

THE More Profitable Contractor™

PROFIT-BUILDING INFORMATION FOR CONTRACTORS

Marketing and Sales Magic – Yes You Can!

By Leslie C. Shiner, MBA

Every contractor wants the magical marketing plan that creates itself and runs with little or no effort and which produces a steady flow of creative, high-margin jobs. Here is a little secret: this marketing and sales magic can be yours—and you don't have to sell your soul to the devil, either!

You can create a consistent flow of the kinds of jobs you want, at fair and profit-producing prices. It doesn't take magic. It does take some conscious thought, a little creativity, and a lot of follow-through. Here's what to do.

Plan for Success

Every contractor should have a written marketing plan, even if it is only one page! This plan should include a sales goal for the year, a profit goal, and then four to five bullet points relating to how the company will achieve these goals. Other specific elements that should be addressed include the following:

What new business opportunities exist from our current and past customers?

How are we going to actively pursue new business? New niches?

How is our company currently positioned in the marketplace, and do we need to modify or change this perception?

Establish Strategies

Part of the written sales and marketing plan should be a prioritized list of activities required to generate more business. Please don't skip this step! By taking time at the beginning of the year to prioritize, you will have a better chance of spending your valuable (and extremely limited) time and resources on the best tasks necessary to land the most business. This may seem basic, but I've seen too many construction company owners and managers pursue all kinds of time-consuming—and ultimately unproductive—tangents, when they should have been focusing on other, more productive activities.

Determine Your Messaging FIRST

Another misstep many contractors make is to produce marketing materials and actively market and sell without first spending needed time developing key messages. "Getting the word out" about your business isn't enough (in fact, it can be counterproductive with the wrong messaging); you must first develop effective themes and messages based on your target market.

I will give you an example. One remodeler I know created a beautiful, four-color brochure that displayed many of his finished homes. He sent it out—and received almost no business from it. Why? Three reasons. One, he focused too much on his product: his remodeling. Without also showing "before" photos, he devoted no time to the benefits customers receive from his

Q & A with Tim Polk

Editor's Note: Tim Polk is president of Profit Press, Inc., which produces profit-building information for contractors. He has been involved in sales and marketing for more than 15 years. www.ProfitPress.com

What's the first step in building greater sales for the coming year?

Definitely planning. As the old saying goes, if you don't know where you're going, any road will take you there.

What should contractors emphasize in their planning?

For my clients, we begin by closely analyzing their business operations and processes. What jobs were particularly profitable? Which jobs weren't? Has a certain 'niche' developed—a specific area where the company's expertise and capabilities could be effectively marketed?

That's it?

No. The next phase is to decide what area or areas the company wants to focus on. These areas could be an existing niche market. It could be a new opportunity. But focus is critical – then all marketing and sales efforts can be coordinated and complement each other.

Once this focus is established, what does a contractor do then?

Then it's a question of approaching those defined markets in a professional and customer-focused way. When communicating with these markets, I strongly suggest that contractors position themselves as experts in whatever they do – roofing, plumbing, remodeling, customer design, etc. Most customers want to trust experts; they want to work with experts.

Doesn't that mean a contractor will have to charge higher pricing?

There's nothing wrong with that! Contractors who position themselves as always having the lowest prices are often in trouble. Eventually some other company is going to have lower prices. Competing on price is a no-win situation. It's much more effective to compete on quality and value—all that your company brings to the project. Price is only one aspect of value; quality also includes many other elements, such as professionalism, reliability, and so on. By positioning your company as an expert, you can charge higher prices and still keep your customers happy because they understand the overall value that you bring to the table.

Positioning yourself as an expert sounds critical.

It is. And it takes some work to develop those messages and then effectively communicate them to your markets. Educating customers is a challenge. But it can reap huge rewards.

projects. Second, he did not research the cost method of distribution of this brochure. And third, he failed to distinguish himself from the other remodelers in his area.

What makes your company different? What benefits do customers receive when they hire your business?

Keep Things Simple

Marketing does not have to be elaborate. Don't equate "big and expensive" with effective. After you've created the proper positioning for your company, determine ways to get the word out in reasonable, targeted ways. [Editor's note—see the accompanying article Key Marketing and Sales Questions for additional ideas.]

For example, client testimonials can be a very effective—and inexpensive—way to market your business. The next time a customer personally thanks you for a job, or even better writes a note, ask for their written permission to use their quote in your marketing.

Another simple way to market is to attend a business function, trade show, or consumer show to network. Take business cards, be professional and polite, and when you receive a potential lead or referral, follow-up within three business days, so that the person's memory of meeting you is still fresh in their mind.

One more avenue that you may not have thought about is to teach a class at the local adult education program. This positions you as a construction "expert" while bringing groups of prospective clients—in this case, program attendees—directly to you.

Conclusion

Sales don't just happen. They require planning, proper positioning and messaging, and an effective implementation—all of which you can do with planning, an investment in time and money, and a commitment to running your business the way it should be run.

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Key Marketing and Sales Questions

Use the following questions to stimulate your team's thinking and creativity and to begin laying the groundwork to help you reach your 2005 sales goals:

- ✓ Who is our ideal customer? Do we have an "ideal customer" profile?
- ✓ How many existing customers do we have? Have we tapped into their repeat business potential? Have we asked for referrals?
- ✓ Who within our organization "sells"? Can we provide more sales training?
- ✓ What specific ways do we generate prospects (i.e., fill your sales "pipeline")?

