

SELECTING QUALITY CUSTOMERS: THE ART OF PREQUALIFICATION



During the first few years in business, most small remodeling companies take on every job that comes their way. But time is an expensive commodity in the construction business, and can't be wasted chasing down leads that never amount to anything.

Our solution is to prequalify prospective customers before spending a lot of time pursuing the work. By the time we return a customer's call, we already know the lead is strong so we don't

feel we're wasting our time. Our prequalification process also gets callers to commit to more than simply making a phone call — they must also provide a certain amount of information. Sometimes their unwillingness to do that is enough to make us think twice before following the lead.

Using a Lead Sheet

When we first started our business, we used a standard phone message pad that only had room to take down the caller's name, phone number, and a brief description — like “second-floor bath” or “wrap-around deck” — of the work they wanted done. All of the messages went to Tim, the company owner and its only salesman, who followed up every call. At first it was easy, but the more successful we became as a company, the harder it got.

BY TIM ENGLERT, LINDA ENGLERT, AND DEBBIE LAND

SALES LEAD

Entered by _____ Lead # _____
 Total Points: _____ (High-30 pts.; Low-6 pts.) Date: _____
 Source of Lead: _____ Lead Rec'd By: _____
 (i.e. Past client, referral, job signs, truck signs, yellow pages) Salesperson: _____
 Appointment Date and Time: _____
 Name: _____
 Address: _____
 City, State, Zip: _____ Work #: _____
 Home #: _____
 Best Time to Call/Comments: _____
 Address 2: _____
 (Address of project if other than address listed above)
 Type of Project: _____
 Description of Work: _____

 Is Client Getting Other Bids? Yes _____ No _____ How Many? _____
 When is Work Planned to Start? _____
 How Much is Client Planning to Spend on Project? _____
 Type of Home: _____
 Age of Home: _____
 Does Client Own Home? Yes _____ No _____
 Years Lived in Home: _____

LEAD EVALUATION

Type of Project

	Points
Addition	10
Kitchen Remodel	10
Commercial Remodel	8
Total House Renovation	8
Bathroom Remodel	8
Basement Remodel	8
Deck	8
Windows/Doors	8
Roof	8
Siding	8
Gutters/Downspouts	6
Insurance Work	5
Misc. Repairs	5
Total Points	4

Source of Lead

	Points
Past Client	10
Referral	8
Jobsite Signs	6
Truck Signs	6
Home Show	6
Yellow Pages	6
Other	2
Total Points	2

Evaluation of Call

	Points
Excellent	10
Above Average	8
Average	5
Below Average	3
Not Worth the Effort	0
Total Points	0

Grand Total Points

Figure 1. The front of the Sales Lead sheet is useful for gathering information from every prospective customer who calls. In the Lead Evaluation section on the back (right), points are assigned based on the strength of the lead in several categories.

<p>November 10, 1994</p> <p>David Smith 45 Main Street Wadsworth, Ohio</p> <p>Dear David:</p> <p>Thank you for calling Tim Englert Construction, Inc. with your remodeling needs. Unfortunately, we have been unable to respond to your request, and must therefore decline to quote on your remodeling project at this time. We apologize for any inconvenience this may have caused.</p> <p>Sincerely,</p> <p>TIM ENGLERT CONSTRUCTION, INC.</p>	<p>November 10, 1994</p> <p>Julie Jones 123 Main Street Wadsworth, Ohio</p> <p>Dear Julie:</p> <p>Thank you for calling Tim Englert Construction, Inc., with your remodeling needs. Unfortunately, we have been unable to respond to your request in a timely fashion, and must therefore decline to quote on your remodeling project at this time. However, if your project schedule has changed and you are still interested in obtaining an estimate from our company, please contact our office at 336-2770 or 864-3637 to further discuss your project. We apologize for any inconvenience this may have caused.</p> <p>Sincerely,</p> <p>TIM ENGLERT CONSTRUCTION, INC.</p>
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Figure 2. All leads who don't receive a follow-up call are sent a form letter. The letter at left politely declines the work; the other leaves the door open for future follow-up. Both letters put the ball in the customer's court: If they call a second time, chances are they're serious about having the authors' company do the project.

When the number of calls we were getting topped 150 per year, Tim couldn't keep up, and he had to be more selective. But he had no means of deciding which call to return first. Strong leads that should have been at the top of the pile often ended up near the bottom. And weak leads — sometimes ones that shouldn't have been pursued at all — were right on top.

We first heard about using a lead sheet to prequalify customers in an educational seminar for remodelers. We used a preprinted form for a while, but we soon realized that we needed to tailor the form to our business. We developed the Sales Lead sheet we use now over a period of several years (Figure 1). On the front side, we record the basic information about the caller; on the back is a point system we use to prioritize the lead. The main purpose of the form is to make sure that we put the limited time and resources we have to good use by following up only strong leads, and letting the others go.

We've deliberately kept the Sales Lead sheet simple. An early version had a series of boxes you could check off, but it took more time to find the appropriate box than it did to just take notes. Our current sheet is more free-form. We store our Sales Lead sheet as

a file on our word processor so we can change it easily. We've toyed with the idea of having the form printed on two-part carbonless paper, but for now we just make photocopies.

We keep lead sheets near all of the phones in the office, and we *always* use the form when answering a call from a prospective customer. Debbie and Linda answer the phone most of the time, but if they're not at their desks, everyone in the office has been trained on how to use the lead sheet to field a call.

