

Business

Budgeting for Your Marketing, Sales, and Project Starts

by Joe Stoddard

You have to make sales before you can start projects, and you have to start projects before you can recognize income from them. But you won't make any sales unless you have a supply of qualified leads in your pipeline — prospects you can engage in order to close a sale and start a job.

What Is a Qualified Sales Lead?

I don't consider a sales lead "qualified" unless it meets three conditions: The prospects must be ready, willing, and able to purchase whatever it is they are interested in getting from you. You should get into the habit of ranking every sales lead A, B, C, or D based on those three criteria.

A lead: three out of three. Prospects who are ready, willing, and able are prospects you should be able to close easily and quickly, assuming that what your company does meets their needs. Your marketing efforts should be focused on bringing in ready-willing-able prospects — and once you have accomplished that, the bulk of your sales efforts should be directed at turning those prospects into customers.

B lead: two out of three. If the missing factor is "willing," your skill in sales and presentation should convert these prospects to an A and get you the job. "Not ready" might mean something else has to happen before the prospects can move forward — they have to sell an existing home or wait until their youngest child starts school. "Not able" means they have financial issues you may be able to help them solve.

C lead: one out of three. How you deal with C prospects depends entirely on what's missing. If they're able — meaning they have the funds — but not willing or ready, they're in the driver's seat and you could waste a lot of time and effort chasing them.

D lead: zero out of three. While D leads are not useful in the short term, you should still have a way to stay in touch with these prospects. Remember that even though they were not able to do business with you, they could still provide a referral to someone they know who is an A prospect. But that will happen only if you treated them professionally and with courtesy.

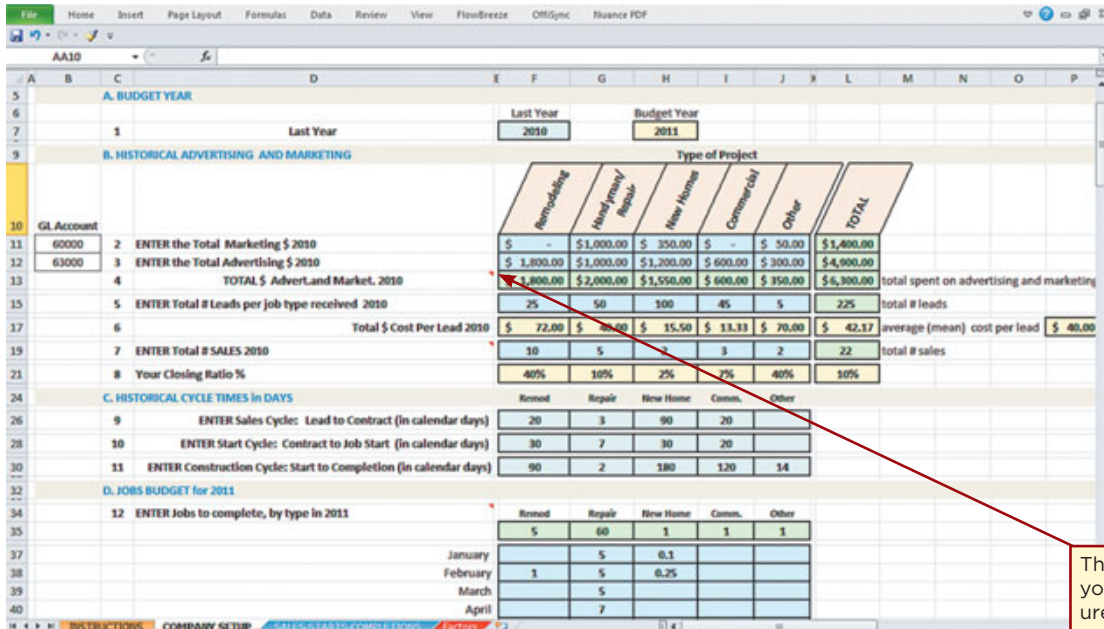
Tracking Leads to Sales

Last month we rolled out version 1.0 of the *JLC* project budget calculator. If you haven't done so already, I'd urge you to download it and spend a couple hours using it to determine your annual fixed-overhead, break-even project budget and a month-by-month budget of the jobs necessary to meet your financial goals for the year. Post your questions at our Business Technology forum at jlonline.com and I'll be glad to help you use the workbook.

The budget calculator tracks five job categories — remodeling, handyman, new construction, commercial, and "other." This month I'm uploading another



Visit the Business Technology forum at jlonline.com to download the spreadsheet tools we've put together. While you're at it, join the conversation.



This is the total from your historical figures. If you don't have accurate numbers for each category, just divide what you spent evenly across the categories that apply.

