

Proactive and Positive In the Face of Recession

When the going gets tough,
the tough spend more on marketing

An interview with Robert Criner

“Housing is probably not viewed as the secure investment it was once thought to be, given uncertainty about future home prices and about the economy more generally. By some estimates, declines in house prices have reduced homeowners’ equity by 50 percent in the aggregate since the peak of the housing boom, resulting in more than a \$7 trillion loss in household wealth. One of the effects of the declines in housing wealth is to reduce the willingness and ability of households to spend.”

— Ben Bernanke, speaking to builders at the IBS show, February 2012

Nothing the Fed Chairman said at the Builders’ Show comes as a surprise to JLC readers. New construction is way down, and so is remodeling — though the latter has been a lifeboat for many companies that used to focus on custom home building.

As JLC editor, I talk to builders and remodelers around the country every week, and I always want to know how they’re navigating this recession. One of them is Robert Criner, a Yorktown, Va., remodeling contractor and longtime speaker at JLC Live. Robert has always impressed me with his stick-to-it attitude when it comes to running a smart business — he knows his numbers and pays attention to basics. I figured if any contractor could survive the current economic morass, Robert could, and I wanted to find out how. He was nice enough to give me an hour of his time at the recent JLC Live show in Portland, Ore. — Don Jackson

JLC: A year and a half ago you told me that you’ve had some of your best — or maybe your very best — net revenue years, in the last few years since the 2007-2008 downturn. Is that accurate?

RC: We survived the first couple of years of the downturn working through our backlog of jobs. At the end of 2009, we posted our highest profit ever. We haven’t achieved the same revenue since

that time, but we’ve continued to earn a profit, primarily by working harder with a smaller volume.

JLC: You’ve spoken at JLC Live over the years on business fundamentals — nurturing your client base, generating referrals, proactive marketing, setting aside a cash reserve in case you need it. It strikes me that you might have been better positioned than a lot of companies coming into this slide.

RC: We saw it coming, somewhat; in fact, NAHB predicted it, spot on, a good year in advance, if anybody was paying attention. So we started to focus more on marketing. We literally went out to our local college, to the head of the sales and marketing program, and asked her point-blank, “Who’s your best graduate?” and then went and tried to hire that person. We ended up getting one of the top graduates from the school, hired her for what equates to \$30,000 a year.

JLC: So while many companies were doing layoffs, you made a hire. Did you have to tap your cash reserve?

RC: No, I didn’t have to use the cash fund; as I said, we had finished a very profitable year, were staring at the downturn, and made a conscious decision to invest in marketing. Of course, having cash on hand gives you a level of comfort and makes it easier to make the hire, because you know the person won’t really start producing for several months. That’s the beauty of running a profit — you can make these decisions even if there’s not a quick payback.

JLC: And how has it panned out?

RC: Now that we’ve been doing it for a year, we’ve been able to take our historic number of viable leads — less than a hundred — and double them. We then do triage with the leads. We probably reject about 20 percent of the prospects right off the bat as not being a good fit. We of course do them the courtesy of getting back to them. We’ll send them to our website, where we have links they can follow that explain how they can check out a contractor’s license, certifications, whether he belongs to the

Better Business Bureau — the usual stuff. That allows us to spend time on the leads we want to pursue.

JLC: *How would you describe the dollar volume of the individual job? Has it gone down?*

RC: At the same time we've doubled our sales leads, our overall volume has not gone up at all. Large jobs are out of the equation now; there are no more \$100,000 additions to speak of. They've just evaporated because most people are afraid to invest that much in their home. Bathrooms have become far more popular because owners need upgrades and can afford them. The usual range is anywhere from \$15,000 to \$40,000, and we just did one for around \$60,000 — a really nice bathroom.

