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APRIL 2009

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How Bad Is It?

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VOLUME 13 NUMBER 4

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Submissions are now being accepted for the 2009 Best of Best Design Awards. Visit our Web site to download an entry form and see past winners.
www.ProRemodeler.com/designawards

ONLINE POLL

When do you expect the remodeling market to recover?

To participate in this month's poll and view the results as they are tabulated, visit *www.ProRemodeler.com.*

SUPPLY CHAIN BEGINS WITH YOU

It's one day since our meeting of the Remodeling Futures Steering Committee at Harvard University as I write this, and I can tell you that you're not alone if you're searching for answers.

The Remodeling Futures group, which meets twice a year in Cambridge, Mass., comprises some of the greatest minds our industry has to offer. Yet this time around, it was very apparent that there were a lot more people asking questions than there were offering bonafide answers.

Harvard, as you may know, predicts the current downturn will not show any significant signs of recovery until sometime in 2010. And even that prediction comes with an asterisk. Nobody knows precisely when the economy will turn around and breathe life back into consumers' willingness to spend their hard-earned dollars on home improvement projects.

But with new home construction sucking wind even faster than remodeling, building product manufacturers and suppliers have turned their focus to remodelers to help drive sales.

Michael R. Morris
Editor in Chief

Building product manufacturers and suppliers have turned their focus to remodelers to help drive sales.

So the highlight of the conference for me was a panel discussion "The Renewed Importance of the Remodeling Contractor in the Residential Supply Chain."

Led by Therma-Tru Vice President Jerry Oleshansky, Stock Building Supply Director of RMI Dave Corna and Case Design/Remodeling President Bruce Case, the discussion revealed suppliers and manufacturers' increased interest in everything from co-op advertising to special delivery services to dedicated sales reps for remodeling contractors.

When you get right down to it, we're all in this together. After what I witnessed yesterday, my advice to you is to get on the phone with your suppliers and find out what they're willing to do for you. The supply chain, after all, begins with you. PR

Contact me at michael.morris@reedbusiness.com or 630/288-8057.

>> Read my blog at www.ProRemodeler.com/blogs.

Our Mission

Professional Remodeler challenges, inspires and engages owners and top executives of established, successful remodeling firms by delivering vital, trusted information.

BUSINESS DOESN'T CHANGE UNLESS YOU DO!

In our current economic environment it is all too easy to get negative, be discouraged or, even worse, think foolishly about how to improve our business.

As the owner of a national franchise company, I have the unique opportunity to experience this firsthand. Over many years, I have learned some business owners are looking for a "magic pill" or a lifesaver idea that will fix everything.

For a moment, let's look at improving your business in the same terms as weight loss. We have all seen weight loss commercials that not only promise amazing results but also transform lives. The idea is to take a diet pill and magically lose the weight, then have increased confidence and start prospering in every area of life. Wouldn't that be cool if it were healthy and sustainable? Most of us have known many people who have had little to no results from taking a diet pill or a few who have had tremendous results short term. But we would be hard-pressed to name anyone with sustainable results by the diet pill method alone.

We may know one or two people who have had sustainable weight loss results, but if we investigate closer, we will likely find one or more of the following elements exist: they changed their eating habits and the type and quantity of food they eat; they stopped eating anything heavy or high in calories late at night; they started or increased the amount of exercise they get on a weekly basis; or they found additional activities for enjoyment other than eating. In other words, they made an investment and changed behavior over and above the diet pill to achieve the sustainable results they desired.

The same concept applies to the business world of get-rich-quick programs that mirror the diet pills. They don't work unless you do! We all want to avoid the foolish thinking diet pills encourage, and we want to avoid getting stuck believing that nothing can help us achieve a quantum leap in our business.

Let me share a personal story to help illustrate this. I was a pole-vaulter in my junior year of high school and cleared 11 feet to 11 feet, 6 inches, which would sometimes place me in the top 6. I accomplished this by being mostly self-taught with some coaching, hard work, determination and a desire to improve. But I suffered from not knowing everything. At a local track meet, I met a coach who ended up being the pole vaulting coach for Baylor University.