By the Numbers

We designed a point system to help us prioritize our leads. From our records of past jobs, we determined that there were two main indicators that a lead was more likely to result in a contract for the work: the type of work the caller wanted done, and how they came to call our company. Under "Type of Project" on the back of the Sales Lead sheet, the order and point value assigned to each entry is in descending order based on several factors, including overall job profitability, ease of construction, and our work preferences. In practice, there isn't much difference between types of work that are just two points apart. The important differences

are between types of work at the top of the list and those at the bottom; when we're busy, we pick from the top of the list and avoid the bottom.

One exception is when a past customer or a strong referral wants work done that we consider to be low priority. That's where the second category, "Source of Lead," is helpful. A strong lead source greatly increases the chances that we'll actually do the work, so we've assigned points to the various types of callers depending on how they heard about our company. Historically, past clients and personal referrals are our strongest leads; Yellow Pages callers are our weakest.

First impressions. The final section of the point system, called "Evaluation of Call," assigns a value to the general impression left by the caller on the person who took the call. It's an attempt to quantify the subjective element of screening leads. Debbie has been fielding calls for a long time, so she has a feel for whether or not we should put more time into follow-up. She uses the information recorded on the front of the form, plus her overall impression of the caller, to assign a value. For example, if the caller is very frank and open about seeking other bidders and about discussing the budget, Debbie might

interpret that as a sincere interest in hiring our company. On the other hand, if a caller immediately asks how much a job will cost without first talking about the project, that's a red flag signaling a lead that would probably not result in a contract. Other factors, such as the urgency for the work to be done and the extent to which the caller has worked to seek financing, to name a few, also enter into the evaluation.

Red flags. We can try to eliminate some leads during the first call. For example, we don't do new construction, basement waterproofing, detached garages, or concrete driveways, so we turn down that type of work immediately.

One sign of a weak lead is an inadequate budget. If a caller doesn't have enough money for the project they describe, we usually don't pursue the work.

We don't spend a lot of time on shoppers, either. We have found that most callers who get our name from the Yellow Pages are "tire-kickers" who are usually calling half a dozen or more builders. Chances are usually slight that we'll get the work. The same is true of callers who ask for prices during the first call. We usually won't quote a price over the phone (small jobs, like gutter replacements, are an exception), and people who ask for pricing are usually just shopping.

Following the Lead

The process we follow is simple. When someone calls, we fill out the front side of the lead sheet, getting as much information as we can. As soon as the caller hangs up, Debbie immediately reviews the information while it's still fresh in her mind, and assigns a point value in each of the three sections on the back of the lead sheet. She then transfers the total to the front page (in the top left corner) and hand delivers the sheet to Tim. If Tim's not at his desk, the form goes into his "In" box with a prominent note to attract his attention.

When Tim first looks at the form, he checks the "Total Points," reads Debbie's comments, and looks on the front of the sheet for any information concerning the budget, schedule, other bidders, and so on. A strong lead is usually in the range of

25 points, but during this quick screening, a low point total doesn't automatically rule a job out. For example, a past client who calls to schedule miscellaneous repairs and who doesn't need an estimate would get a total of 24 points — 4 points for "Type of Work," plus 10 each for "Source of Lead" and "Evaluation of Call." Even though this total is slightly lower than the average strong lead, this is a job we would want to follow up right away.

The opposite is also true. We may get a call for a kitchen remodel (10 points) from someone referred to us by a past client (8 points), and who Debbie feels

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is an excellent prospect (10 points). But the total of 28 points doesn't guarantee that we'll pursue the job. If, for instance, the house is located outside the geographic area in which we feel we can comfortably operate, we may decide not to pursue the work.

Point totals are also cumulative: A deck (8 points) and a roof replacement (8 points) would total 16 points under "Type of Work." We add the points together because the quantity of work we'll be bidding on is greater. If the caller is also a referral (8 points) who has already taken a loan and is talking only to one other company (10 points), the total would be 34 — a very strong lead.

Tim takes all of this into consideration when deciding which leads to follow up. If a lead is obviously strong, he'll put it at the top of his list and make the call immediately. We discuss more marginal leads at a weekly sales meeting, during which we debate the pros and cons of each lead, and give more weight to our subjective opinions about the likelihood of getting the work. From this discussion, Tim can decide which jobs

are worth the time and effort of a follow-up call.

The final step is the follow-up call itself. Tim often talks for 20 minutes or more before deciding to make an appointment to visit the site and do an estimate. If the lead doesn't pan out, Tim generally declines the work during the follow-up call.

Dead Leads

Before we used the point system, rejected leads were dropped: We simply never called back. But we soon realized that it would be a better marketing practice to stay on the good side of everyone who calls. So now we send one of two form letters to everyone whose call we have decided not to return (Figure 2). The first letter goes to callers who we decide are merely shopping. The letter politely declines the job in a way that says "Thanks for calling, but we're not interested."

The second letter tries to keep the lead alive in cases in which we want to pursue the work, but for which we don't have room in our schedule at the moment. The letter leaves the door open for future follow-up.

Both letters accomplish two things. First, the letters are consistent with good marketing practices, because everyone who calls gets a reply. Second, the letters put the ball back in the caller's court. If a prospective customer wants to discuss the job further, they'll call back — and we'll know they're serious about using our company, without having put a lot of time and effort into follow-up.

How well does our prequalification system work? This year, we'll get about 450 calls from prospective customers. If we followed up on all of them, we'd hardly have time to do anything else. Instead, our bid ratio is about 50%: In other words, we submit estimates on about half of the calls we get. Of the callers to whom we submit bids, about half will contract with us for the work. It's a lot easier to follow-up more than 200 calls per year when you know you'll get half the jobs. ■

Tim and Linda Englert own and operate Tim Englert Construction Inc. in Wadsworth, Ohio. Debbie Land is the company's office manager.