

No Job Too Small

For most remodelers, small jobs are a nuisance. While everyone defines a small job differently, something simple like replacing drywall after a roof leak, patching around a toilet, or replacing rotten deck joists still means two or three trips to the supplier, half a day wasted while the mud dries or the tile sets, and rounding up a sub or two who are willing to do a few hours worth of work.

Then there's all that overhead for a job that may yield only a few dollars in profit. For most companies, scheduling, billing, and contractual procedures are the same whether the job is worth \$100 or \$100,000. Yet on a small job, passing along that over-

Rather than turning down small jobs, learn to make them profitable

head to the customer may put you out of the bidding competition.

Here are two companies that have found a way to make small jobs profitable. Their approaches are different in many ways. For instance, one company emphasizes the quality of the people it hires to perform small jobs, while the other uses these jobs as a training ground for new employees.

But despite the differences, they have at

least three things in common:

- Each has created a separate division with streamlined scheduling and billing practices designed to cut the overhead on small jobs.
- Both add in liberal markups to their

small jobs. This means they can't compete with the guy who operates from the back of his pickup. But the companies are providing professional service with guaranteed workmanship and fast delivery. They figure that's worth the extra cost.

- And finally, they have both changed their attitudes toward small jobs. No longer are these jobs a bother. Instead they are a productive, profitable part of the business.

Call the Handyman

by Tom Swartz

About five years ago, we set a new company policy: no more small jobs. A look at our books for 1986 showed that of the 1,500 jobs completed that year, fewer than 300 earned 80% of our profits. The remaining 1,200-plus jobs were small ones, netting less than \$2,000 each. But each one passed through the sales, production, and accounting departments, requiring the same kind of paperwork as the \$100,000 additions. They were eating us up in overhead.

Often these jobs were even more troublesome than the big jobs. Scheduling was a hassle. It meant pulling our crews from the big projects to attend to the little ones. If we were busy, the small jobs had to wait, often for weeks, resulting in customer complaints. To top it all off, we were spending a fortune to bill all these people for jobs costing as little as \$50.

Everyone agreed the new company policy

was a good one. At sales meeting after sales meeting, we talked about what a drain those jobs were and how much better off we'd be without them. Yet despite our moratorium, month after month the small jobs kept appearing on our records.

Our company has been around for more than 70 years. We've built up a strong and loyal client base. We found it impossible to say no when these people asked us to come and hang a storm door, repair a roof leak, or even get a squirrel out of their attic. It was time to change our objective from eliminating the small jobs to finding a way to make them profitable.

Introducing the Handyman Service

With great fanfare, we introduced our Handyman Service in early 1988. We rented four booths at the local home show and parked one of our newly painted handyman vans right in the middle of the space. No one could miss the great big shiny orange truck. We started getting calls the next day.

Our system for handling the calls is simple. Our receptionist first asks the caller exactly what type of service is needed. In many cases, people respond to our Handyman Service advertising by asking us to build additions or decks. These calls are

routed to the sales department.

We define small jobs as those that can be completed by one person in a day or two. We don't attempt to classify them by dollar volume. (The customer may be asking us to hang a door, but the price of the door could range from \$100 to more than \$1,000).

If the job is meant for the Handyman Service, the receptionist gets the ball rolling by taking all the information required for scheduling and billing. We've designed a simple, four-part form that we call the handyman ticket. This acts as invoice, work order, receipt of payment, and control copy. If you have ever had a service call on an appliance, you'll recognize the system.

Rough estimates are usually easy to provide since all service jobs are based on time and materials. The receptionist will tell the customer our basic charges, roughly how long the job will take, and what materials might be involved. The handyman will provide a final estimate to the customer before starting the work.

We charge \$50, plus materials, for a service call which lasts less than an hour. Calls lasting more than an hour are billed at \$32.50 per hour, plus materials. These prices may be considered high by some remodelers

Continued on next page

Continued from previous page in our area. But we've found that most of our customers will pay them because they know we'll get the job done right and on schedule.

We've also developed a price list that includes about 200 standard items, such as cutting off a door, fixing roof leaks, and patching plaster. If the customer is looking for one of these services, the receptionist simply quotes the price off the most recent list.