Subcontractor Contracts: Make them Work FOR You

By Gary Lewis

Have you ever started a job without a contract? And on those jobs where you didn't have a contract, has the GC pressured you for changes in manpower and/or schedule?

It happens all the time: Subs begin a job without a contract, then find themselves at the mercy of the General Contractor (GC) who requires them to perform work without adequate payment. Maybe it's an honest mistake, but more likely it's part of the business practices of certain GCs who select subs they can squeeze. To get a job, you probably have to accept the GC's contract. You sign and return it, expecting the GC to do the same, and then begin the job. As costs accumulate, you're under increasing pressure to meet the contract schedule, which includes making payroll and payments for materials. You're in a bind and that's just where the GC wants you. He asks for scope changes. He wants more labor crews on the job. You submit change orders but don't get them approved. And you still don't have a signed contract. You're losing sleep; you may lose your business.

On a recent public school project in Massachusetts, a drywaller without a contract was put under pressure to increase his work force. A steel sub had walked off the job, then a second was ordered off the job. The GC wanted to make up for lost time with a revised work schedule. Without

having a previously signed contract, the drywaller was forced to work under revised terms and conditions created by the GC. The drywaller lost \$1 million.

Times are changing, though. There's a new breed of subs that, as part of their sales and marketing efforts, negotiate terms and conditions upfront and demand signed contracts with revisions included in an attached Addendum. Better GC's actually welcome this kind of proactive relationship since it's in their long-term interest to do jobs with well managed and financially sound subs. The following ideas will help you build and utilize sound, win-win contracts.

Read the contract carefully and make sure you understand all of it. If you are in doubt, or it is a big job, review it with an attorney. Bill Davis, Esq., CPA, of Needham, MA, who specializes in getting subs favorable terms, says: "if the following terms aren't in the GC's contract, consider preparing an Addendum with some, or all, of these":

Payment Terms

Invoice every 2 weeks with payment due within 5 days of receipt of invoice.

T&M slips

Billed weekly and payable within 5 days

Retainage

5% retainage, reduced to 2.5% when your work is 50% complete. No retainage on T&M slips or change orders. Final retainage paid within 30 days after your

work is completed.

Change Orders

All change orders to be approved or disapproved within 7 days.

Approved change orders will be included in the regular billing cycle.

GC Responsibility

GC will issue a formal schedule of work. GC will pay additional costs incurred by your company as a result of changes in the work schedule. Any overtime caused by changes in work schedule will be paid by the GC.

OSHA

GC is responsible for all OSHA and other regulatory requirements.

RFP's

Sub will respond within 7 days to all pricing requests received from GC.

When you have a good contract that you can work with, you have also sent a clear message to the GC that you are a professionally managed company and you know how to work in the best interests of the GC, the customer, and your company. You and the GC agree on the scope of your work and the conditions for doing it. You will receive more of your money sooner and can budget for project expenses with confidence. You will have a sense of being in control, not being controlled. A good contract may not prevent every unscrupulous GC from trying to stick it to you, but it lets him know that you're prepared to fight and determined to win.

Conclusion

Without question, it takes gumption to stand up for your rights regarding having a signed contract upfront. As well, there must be a willingness on your part to invest in an expert to assist with contract review and negotiation. Maybe you will lose a few jobs—but you probably could not afford those jobs anyway. In the long run, having sound contracts will help you build a reputation and a business based on proven management principles. And you'll sleep better at night. A lot better.

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Key Marketing and Sales Questions – Continued from page 2

- ✓ Do we have a company brochure?
- ✓ Do we have a Direct Mail program? If so, how successful have our mailings been?
- ✓ Do we utilize advertising? If so, how successful have the ads been?
- ✓ Do we have a Public Relations program in place (press kit, etc.)?
- ✓ Do we have a company newsletter?
- ✓ Do we have a customer referral program in place? If so, is it generating referrals?
- ✓ How do we capitalize on our Customer Success Stories?
- ✓ Do we have a Web site?
- ✓ What organizations do we belong to for networking and word-of-mouth marketing?
- ✓ Do we track sales leads by source, bid/close ratio, and customer follow-up?

CASH FLOW TIP: Create Written Procedures

Written policies regarding invoicing and collections will save your company time and frustration, particularly when new employees come onboard. Yes, this requires a time commitment to meet with your staff, agree on these policies, write them up, and distribute them. Nevertheless, this time investment will be repaid many times over.

Follow these steps to create a written invoicing and collections procedure:

Have key personnel meet as a group.

List key topics such as invoicing dates and standardized forms.

Determine which staff person is responsible for creating, reviewing, and approving all invoices.

Create specific action steps if a customer doesn't pay.

Discuss what would be the ideal procedures, and what are realistic procedures.

As a group, agree on your company's procedures.

Formalize these procedures (on one page, if possible). Date the document, then distribute it. (Always date every document; if changes or modifications take place later, it will be much easier to replace out-dated documents.)

A cautionary note: Be careful—some employees will only want to make their jobs easier at either the customer's expense or your company's expense. Don't make your policies and procedures so customer-unfocused that you lose customer goodwill.

Next Issue Preview

The next issue of *The More Profitable Contractor* will be available in April 2005. We'll focus on estimating to help you build your business—and your bottom line.

Need Assistance?

Don't go it alone—put our expertise to work for you. Contact us today to discuss your technology and business management needs. We can help!