Doug Dwyer
Contributing Editor

If you invest foolishly, you will get what you plant, but if you invest wisely, your odds of a fruitful harvest will increase exponentially.

The coach invited me to train with him. I learned many lessons from him, including that I had the wrong size pole, so he let me borrow one to use. Then, he explained the different elements of the science and art of pole vaulting. He had me practice each element over and over again for hours. In my mind, I impatiently and foolishly wanted to get to the end result of vaulting over the bar. Thank God I had a great coach who understood the need for a strong foundation and knowledge of the fundamentals. I wasn't necessarily the fastest or most gifted, but I was coachable. I invested the time, energy, money and hard work and made good decisions that supported the result I wanted. This resulted in breaking the district record (which had stood for over a decade) by a foot and a half at 14 feet, 6 inches, and Baylor University discussing scholarship opportunities with me.

So, whether it is weight loss, sports or business, you can't avoid the law of sowing and reaping. If you invest foolishly, you will get what you plant, but if you invest wisely your odds of a fruitful harvest will increase exponentially. For sustainable success, you will have to invest wisely, of your time, energy, money and hard work; be coachable; and make good decisions, which equal effective leadership.

Whichever way you might look at investing in your business and improving your results, be prudent and do your homework. Nothing replaces diligence. But don't be so doubtful, fearful or close-minded that you miss a chance to have a quantum leap in your business as I experienced pole vaulting! What I gained was knowledge I didn't have — a system, training, tools and ongoing coaching — that made the difference for me.

There's a proverb that has helped me in business and life: "A wise man has great power, and a man of knowledge increases strength; for waging war you need guidance and for victory many advisors." PR

Doug Dwyer is president and chief stewarding officer of DreamMaker Bath & Kitchen, one of the nation's largest remodeling franchises. He can be reached at doug.dwyer@dreammakerbk.com.

>> For more *Doug Dwyer on Leadership*, visit **www.ProRemodeler.com**

Photo: Dale Ressler and his wife, Bobbi

DALE RESSLER

Owner: DER Construction, Inc., est. 1990

Owner: DreamMaker Bath & Kitchen, est. 2006, Bainbridge, Pa.

Dale Ressler, 46, knows all about remodeling – from the highs of national remodeling awards to the lows of medical scares and the physical labor that the career demands. As a general contractor and the owner of DER Construction, he's tackled a full spectrum of remodeling jobs for years to produce beautiful results for his customers. However, that mission to be all things to all people wasn't producing beautiful results for his future goals.

Why did you decide to buy a DreamMaker Bath & Kitchen franchise?

Dale: Previously, at DER Construction, I knew I wanted an exit strategy. My wife and I talked about that a fair amount – kind of what I wanted to do in a second career more as a volunteer. And I set my goal that by age 50 I wanted to be able to make some of those changes. But a few years ago I realized I was no closer to that goal of 50 than I was at 40. Then, I had two shoulder operations about the same time. It was work-related. And my surgeon told me, 'you need to figure out what you're going to do for the next 15 years other than what you've done for the last 15 years that's gotten you here.'

> **"There's no way I could realize the numbers that I'm hitting, had I not been a part of DreamMaker..."**

When I was recuperating from the initial surgery, I realized we were okay for a couple of weeks. But if I was unable to work much longer, we would have fallen on our face. I had employees who counted on me, and I wasn't being a good steward if I didn't have the systems and knowledge in place to produce stability without me. Then DreamMaker Bath & Kitchen called and it seemed like the more we talked, it just became more evident that this could really be the key to that whole part I had been looking for.

How has DreamMaker helped you deal with the current economic challenges?

All the training and the tools that DreamMaker provides have helped us be prepared for this economic downturn. Prior to DreamMaker I would have never been able to forecast revenue, other than my gut saying 'oh this is bad and it's going to be worse.' DreamMaker has given me sophisticated forecasting and financial tools, and critical coaching that is needed to really feel confident using these tools. But, even more, they taught me how to price for profit and gain margins I never thought were possible.