The customer is then informed that upon completion of the job, the handyman will accept Master Card, Visa, a check, or cash. Thus the administrative expenses of billing and collecting are eliminated. We've found that 90% of our handyman jobs are collected before leaving the job site. The additional 10% are usually commercial jobs where payment policies vary.

Scheduling

After the receptionist takes the information, the form is given to our production supervisor, who passes it on to one of our four handymen. He is then responsible for calling the customer and setting up a time to take a look at the job and provide a final estimate. Our goal is to get back to the customer and have the job completed within a week of the initial call. In some cases, a roof leak for instance, we try to get there within a day or two.

It is up to our handymen to give the final estimate, do the work, turn over the invoice, and collect the money. The handymen are educated about our pricing policies, including markups and overhead. They recognize that a minimum gross margin of 50% (achieved by marking up materials and labor by 100%) is necessary to cover the costs of the Handyman Service. They keep all they need to provide an estimate in the truck, including a copy of our price list, a schedule of basic material costs, and job contracts.

Once the handyman has taken a look at the job, he goes back to the truck, figures

the price, and writes up a contract that's presented immediately. The customer must sign it and put down 50% on the spot. The handyman then schedules the job. We've found that we close on about 80% of the jobs we estimate this way.

The handyman gives the office the control

The image shows a 'J.J. SWARTZ CO. INVOICE' form. The form is tilted and contains the following sections:
- Header: J.J. SWARTZ CO. with a logo and address: 1000 W. STATE ST. DECATUR, ILL. 62521. Phone: 217/281-1111.
- Title: INVOICE
- Fields: Name, Address, Phone #, Work #, Work to be completed, Job #, Date.
- Section: Additional Work Completed, Amount due for above work.
- Section: Special Instructions.
- Section: Labor, Material, with sub-fields for Hrs. and Rate.
- Section: METHOD OF PAYMENT, with a sub-field for Check.
- Section: TOTAL DUE.
- Section: AUTHORIZED SIGNATURE, with a sub-field for Master Card.
- Section: MASTER CARD, with sub-fields for Card # and Expiration Date.

▲ To hold down small-job overhead, this simple four-part form serves as an invoice, work order, receipt of payment, and control form.

copy of the handyman ticket so that we can track the jobs. Within 30 days of completion, the handyman receives a commission on each job that achieves the targeted gross margin. This has proven to be a good incen-

tive to schedule more effectively and charge customers correctly.

Profile of a Handyman

Our handymen are different from the typical carpenter. For one thing, all of them have a lot of experience. Two of the four have had their own companies so they know how the business works. They also know how to sell our company and our services. Most importantly, they know how to deal with people.

Not everyone can cope with customers peering over their shoulders while they work.

The handymen are probably more independent than other members of our field crew. They have to be good at setting their own schedules and working alone. Now and then, if the handyman end of the business is slow, they'll work with the other field staff on bigger jobs. But for the most part the handymen are in and out of the office only long enough to pick up their work orders.

Making the Division Work

The Handyman Service has been part of our company for three years now. We still do as many small jobs as we used to, but every year we've gotten a little smarter, and these jobs are now earning higher profits. In 1990 we did about 2,000 jobs, generating \$3 million in sales companywide. The Handyman Service earned about \$600,000 in sales.

There are other benefits from providing this kind of service. Our customers are happy. They know they can turn to us for any type of job, from building a crate to ship a giant cactus across the country (yes, it's true), to redesigning the entire downstairs of their home. At the same time, our Handyman Service has generated lots of referrals for bigger jobs. ■

Tom Swartz is president of J.J. Swartz Company, a 70-year-old remodeling firm with offices in Decatur, Ill., and Bloomington, Ill.

A Niche for Small Jobs

by Jim Walter

Like many remodeling firms, we got our start doing small jobs. And we quickly learned that you don't prosper on small jobs alone. Gradually, as our business grew, we turned our attention to larger, more profitable jobs like room additions and whole house remodeling. These now make up about 80% of our annual sales. But after 12 years in business, the small jobs still play an important role in our company.

In 1990 we did about 500 jobs, generating about \$750,000 in sales. Of these, 480 were small jobs, grossing about \$150,000. We have a full-time staff of 14 with two part-time employees. All of us, from the most experienced to the new hires, do small jobs now and then.