There's also still a good number of clients who plan to stay in their house until they die, and they're happy to invest in the things they want to have. We're doing an accessible project right now where instead of adding a first-floor bedroom and bath, we're adding a small addition to house an elevator so the owners can easily get up to the bathroom they have now. We've also done well with kitchens, though these days we're doing more bathrooms.

JLC: *So how small a job will you do?*

RC: Our "small" job now is probably eight to ten grand; we do very little for less than that. Our average jobs used to be up in the 70s or 80s; now the average is probably closer to 40, though we still get the occasional \$80,000 job.

One thing I want to emphasize is that for past clients we'll do anything, no matter how small. And a lot of times, if it's a small job, below \$1,000, we won't go out and give an estimate; we'll work it out over the phone: "Listen, tell you what, you've walked me through this, I'm familiar enough with it, I know it's going to be less than a thousand dollars, and we're going to come out and do it and bill you accordingly. Are you okay with that?" It might even be a \$500 job. But that way, I'm not wasting the \$150 or \$200 it takes me to go out and do an estimate for a little tiny thing. My past clients will always accept that; I always make money, and they're always happy. It's really a win-win situation. We try to work those jobs as quick as we can, but I'd rather do that with a past client than recommend someone else. Even if we were to lose a little, I'm not hurt that bad.

JLC: *And what about smaller jobs with new clients? Everybody wants to know what it's going to cost. How do you handle that?*

RC: I'll do my best to tell them. Let's say they want a couple of windows replaced; it could range quite a bit. The cost of the window itself could be a hundred dollars or a thousand, depending on what they go with. I could spend two hours educating them, only to find out I was \$40 more expensive than the next guy.

Those jobs I'll pass on to someone else. It's really about finding what you're best at, and our niche is the more difficult, multi-trade jobs. That's what we're set up for. The more complicated the better. Come to me when nobody else can do it; I want those jobs because that's where we shine.

JLC: *Let's get back to your marketing hire. It's obviously been a success, but what's the actual mechanism for doubling your leads? Advertising?*

RC: It's not so much from running ads as trying to get our name and face out there more than ever before.

The first focus was to rebrand the company. We used to be called Criner Construction Company, and we had to explain again and again what we did. So we added a tagline: "Remodeling the Peninsula since 1977." If you took the whole thing together, it said what we did pretty well, but it wasn't clear enough. So we rebranded, with a new logo, to Criner Remodeling. We should have done it 20 years ago.

Next was to spend the time to put together a first-class website, to get to where we needed to be with Facebook, and to improve our image artistically to appeal to our target clientele, who care about and have the money to pay for good, aesthetic design.

We purposely hired someone who is comfortable with social media, and she's been developing systems to keep us in constant contact with our existing clients and to maintain a continual buzz locally. We've won lots of awards, both local and national, and continue to do so, and we want to keep that in front of the community with articles and releases. Within the last 12 months alone, we've won local showcase awards, won a contest for the best remodeling contractor in our local newspaper, been honored by the American Red Cross, and sponsored a race in a neighborhood we're trying to get into. The idea is it's a list of things we've done that keeps people talking about our company.

JLC: *Being named best remodeler by your newspaper — that's not a contest, that's an editorial judgement, isn't it?*

RC: No, that was actually a contest. You enter your company, and the beauty of it is that they keep publishing the names of the contractors who are up for the award. The winner is the one who gets the most votes from people emailing the paper. Now, think about this for a minute. I have this person in marketing, who's under 30 and knows social media and is feeding our website and Facebook page on a daily basis. We're going to have people emailing the paper and voting for us because we're on Facebook, we have a nice Internet presence, and we have the email addresses of all of our past clients, who we can encourage to vote.

With every job we finish, there's a bigger emphasis on digital photography — better before pictures, better after pictures. All this

goes on Facebook and on our website when we finish a job. The clients can go there and see the photos, and pass on the links to their friends to show off their remodel. It's about building a connection with your clients so that they'll remember you, and because they admire your work, they'll come back and recommend you.