From a marketing and sales perspective, DreamMaker's marketing system has helped me proactively generate leads. In the past, my business was based mostly on referrals, but now I have a good balance between referrals and generated leads. The best part is the DreamMaker sales system works hand in hand to produce the best results and the margins that we want.

If you had to do this all by yourself, without DreamMaker, what would be different?

I would definitely be struggling more in the current economy. There's no way I could realize the numbers that I'm hitting, had I not been part of DreamMaker Bath & Kitchen. They've helped take my business, and my leadership and management skills to the next level of effectiveness. Plus, the DreamMaker image and brand really set us apart. I've weathered the current economic storm much better than I would have on my own.

How has owning a franchise changed your outlook on the future?

Now I have a plan. My whole point in investing in a DreamMaker franchise was to have higher profit margins, have a better quality of life and have a business to sell that's worth something – not a business that's just centered around me. If I took "me" out of the equation, there would have been no business before joining DreamMaker. It is comforting to know that even in an economy like this, I still have a business that's worth something.

About DreamMaker Bath & Kitchen:

Based in Waco, Texas, DreamMaker Bath & Kitchen has approximately 90 independently owned and operated franchises nationwide.

DreamMaker Bath & Kitchen™

Strong Margins. Quality of Life.™

For more information, please call

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HOW TO HANDLE THE UPS AND DOWNS

In my work as a consultant to remodelers, I am hearing from clients about the challenges they are facing. A downturn looks different in each person's world: A signed job (or two or three) is canceled. Permitting obstacles delay or prevent a project from starting. Pricing pressures tempt or force the reduction or absence of profit, as work is needed simply to cover overhead — and so on.

It is worth noting that there are remodelers who have work and are doing more than well. Why? To some extent the answer to this question is the same for both situations, both good and not so good. For most remodeling companies, getting the job or not getting the job makes a huge difference. If your company does 20 jobs a year and you don't get 5 in a row, that can be devastating. On the other hand, if your company gets an unusually large job the business can be carried for several months until more sales occur. It doesn't take a lot to make a big difference, one way or the other.

So what can you do?

Consider all possibilities. In general, people tend to get wrapped up in the way things are. But that is just the starting point. Take some time for yourself to reflect on what you would do "if." Many of us never think about such things — we just work a little harder and a little longer thinking it might make the difference.

In the meantime, we are miserable, finding little satisfaction with anything.

Break the patterns and do something different. A client loves to fish but had a hard time finding the time to do so, particularly with the down market he is in. Then he realized he could take a great client fishing, building the relationship that will translate into more business and referrals, while doing what he loves. What is the equivalent for you?

Live in the present and let the future pull you forward. It is very hard to get up every day and go to work when yesterday was not as successful as you wanted it to be — more of the same old, same old, with likely the same results being realized.

Paul Winans
Contributing Editor

If you are in sales, it is imperative to be focused positively on your future and not anchored by a yesterday you wish you had never experienced.

That mindset can cripple your business. You set the tone for your entire company. If you are in sales, it is imperative to be focused positively on your future and not anchored by a yesterday you wish you had never experienced. How can you do that without being a wishful thinker?

A client was experiencing real hurdles with his team. They just were not performing the way he thought they could. At the same time, he was not clear about his own goals, the life he wanted for his own life and for his family.

Sales were down. Getting people to commit was impossible. This was before the downturn.

He started getting clear about the life he wanted. He began by doing some simple exercises that got out of his head thoughts that were in there but to which he was not paying much attention. The resulting clarity changed his expectations of his people so that everyone in the company feels more successful. Clients are signing contracts and the company has work, even when many other companies don't.

I am not saying it is magic nor that it works in all cases. I do think that being clear about the point makes you more effective in all areas of your life, not just in business.

Remember that tomorrow will come. For many of us, our work is how we define ourselves. After all, we spend most of our life at work. Running a small business is very hard, even in the best of times. It does not take much to make it close to impossible to succeed.

