

TAKING CARE OF BUSINESS

When it comes to business, builders are notorious for reinventing the wheel. You can save time and effort by taking advice from others who've already solved

the same kinds of problems you're facing. Here's some hard-won business savvy gleaned from contractors who learned their lessons the hard way.

Pay Yourself First

No one likes to work for free, but builders do it all the time. Instead of taking a regular paycheck, they pay everybody else first — suppliers, subs, and employees — and take what's left as their salary. But this is exactly the opposite of what should happen, according to San Francisco Bay Area remodeler Paul Winans. "The single most important component of your overhead," says Winans, "is your own salary. It's one of the first expenses you should cover."

In 1991-92, when business was slow, Winans wasn't always able to pay himself the salary he had budgeted for. His solution was to record the difference each pay period as a debt that the business owed him. When his company started making money again, Winans paid himself the balance owed.

Treating Subs Right Pays Off

Ever offer a sub a little bonus if he did a nice job? Or pass on to a sub a letter from the customers saying he did a good job? Simple gestures can go a long way toward getting the most from subs.

Len McAdams, a remodeler in Kirkland, Wash., uses advance money from clients to pay his subcontractors weekly. If a sub finishes his work by a scheduled time during the week and gets his invoice approved by the lead carpenter, he can pick up the check on Friday afternoon. The subcontractor can then use the money to meet his own week's payroll. "Then," says McAdams, "in the middle of the month when other builders are stringing him out for 45 to 60 days, he's going to do your job first because it's going to make his payroll. We've been doing this for

five years, and now subs are knocking the door down to work for us."

Making the Customer Happy

According to Bob Merz, an arbitrator from Roswell, Ga., with more than 2,200 cases under his belt, most disputes are caused by a failure to meet customer expectations. Often, the actual problem is less important than the contractor's poor response to complaints — taking more than 24 hours to return a phone call, for example, or taking a week to make a small repair. "Once that little item festers," says Merz, "it becomes a larger problem."

In addition to responding promptly to complaints, Merz advises builders to use a warranty that establishes minimum quality standards. This will help shape customer expectations so that when disputes arise, everyone can agree on what constitutes acceptable work.

No Free Estimates

One of the biggest mistakes you can make, according to Anchorage, Alaska, remodeler Clai Porter, is to advertise that you give free estimates. "Why devalue your time? It's the worst thing you can do in this business." Porter charges either \$50 or \$100, depending on the size of the job. If he gets the work, the cost of the estimate is credited to the client. The estimating fee works great for qualifying customers over the phone — a lot of people hang up when they hear the fee. Porter is the only remodeler in his market who charges for estimates.

To streamline the estimating process, Porter has established unit prices for as much of the work as possible. He discusses his unit prices ahead of time with

subs to make sure they work, then only sends subs when there's a unique problem on the site. "If I sent every subcontractor or supplier out to look at every job site, I wouldn't get any estimates done and my subs wouldn't get any work done."

Architects vs. Builders

Though he admits that historically, architects and builders go together like foxes and hens, architect Doug Walter of Denver, Colo., believes it doesn't have to be that way. There are real advantages for both in a good working relationship. For one thing, architects who alienate every builder in the market will end up designing projects that won't get built. Architects also have an interest in helping builders succeed since their own reputations hang on how well builders perform.

Builders also need to reexamine the advantages of teaming up with architects. For example:

- Architects are a consistent source of leads. They also provide access to the kinds of jobs builders might not hear about through normal channels.
- An architect's clients are prequalified. "There's nothing like a 15% design fee," says Walter, "to separate the buyers from the lookers."
- Almost by definition, architect-designed jobs tend to be high-end. If you're looking for larger jobs, an architectural office is a good place to start.
- Architect-designed jobs tend to get noticed, both in the neighborhood and in the press. "Good design is good business," says Walter. "And the free press you get is priceless compared to the cost of advertising." ■