Figure 1. Use the Company Setup worksheet to enter your historical advertising and marketing dollars and cycle times. Be sure to read the embedded comments by hovering your mouse over the red triangles. The Jobs Budget can be calculated using the spreadsheet created for last month's column and available for download at jlconline.com.

workbook, one that tracks sales leads in those five categories. It converts your jobs budget (last month's column) into a monthly plan for sales you'll need to make and projects you'll need to start in order to actually recognize your income goals. The workbook also uses your historical marketing expenses to predict what you'll need to spend next year. It can be used in conjunction with last month's spreadsheet or as a stand-alone tool.

We're going to talk in detail about how you should handle your B, C, and D leads in a future column. It's critically important to the health of your business that you establish a way to stay engaged with those B, C, and D prospects and help move them to an A. The recent boom of social networking sites is one way to build and maintain an "affinity group" without spending a lot of money.

Using the Calculator

Click the Company Setup worksheet (see Figure 1) and enter the information it's

asking for in the blue cells. As was the case last month, there is a complete set of instructions on the first worksheet, so I won't repeat all of them here. Again, green cells are where you can tweak the workbook to fit your business. Be sure to use the red triangle comments — they'll help you along the way.

Cycle times. "Time is money" is the mantra of our industry, right? In September, we looked at some ways to tighten up your construction cycle time ("If Time Is Money, How Can I Control the Clock?"). But that's only one of several important cycle times you need to monitor and optimize in a business run "by the numbers." Other important cycles include the time between receiving a qualified lead and closing a sale; signing the contract and starting the job; and completing a job and delivering it to your customer.

To the best of your ability, enter your own historical cycle times in section C. In section D, Jobs Budget for 2011, enter the number of jobs you calculated last month

for each category. These jobs should represent enough work to hit your break-even point plus your financial goals for the coming year.

Sales-Starts-Completions. This worksheet takes your input from the Setup tab and creates a schedule of project sales and project starts. It does so with Excel's offset function, spreading your job-cycle time — from lead to completed job — across the calendar. It also uses the calculated closing ratios to predict the number of qualified leads you'll need every month for each type of work. Finally, it uses your average cost per lead to give you an idea of what you'll need to spend on marketing and advertising each month, so that you can plan.

How to Use the Information

The purpose of this kind of tool is to help you be proactive rather than reactive. Instead of the usual feast-and-famine cycles — selling more work than you can possibly do profitably in the summer, then

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having to lay key people off in the winter — you can determine the amount of work you need to complete and collect for each month, and then go after the leads and the sales to make that budget a reality. To do that, you should do a weekly review comparing what's budgeted to where you actually are, and then plan to make midcourse corrections as necessary.

Look at the sample data in **Figure 2**, for instance. Say you have a closing ratio of 40 percent for remodeling jobs and a cycle time of 20 days from receiving a qualified lead to receiving the contract. This means you need eight qualified remodeling leads in February to sell two remodeling jobs in March, which will represent a major portion of your income for May and June.

If it's already February 15 and you have only one qualified remodeling lead for the month, you have some decisions to make. You could increase your advertising for the month to try and attract more qualified remodeling leads. You could go back to your B and C leads from past months to see if anyone's situation has changed so that you could get those prospects "across the sales threshold." Or you could rebudget remodeling sales for March and concentrate on generating more handyman leads instead, since they have a much faster sales and completion cycle. The downside is that it takes considerably

TOTALS				2011									
				Feb			Mar						
Project Types	Total	Budgeted	Left to Budget	Leads	\$ Milting	Sales	Starts	Compl.	Leads	\$ Milting	Sales	Starts	Compl.
Remodeling	5	4	1	0	\$ 760.00		2		10	\$ 550.00	2	1	1
Repair/Handyman	60	54	6	40	\$ 300.00		10		40	\$1,800.00	3	1	1
New Homes	3	1	0	0	\$ -		0		0	\$ -	0	0	0
Commercial	2	1	1	0	\$ -		2		0	\$ -	0	0	0
Other Income 1	1	0	2	0	\$ -		0		0	\$ -	0	0	0
Other Income 2	0	0	0	0	\$ -		0		0	\$ -	0	0	0
TOTALS				40	\$ 1,060.00					\$4,750.00			

Figure 2. In order to close the number of jobs you have budgeted, you must have enough sales leads. This workbook uses your company's cycle times, closing ratios, and marketing costs to help you predict how much you need to spend on advertising and how many leads you need to reach your goal — while there is still time to make adjustments.

more conventional advertising to generate that type of lead.

The point is, you still have plenty of options before the situation becomes critical. You're working to secure May-June income in February, months ahead of when you need to actually receive those funds. Compare this with the approach of typical small contractors who waste the winter months sitting around, then find themselves working 80-hour weeks later in the year, scrambling to staff and complete all the projects they took on at the last minute.

Enhancements

The workbook is currently a stand-alone. It's formatted like last month's calculator, so copy-and-pasting your jobs budget and other information into it should be easy. Or, if you'd like a more integrated approach, it would be an easy Excel project to add these worksheets to last month's workbook so that the starting income numbers are populated automatically.

JLC contributing editor Joe Stoddard moderates the Business Technology forum at jlconline.com.