I remember in the early '90s living through a set of circumstances that felt like a perfect storm. I had several difficult remodeling clients, the prospect of no upcoming work and new challenges every day.

I found that stepping away, even in little ways, made a big difference. Carving out some time for me to stop being a remodeler and to be a person made me able to be more effective at my work. For me, it was taking walks; reading; spending time with my wife and children; and taking inexpensive, short vacations.

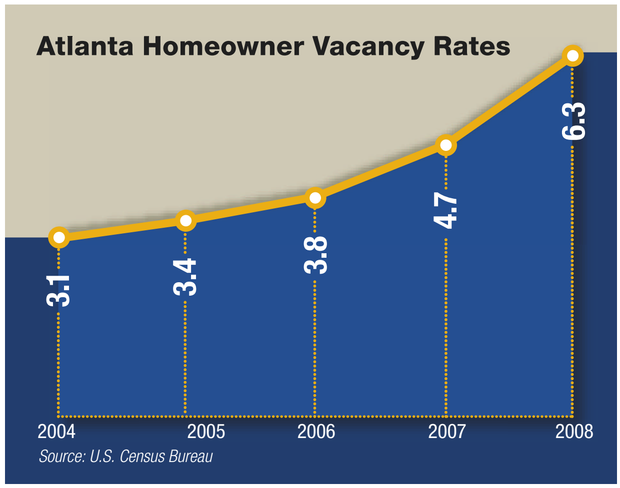
You are not your business. Things will get better. What do you want your tomorrow to be? Craft a vision that will pull you forward. And start living it today. PR

Paul Winans CR works with Remodelers Advantage, the premier peer group and consulting company serving the industry. He is a founder of Winans Construction, which he and his wife, Nina, sold in 2007. He can be reached at paul@remodelersadvantage.com.

>> For more *Paul Winans on Business Strategy*, visit **www.ProRemodeler.com**

ATLANTA HIT HARD BY DOWNTURN

By Jonathan Sweet, Senior Editor



Atlanta's rising home vacancy rate, combined with a 16.1 percent rental vacancy rate, prompted Forbes to name it the third emptiest city in the country.

There are certain lists you don't want your city to be near the top of. Foreclosure rate would certainly be one of those, spelling bad news if you're a remodeler in Atlanta.

While not hit as hard as the California and Florida markets, Atlanta was still a Top 20 market for foreclosures in 2008, according to RealtyTrac. Outside of those markets, only Las Vegas, Detroit and Phoenix ranked ahead of Atlanta.

The city was also recently named the third-emptiest city in the country by Forbes (behind only Las Vegas and Detroit), based on Atlanta's rising homeowner and rental vacancy rates.

That's led to less work for remodelers in the city, and those homeowners who are looking to remodel are reducing the scope of their projects, says Brad Cruickshank, president of Atlanta-based Cruickshank Remodeling.

"Most people are not remodeling to do a showplace kitchen to keep up with the neighbors or for resale," he says. "They're doing projects that will make their lives better."

Even high-end clients have been affected, as they're less confident in the market and the value of their homes, says William Bartlett, president of Home Rebuilders in Atlanta.

"People are fearful of over-improving their homes," he says.

Home Rebuilders has seen average project size drop from $200,000 to less than $100,000 since September, as clients focused on improving their living space without making expensive upgrades.

Cruickshank and Bartlett both think the Atlanta market could turn around later this year as people opt to stay home and invest in their houses instead of spend money on items such as expensive vacations.

"What I see in Atlanta is that there are a lot of people who really want to do something," Bartlett says. "I think the hysteria's gone. We're standing on a bottom, and I think we're going to grow out of it."

