...

- have a vested interest in the specifier and end user's long-term needs and satisfaction. They want to build a continuing relationship based on unbiased, accurate information, including competitive cost quotes with no hidden or extra expenses.
- have the knowledge, experience and resources to derive the maximum benefit from the manufacturing mill's products and services for the end user.
- follow the floorcovering manufacturer's recommended installation procedures, using certified labor, current equipment and recommended installation products, to ensure the end user's warranty coverage.
- provide qualified project supervision, reducing if not eliminating the need for end user project management.
- assume responsibility and liability of the general contract and materials from shipment through installation.
- are familiar with and assume responsibility for compliance with federal and local regulations. This includes OSHA, Hazcom, ADA, Health & Safety Regs and Erroc, among others.
- minimize complications with proper planning. The contractor inspects the job site prior to installation, ensures that the sufficient quantity of product and installation materials are ordered.
- ensure that the subfloor is properly prepared and compatible with product requirements. Improper subfloor preparation is the main reason for floorcovering failure.
- provide service, maintenance recommendations and continuous consultation. This guarantees optimum performance and lifetime of the installed product.
- remove all materials in a timely, environmentally responsible manner that complies with all local disposal laws.
- provide reclamation service that takes advantage of industry recycling programs and "closed loop" processes.

ADDITIONAL COSTS PER SQUARE YARD



As the nation's largest network of independent commercial flooring contractors, only StarNet members can provide customers with the best of both worlds. Independent ownership means you'll always receive unbiased recommendations and personal service from a local name you trust. Strength of our nationwide network assures the best product selection at the industry's most competitive prices. When you do business with a StarNet member, you can be sure we'll do whatever it takes to satisfy you now, and for the long-term.

A black and white photograph of two people, possibly a man and a woman, in mid-air, reaching towards each other as if they are about to be caught in a net. The background is a light, hazy sky.

The nice thing about being local is that we're always here when you need us.

When you choose a local StarNet member for your commercial flooring needs, you get the outstanding craftsmanship that's the bread and butter of an Independent contractor. Plus you get the peace of mind that comes from knowing that this is someone who's able to anticipate and solve problems that are unique to your region. Add to that, purchasing power and an unlimited choice of product, and you're assured of perfectly integrated project management – from bringing your design to life to post-installation follow-up. Because not only will we make sure you get a great finished product. We'll never leave you swinging without a net.

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IF YOU HAVE ANY COMMENTS OR QUESTIONS ABOUT THE STARLOG NEWSLETTER, WE WOULD ENJOY HEARING FROM YOU. WRITE US AT STARNET, 44 EAST RIDGE RD., RIDGEFIELD, CT 06877, OR CALL 1-800-787-6381. VISIT WWW.STARNETFLOORING.COM FOR BACK ISSUES OF THE STARLOG.

One in a series of Technical Bulletins from your Commercial Floorcovering Professionals at:



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