Small Jobs, Big Perks

While many remodeling firms consider small jobs more work than they're worth, we've found that they offer several advantages. First, none of our crew needs to worry about getting laid off. There's always plenty of small jobs to provide us with a steady source of work. These jobs provide constant income that gets us through the slow times.

Also, we like the scheduling flexibility that small jobs give us. A two-day job fits neatly into the schedule when, for example, you're waiting for the electrician to finish the rough-in on an addition. At the same time, that flexibility lets us use the whole crew if we need to get a roof torn off and a second story addition roughed in. Nothing pleases a customer more than the sight of a big crew working together to get a job done quickly.

Small jobs are also a good source of referrals. We usually pick up at least two referrals on every job we do (we ask for them). Many of these may not pan out, but those that do help us expand our customer base.

Finally, small jobs are a service to our customers. They appreciate the fact that we show up on schedule and do a good job. And we give them a price up front and stick to it. That creates goodwill, which means more jobs down the line.

Managing the Small Jobs

Most of our small jobs come from two sources: condominium associations and a local home center, called Siegle's, for which we do product installations. In the case of the associations, we're familiar with the projects, usually small repairs and maintenance, and we know right away what the job will entail. And since Siegle's reimburses us a fixed amount for each installation, all we have to do is schedule the work. This enables our production manager, Tom Walter, to estimate and schedule most of our small jobs right over the phone, thus cutting out overhead costs and increasing profit.

About 15% of our small jobs come from

Condo associations provide a steady source of small jobs, like storm door replacement, to Lakeview Construction.



past customers or other sources. In these cases, the work is more of a service. We typically spend more time on these jobs since we take a look at the work before providing an estimate.

We've created a separate division that we call the Service Department to handle small jobs. Our goal in that department is to strip away as much overhead as possible. We define small jobs as anything under \$10,000, but the majority fall in the under-\$1,000 range. These jobs, as a rule, don't require subs and rarely need more than one or two work-

ers. If Tom needs to see the job to give an estimate (if it's not on our unit price list, for instance), he drives to the site, meets with the customer, and mails out or delivers an estimate the next day. He typically collects a deposit of 20%.

Scheduling

We try to get to all the small jobs as quickly as possible, usually within a week of the initial call. In fact, it's one of our biggest selling points and something we're known for in this community. But scheduling can be tricky, especially when the weather isn't cooperating or one of the jobs takes longer than expected.

Once again, Tom is in the hot seat. He keeps an erasable board in his office with the names of all our employees and a roughed-in monthly schedule. When one of our crew is between jobs or waiting for subs to get their work done, Tom greets him in the morning with a pile of small job work orders. Tom has already made the appointments, so our crew member just has to show up and do the work.

It's a system that works well most of the time. But when there are problems, Tom will call the clients and reschedule. Then he'll contact our crew members and make some quick reassignments, often giving out work order information over the phone.

Who Does the Work

The best way we've found to train new employees is in the Service Department. They gain all kinds of technical experience in a wide variety of trades, and they get used to dealing with customers. It's also a quick and easy way to see where their abilities and weaknesses lie. Because the jobs are small, feedback from the customer is immediate.

Small jobs give our crew members a chance to do something different, to take a break from their everyday work. We don't provide bonuses on these jobs, since we've never come up with a fair method for quantifying them. But for the most part, our employees enjoy the change of pace and the responsibility of seeing a job through from start to finish. ■

Jim Walter and his partner, Bob Mager, are the founders of Lakeview Lumber & Construction, Inc., in Lake Barrington, Ill.

A two-day job fits neatly into the schedule when, for example, you're waiting for the electrician to finish the rough-in on an addition

ers to complete them. Except for the jobs assigned by Siegle's, all our estimating is based on time and materials.

We charge a higher markup than on bigger jobs since costs on small jobs can be disproportionate to profits, especially if things don't go smoothly. You can easily eat up the profits on something like hanging a storm door if you accidentally get the wrong size door.

Our fee is \$30 per hour with a one-hour minimum per job. Labor is marked up 100% and materials by 20%, yielding an average profit margin of about 40% per job. On almost all small jobs, labor is the larger share of the cost.

We have a unit-pricing system which we update constantly. This gives us standard prices on things like reroofing (usually \$75 per square, depending on pitch), siding replacement, ceramic tile installation, and drywall. We track our job costing and do all our billing on a computer.

We use a simple, standard work order that Tom fills out while talking on the phone to