Market Update

Some of the key economic indicators from Atlanta

Metro Area Population: 5,278,904 (24.3 percent increase since 2000)

Change in home values: Down 3.82 percent since 2007; up 11.1 percent over last five years

Existing home sales: 2008 sales were down 18.5 percent from 2007

Median household income: $44,163

Home vacancy rate: 6.3 percent (sixth-highest in the country)

Unemployment rate: 8.7 percent (up from 5.2 percent in 2008)

Sources: U.S. Bureau of Labor Statistics, U.S. Census Bureau, Office of Federal Housing Enterprise Oversight, Atlanta Journal-Constitution's 2008 Home Sales Report/SmartNumbers

"Atlanta tends to be a more transient city. People don't tend to make the investment that they do in homes in other cities."

— William Bartlett, Home Rebuilders

Atlanta Market Leaders

	Specialty	2007 Installed volume
Weidmann & Associates	Design/build remodeler	$6,987,500
Rembrandt Remodeling	Full service remodeler	$6,800,000
Home Rebuilders	Full service remodeler	$5,367,168
Cruickshank Remodeling	Full service remodeler	$4,474,000
Atlanta Decking & Fence Co.	Outdoor living	$4,200,000

Professional Remodeler market LEADERS

RUNNING A CONSUMER SEMINAR

Workshops are a low-pressure way to reach potential clients

CONSUMER SEMINARS are a win-win for any remodeling company. They serve to educate your potential clients, familiarize homeowners with your company and act as a marketing tool.

Jud: Devon, what's your goal in your consumer seminars? Strictly for generating leads, branding or what else?

Devon: Primarily, it's a branding and positioning exercise, and it's a communication exercise. We're known as a premier remodeler in the area. We were looking for a way for people to feel very comfortable approaching us. It's kind of a soft entry into HartmanBaldwin. Sometimes our reputation precedes us. I have people who have heard about HartmanBaldwin for 30 years; they've grown up hearing about HartmanBaldwin. Some people may be a little hesitant to approach us. We love the idea that we can have a no-responsibility, no-strings-attached way to come in, meet us and talk to us and get to know us a little bit. We're learning that we do generate new leads. We have people that come through here who are just curious. We're finding that a lot of our clients will end up going through five or six of our seminars.

Jud: Bjorn, what about you? Consumer seminars strictly for generating leads, branding, what else?

Bjorn: There are a number of things. No. 1, we position ourselves as the leader in our marketplace. We believe that taking the approach of having an educational seminar series that speaks to some of the things — exactly what Devon talked about — taking away the mystery of remodeling and taking an educational approach to it. That's one thing. Naturally, we do not put on seminars just for the pure joy of educating the public. Our job within this series is to generate the leads, fill the seats and ultimately, at the end of the day, we want people to work with us. Just to give a couple key stats as it relates to 2008: about 9 percent of our total leads came from seminars. In the first two months of the year, in 2009, out of all the leads coming in, 14 percent of the 50 leads in the first two months have come through seminars. About 30 percent of what we've sold has come through seminars.

Jud: Who do you target and how do you promote that, Bjorn?

Bjorn: I'll give you two answers to that. The initial premise and the entire logic behind the seminar series was that if College City Remodeling has built thousands of homes over the years, we want to go after the "low hanging fruit" if you will, and we want to make sure that past clients now have a way to learn about upgrades, remodels and renovations in their home. At first, we geared the majority of our efforts to the existing clients. We learned that we did not get a strong following there. We made a shift in mid-year 2008 and went after a demographic segment in the seven-county area that has the highest income levels and home values in the $400,000-plus. We utilize the standard demographics for a "most

This month featuring:

Devon Hartman, Principal
HartmanBaldwin Design/Build, Claremont, Calif.
In business since 1979, Hartman/Baldwin is a design/build firm with a fully integrated architecture and construction company with 35 employees. Volume for 2008 was close to $10 million.
Bjorn Freudenthal, General Manager
College City Remodeling, Lakeville, Minn.
A division of College City Homes, the company has focused on remodeling since 2000. Revenue for 2008 was about $4 million.

JONATHAN CHAPMAN/GETTY IMAGES

BJORN: "Our job within this series is to generate the leads, fill the seats and ultimately, at the end of the day, we want people to work with us."

DEVON: "We love the idea that we can have a no-responsibility, no-strings-attached way to come in, meet us and talk to us and get to know us a little bit."

