



To the Brink and Back

by Diane Barberio

Construction is known to be a cyclical business; when other mishaps coincide with the down part of a cycle, it can put a firm under. That almost happened to my firm during this last recession, in 1990. Many firms went under that year, and we very nearly joined them. Looking back, I think we survived not because our numbers were better than some others', or even because our work was necessarily better; we survived because at some point we decided we would, and took positive steps to stick around rather than give in.

It All Started When...

The hard times at Kitchens, Et Cetera, my design/build kitchen and bath firm, started before the general recession set in. In August 1988, I hired a salesman who had recently lost his own design/build business. He said he just wanted to work for someone else, and no longer wanted the hassles of owning a company.

He was with us exactly one year when he quit to open his own company, taking many of our clients with him. I soon found he had been selling jobs for us under terms I would never take, making promises to clients that were impossible to keep.

Over the next year, these jobs turned sour. Thus in late 1990, as the recession and the Persian Gulf crisis froze the country's consumers, I found myself with about \$60,000 of debt because of job cost overruns and unhappy clients who refused to pay. In addition, we were selling few new jobs — about 1 of 20 proposals, compared to a previous norm of 1 of every 3 or 4. With debt mounting and business crawling, the prospect of bankruptcy loomed large.

The Gloom Descends

When this all hit me, I grew so depressed I became almost paralyzed. I spent much time blaming myself and obsessing over what we might be doing wrong, instead of figuring out what we could do right to find our way out of it. When we had to pay suppliers late, I began to feel like a liar for going on with the charade. My

self-esteem plunged. I began to think I could do nothing right.

I faced some very real business problems. But I see now that it was this psychological dynamic, in which my troubles convinced me that I deserved failure, that presented the biggest obstacle to my business's recovery. If you think you can do nothing right, you aren't likely to take the active, and sometimes risky, steps necessary to get your business out of an apparent dead end.

Some small part of me, however, simply would not accept a declaration of bankruptcy as an option. So I searched for ways out, at the library and by talking with other business people. Few had any original ideas on how to climb out of an apparent grave. The best advice I could scare up was to either raise prices, increase volume, or both. I resolved to do this — somehow.

Working Out the Cash Flow

In the meantime, however, I needed time. To see how much, I looked at all my outstanding bills and figured out (keeping in mind a somewhat realistic projection of future sales) how long it would take to pay them off.

It didn't look good. But I saw that if I continued to pay myself minimally, improved sales a bit, and made my jobs more profitable, we might get out of the woods by the summer of 1991 — as long as the suppliers would let me work out delayed payment schedules.

Negotiating these payment schedules was excruciating. But I was astounded at how understanding the suppliers were. With only one exception, they were willing to work out payment schedules that we both could live with.

First Step Was the Hardest

Setting up the payment schedules, though difficult, proved a crucial first step. Not only did it buy me time, it also changed my attitude: Suddenly I was thinking actively again, rather than reactively. With fresh energy and a more positive (but realistic) attitude, I turned to the problem of how to increase sales and profits. I

came up with several key changes.

Charging for design. It seemed an unlikely time to do it, but we decided to charge a design fee for the work we had previously done for free. This worked wonders. Not only did we get paid for that work, but people seemed to value our designs more, since they had to pay for them. It also weeded out the "tire kickers."

Increasing traffic. We needed to increase our showroom traffic, which had dropped dramatically, both because of the recession, and because people feared visiting downtown Durham, which suffered an undeserved reputation for high crime. I looked at outlying locations and settled on one that had been an upscale women's dress shop. The rent was higher, but it needed zero expenditures to use as a showroom, and its exposure to two well-traveled roads was perfect.

Financially, this step was our biggest risk. We barely scraped together enough money for the rent deposit. But moving boosted everyone's morale. In our new showroom, with a big increase in traffic, we were suddenly looking forward again instead of back.

Increasing exposure. Even with the new location, we needed to do more to attract potential clients. I came up with the idea of presenting free seminars to the public. These would be informational (no selling) for people thinking of remodeling or building a new home.

The first seminar drew such great response that we immediately scheduled two more. These seminars gave us needed exposure and increased our credibility immeasurably. We made a point of giving information about all products, not just those we carried, and of speaking of our own products in a generic way. We did no selling at all, which the attendees appreciated.

We also started a monthly newsletter, which we sent to all our former clients, visitors, and seminar attendees. This gave us a chance to toot our horn, announce future seminars, and provide general information about our industry. This too cost little,

but reaped great returns in terms of visibility and credibility.

Results!

By the summer of 1991, things had indeed turned around for us. Our location has led to a 30% increase in walk-in traffic and leads. More of these leads are signing contracts. This is doubtless partly due to a more positive economic climate, but also, we feel, to our raised profile and credibility resulting from the seminars and new location. The newsletter has proven a great way to keep in touch with past clients, and has generated some new leads as well. We are also reaching a market we hadn't explored before, which is kitchens for new homes. Our bottom line is finally recovering, and despite earlier rumors that

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we were going under, we are again turning a profit.

If all this seems a miracle — and sometimes it does — I know I can attribute it to some very concrete things: to dedicated employees; to tolerant suppliers that could see we both had an interest in my business's survival; and, most of all, to my change from a reactive stance to a proactive one. As small business owners, we contractors can make all the difference with our attitudes. Having been to the brink, I feel that if you are offering a good product, you can, by "creating your own luck," fight your way out of a pretty deep hole. I did. And I do business now with a greater appreciation of how much fun it is, and with the confidence that comes from knowing that I can survive the tough times as well as the good ones. ■

Diane Barberio owns Kitchens, Et Cetera, a kitchen/bath design-build firm in Durham, N.C.