

Grow Your Business Without Expanding

by Rick Stacy

Does growing your company necessarily mean making it bigger? It may seem so. But taking on more work and employees can hurt a business or place a business owner in a position where he or she no longer enjoys what the job has become.

My own experience, growing from a crew of one to a crew of five, left me frustrated and dissatisfied. I had taken on more work and hired more help and subs. In the process, I removed my toolbelt and promoted myself to a management position in which I was miserable. I was running around, putting out fires, and dealing with material snags and personnel issues. I'd leave the site to take care of a mistake in a material order and return only to find that the framer had put up a kneewall in the wrong spot. All the while, I just wanted the freedom to frame up the wall and finish the job myself.

Reexamination

For some, exchanging the toolbelt for a clipboard and cell phone is enticing. But it wasn't for me, so I decided to reexamine my options.

I had decided that I didn't want a larger company. However, the demands of a growing family meant that I needed to draw more income out of my existing business. At the same time, I wanted to spend fewer of my evenings and weekends doing estimates, site visits, and book work. Too often, the demands of my business overran my personal life, and that needed to change.

My business goal was to increase my profitability while keeping the nature

and volume of work I did essentially the same. Applying the principles below has allowed me, over a period of several years, to nearly double my business income without taking on more volume or hiring more employees.

Self-Assessment

To begin untangling my seemingly contradictory objectives, I did a simple assessment of my business statistics, beginning with my customer base.

The list of the total number of customers I served hovered around 130, with some names dropping off and new ones coming in. By reviewing my previous years' job calendars, I learned that I service anywhere from 25 to 35 of these customers in any given year. For some customers, I'd do multiple jobs within a year, while others called on me only for a big project every two to five years.

By looking through my estimate files, I discovered that only 20% of the calls generated from running ads in my local newspaper turned into a signed contract for work. On the other hand, estimates produced for repeat customers and direct referrals yielded a 75% job return rate.

Armed with these statistics, I began to implement positive steps toward growing my company without getting bigger. I did this, in part, by capitalizing on what was already happening within my business.

Premium Customers

I needed 130 customers total to keep myself and one full-time helper busy. I decided to cull and cultivate that dynamic list of customers, focusing on retaining only the best ones.

I began to nurture customers on this "premium" list by sending them Christmas cards and occasional flyers describing my services. I had discovered that some customers who had hired me for smaller jobs didn't realize that I also took on additions, siding, and roofing. A mailing to all my customers cost only \$40 to \$50 in postage and, without fail, would generate a few good jobs or nudge a client into committing to a project they'd been putting off. The flyers brought in additional work from customers I was already serving, which compensated for work I may have lost by culling less profitable clients from my customer base.

Because of their poor return, I canned the newspaper ads. I turned this to my advantage, telling prospective clients, "Virtually all of my work comes from repeat customers or direct referrals!" This sent a positive message to clients who were considering hiring me and wondering if I was worth the extra cost over the lower bid they were holding from another contractor.

Working to strengths. I did an honest assessment of my skills. I'm not a production person. My strengths are in putting out quality work and delivering great customer service. To make sure I could take good care of my customers, I focused on the particular areas I did well in. I found I did well installing vinyl replacement windows, so I sent a special flyer to my clients once or twice a year, offering a discount. I usually coordinated such events to coincide with sales promotions run by my local supplier. I stay away from jobs like installing vinyl floors or HVAC work, because I know

I'm not equipped to provide professional service in those areas.

Size Matters

Basically, I began to market my smallness. I touted the many advantages the customer receives by hiring a smaller company. For instance, I could assure my customers that they would see me, or a direct employee, day in and day out, doing their work — not a parade of subcontractors they didn't know.

When I talk with prospective clients, I hit on the "top customer gripes about contractors." These include starting the job, then pulling off for days or weeks with no explanation; messy work sites; not respecting customer's schedules; and not getting back to them on callbacks. I explain how my company, as a small, tightly run organization, will avoid these typical contractor problems.

Image Making

I also took steps to enhance my professional image. Simple things that I had been ignoring make a powerful impact on a prospective customer's perception of you as a professional.

Signage. I spent \$10 to \$12 apiece for embroidered company logos on T-shirts, jackets, and sweatshirts. Wherever I go, my logo is one of the first things customers see. I pull into my customer's driveway in a clean, sharp-looking work vehicle that is well marked with a set of magnetic signs.

We all know that a uniform or nice truck doesn't make a quality job. With a little effort, anyone can look profes-

sional. It's the follow-through, with professional workmanship, that enables you to charge professional wages and make a profit. But being perceived as a professional starts you off on the right foot.

Presentation. With my estimates I include a package, printed on my business letterhead, that includes a representative list of customer references, a short bio of my company, and my qualifications — my years in the remodeling business, related education and special training, trade affiliations, and certifications. I also include a separate insert, "Choosing a Contractor," which steers the customer into considering more than just the cost estimate for the project. The insert prompts them to ask questions such as: Will the estimator be doing the actual work? What quality of materials will be used? Will the household needs be accommodated during the construction process?

My goal is to present my company as being a notch or two above the rest of the field. A professional presentation helps to justify higher, professional rates.

Time Management

I use a large dry-erase board in my home office to keep tabs on things such as upcoming jobs, start dates, cash flow, estimate due dates, and material on order (see *Strictly Business*, 1/99). This simple system helps keep my business in control and prevents damaging mishaps such as missed estimates, unrealistic start dates, and cash shortages. In general, it helps me run a tight ship. A business that is efficient is more profitable.


I began to use the first hour of every

workday to take care of calls, book work, and other office tasks. I make sure my helper is prepped to start without me in the morning to minimize loss of production time. As an added bonus, this small change has allowed me to be home most of the time when my kids leave for school.

Raising Rates

To reflect my new goals and maximize my return on time invested in my business, I began to increase my charges for labor. I also increased the percentage I added to the total labor and materials for every estimate to cover my overhead, remembering to include costs for the time I spent preparing estimates, procuring materials, and managing jobs.

How did customers respond? I lost some. But this was an expected outcome of the culling of my client base. The bottom line was, there were jobs I couldn't afford to take on and clients I couldn't afford to work for. I was developing and maintaining prime customers who were willing to pay a little more for quality, trust, and being well taken care of.

Increasing the size of your business and your work volume may be right for you. But for me, it wasn't. If you're feeling overwhelmed, assess your needs and goals, then grow your company in the direction that's right for you. You may benefit, as I have, by simply putting a substantial "polish" on your current business and keeping your size just where it is. 

Rick Stacy is a remodeler in Bergen, N.Y.