It's not all Internet, either; every one of our customers gets a handwritten thank-you and a handwritten birthday card in the mail, signed by the Criner team. They'll remember that, too.

JLC: *And you can provide testimonials to your new customers from your pre-existing customers?*

RC: Certainly. And just within the last couple of years we've started using Guild Quality, a third-party customer-satisfaction survey company. You pay them so much a month and so much per survey, and they contact customers and do follow-up surveys for you, by both phone and email. The results are put on their website, where anyone can see them and compare contractors. But what I really like is they capture the quotes from the homeowners; they're typed out and I have them for posting on Facebook. At our Christmas dinner, I gathered the year's comments about our lead carpenters — each lead got a page of comments and I read them in front of the entire company, with their spouses there, and people were just damn near tears. The homeowner's saying this guy is golden, he's the best, he's perfect. It's pretty powerful stuff, very moving. And we didn't have that before when we did our own surveys.

JLC: *You've always been big on entering awards contests, but now that you have a marketing person on staff, does that function fall to her?*

RC: Yes, and that's an important point, because it takes time to enter those contests and the task used to be handled by production people, who no longer have time to spend on awards. Remember, we're producing twice as many jobs as before, so that's valuable time. But I think there's an awareness in our company that our marketing efforts have paid off — because we have work, and a lot of our competitors aren't even in business anymore.

One of our cheapest and most effective marketing efforts in recent years was targeting a specific local neighborhood, one with homeowners of the right age and income. We advertise in their homeowners association newsletter every week, and we hold a couple of seminars there each year, in their clubhouse. It's our perfect target market — upper-middle-class, homes in the four- to five-hundred-thousand range. We also do regular mailings, using an address list we put together from our own research.

JLC: *On a more general note, in times like this, contractors are thinking, "I've got to compete on price; I've got to lower my*

markup." Have you made any adjustments?

RC: Here's the sad truth: You cannot afford to change your margin at all. Understand that your volume is likely to be less, but you're having to do more jobs. So if anything, your overhead has gone up. Ours has, and we haven't cut our markup one iota.

I'm not an accountant, and I wasted probably five or ten years in business not knowing what the hell I was doing with the accounting well enough to turn a real profit. And until you understand how those numbers work — what your overhead is, what your break-even is — you cannot be profitable.

You mentioned the cash reserve: Frankly, I was a little late to that party; I didn't start developing that fund until about five or six years ago and had to play catchup. Now it's a separate account and we add to it every month.

Another related point: I'm a firm believer in getting your business systems in place before you need them, not after you realize you need them. You have to be continually proactive to make sure things are systematized so you can measure, compare, and improve — in every aspect of your business. This is a constantly moving target for us: We have systems, but we're always revisiting, always refining, not to make things more complicated but to simplify them so we can pull out just the information we need. A lot of times you implement a system to track 12 different things when you really just need to track four.

JLC: *Is there anything more you'd like to say to the JLC audience about surviving these times?*

RC: Yes, and that's to double your marketing budget, right now. I remember speaking here at JLC Live, stating proudly, "My marketing budget is less than one quarter of one percent of my gross! And look how I'm growing!" And now I'm at three and a half percent, with an understanding that we may have to go to five. Because I don't just want a lot of leads; I want enough leads of the kind that will allow me to make a profit — huge difference. And it's not that much of an increase: If I can sell a project to a customer for \$100,000, I can add in four percent marketing overhead and they'll still buy it at \$104,000.

Finally, I think it's more about relationships than advertising. Find ways to continually nurture your ties with existing clients, and keep a buzz going about your company so that new clients will come to you. There's always the question of where to put your marketing dollars. I spend the largest portion taking care of my existing clients, because if I have a large, happy client base, I'm going to get more work.

Of course, all this is predicated on the solid fact that you're doing a better job than your competitors. If you're not doing good work, forget anything I've said for the last hour and concentrate on producing better work.