

BY DAVID POLLARD

## Taking Design From Loss Leader to Profit Center

**Our company has taken** design income from 2% to 12% of revenue in the last five years. When asked to speak about this recently at the Remodelers Summit in Phoenix, I had a chance to reflect on how we realized this change. It wasn't just through standardizing procedures and cracking the production whip; making design profitable starts with charging more money for it, period. For a business owner, doing that requires taking a deeper dive into the culture and value that good design brings to the world and our clients. If you are rolling your eyes at that last sentence, please bear with me. It's not easy to charge more until you have confidence in what design can add to the value your company provides.

### NO REMODELING GAIN FROM A LOSS LEADER

Often, remodeling companies start as construction only, and in an effort to control more of the process, eventually add design services. In this scenario, design is seen simply as a cost of doing business, and having it under the same roof provides efficiencies. These companies evolve to considering themselves full-service design-build firms but too often undervalue design or treat it as a loss leader. Inexpensive design, or even free design, may seem like an easy way to get customers in the door, but is it getting you quality clients who value the full range of your services?

The concept of the loss leader has been around for decades. Obvious examples are inexpensive computer printers and razors that require exorbitantly priced ink-cartridge and blade refills. The cheap, good-looking product gets you in the door, and then you are on the hook for replacement parts for the next five years. These examples could be considered gimmicky and as marketing to emotional whims. Using design in a similar way essentially puts the value and professional accomplishments of the design community into the same basket as cheap printers and razors—not a good look for our industry. So if you consider your company full-service, treat every service as valuable; your bottom line will benefit more than you think.

### DESIGN AS CRAFT

Even if you are running your design department profitably or at least at break-even, you may think of design as a means to an end—necessary to make the initial sale easier, but hell to manage. Managing creative minds has been a great mystery since the beginning of time, but instead of thinking of the design staff as just CAD technicians, engage them the same way you would a great carpenter.

I remember once stepping onto a jobsite with new trim carpenters and being so frustrated that they had not yet installed any trim. They had been working at least 12 hours at that point, and I couldn't see any casing, crown, or cabinets on the walls. Then I stepped into

another room and saw they had cut, sanded, and preassembled all of the pieces. It was a beautiful thing, the *mise en place* of a well-crafted jobsite. I was so used to seeing and measuring results in one way, I forgot to think about and respect the carpenters' process—which ultimately led to an efficient install and a beautiful built product.

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Good architects and designers are no different from carpenters. They also have trained for years and have developed their own ways to get to a final product. Looking over their shoulders or giving daily to-dos may not be the way to get the best-quality result. Good designers take pride in their work. Just like carpenters, designers go to sleep every night subconsciously processing what they will be doing the next day. If you walk in and ask a carpenter to do something different from what they have planned, the likely result is a major loss of productivity and possibly even a weaker final product. The same holds for designers.

### DESIGN A PACKAGE

Once you understand your design team's strengths, seek ways to package them as a fixed deliverable. A defined end product will give your designers focus and a tangible goal. Without that clear deliverable, though, design will likely churn in perpetuity, creating frustration for everyone—designers, owners, and clients.

Our initial design package includes a detailed home measure with a "client needs analysis" interview, followed by two iterative design concepts delivered during two meetings at our office. At each in-office meeting, our clients receive a printed package of concept plans and views, a three-dimensional walk-through on our conference-room screen of their future space, and an initial detailed budget. Our first design-review meeting provides a deep creative dive into the feel of the space and addresses pragmatic issues such as functionality and anticipated costs. Clients offer feedback at the first meeting that we then incorporate into the second design concept. After meeting number two, our process is complete.

Clients can choose to move to the next paid design phase (which is equally defined), pay for a design extension, or schedule a follow-up if they need more time to review the proposal. The fixed

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deliverable—not a fixed schedule—gives our design team the freedom to be creative as they work to provide clients what they want.

#### **ANALYZE THE RESOURCES**

Once the package is designed and defined, create a system that helps you understand what company resources it takes to deliver it. This could be through tracking design time on a project basis, understanding software expenses, and determining what other tools or products are necessary to deliver the package at a professional level, such as custom folders or virtual reality goggles.

Design-build firms often price design according to what they think the market will pay. Instead, create an incredible package that clients are excited to buy, and then determine what it costs for your design team to make it. Whatever it takes to make the best product your team can deliver should be defined, and then priced accordingly.

#### **SUPPORT THE SALE**

Even the perfect design package won't sell itself. If your current marketing highlights only your construction process, think about how to highlight your design services as well. Our sales meetings

and marketing materials clearly define how we front-load design, which is a paid service for a reason: to provide ultimate value to our clients through creativity, visualization, and qualified budget information. We explain that our design service delivers the best information for our clients to make decisions about the future of their home at our first design step. Applying your marketing strategy to the value of design as well as your process will differentiate your company and create an easy and tangible point of entry for your clients to begin working with you.

By eliminating the term “loss leader” from your vocabulary, digging into design culture, developing a valuable sales package, and then marketing its value, you will not only see the value design brings to the world but also see results in your company. The initial results will be better front-end design income. The later results will be better clients—ones who respect your organized process and your appreciation of good design.

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