GILLES MINGASSON/GETTY IMAGES

likely" remodeling client with over $120,000 in household income and over $400,000 in home value. We send out the direct marketing pieces of 6,000 postcards. We've generated better results in talking to this segment.

Jud: Devon, who decides the topic?

Devon: I've been designing the topics myself just from a sense of what the market would be, what the general topics are that people are concerned about. We have an evaluation sheet at the end of every seminar that we have everyone fill out. We ask people very specifically what was of most value, what was of the least value, what they would like to have covered that wasn't covered. We track all of that and continue to modify the seminars based on feedback.

Jud: Bjorn, who decides your topics?

Bjorn: We look at the amount of incoming leads per project type and we look at what are the profitable things we do on a daily basis. That determines what program we put on. We added two seminars this year. One of them is green building and the other one is accessible, universal and aging-in-place. We take the market demands and try to differentiate ourselves. We try to do much of the same that we feel we're profitable and good at.

Jud: Devon, what's the cost of this thing?

Devon: It depends on the event. I would say the budget of the evening is usually about $600. Then, of course, promotional costs can be anywhere from zero to $2,500: phone calls, e-mails, Web site augmentation. Then of course, direct mail and print costs for the direct mail, or for newspaper advertising, it can go up above that. I think we send out about 80,000 direct mail pieces a year. There's a budget for that, which has to be worked in.

Jud Motsenbocker
Contributing Editor

Jud: Bjorn, what about your costs?

Bjorn: Pretty much the same. We made some calculations on that. In our direct mail campaign, we list the three next upcoming seminars. We get a little synergy there. If we do 18, we're going to have six postcards go out. We spend about $3,000 — probably a fair statement for each seminar.

Jud: Devon, tell me how many leads you get from this.

Devon: We can pretty much count on two to four super-qualified leads at each seminar. Then, in this business, we have very long lead times, as you all know. I have people coming back that I spoke to two to three years ago. I have people who have been coming to seminars off and on for up to five years now and are just now coming on board. The other thing that's fascinating is that some people can come to a seminar and have a project that may be too small for us or maybe they're only looking and kicking the tires, and maybe they'll go off and have someone else do something, but then they'll come back a year later and do a major project with us. There's this ability to stay in touch. I think the level of professionalism that we're instilling in people's minds — the ability for them to come back and feel comfortable talking to us at any point in time, coming back to the finished project receptions that we're having, talking with other clients and other people who are in the process at these seminars over the years — increases the level of trust to the point where they become part of the family.

Jud: Bjorn, this is a strange question, but I want to make sure that we have it clear: there is no charge for these in any way, shape or form?

Bjorn: No charge; it's a free seminar. We do not promote that fact that we have beverages, wine and beer or the fact that we have a chef there; it will be a nice surprise when the people get there.

Devon: That's a nice idea. Bjorn, I have a question about the co-branding from your sponsors there. Do they give you actual money to help support these efforts, or are they giving away materials? How does all that work?

Bjorn: Yes, yes and yes. The way we go about it in this marketplace is that you have to be everywhere. And, I'm going to need help to be everywhere. The more we sell, the more of their services and products we will sell. We've rallied them around us, and we have contributions coming anywhere from a couple hundred dollars to $4,500 to $5,000 from these partners. I want to believe that at the end of the day, the co-op amounts for the joint seminars is going to be in the $20,000 to $25,000 range for the year. PR

TALK BACK

>> For the rest of the discussion on this topic and more **Best Practices**, visit *www.ProRemodeler.com/bestpractices.*

THE SWEET SPOT BLOG

ProRemodeler.com/sweet

Illogical marketing

I'm going through the results of our annual Business Results Survey, and some of the responses on marketing are nuts. Two in particular stuck out at me.

The first? Twenty-six percent of remodelers are not using job site or truck signage. Huh? This has got to be the most basic, obvious, "well, duh" type of marketing. The only reason I can think of not to use signage is if you're so embarrassed of the work you do or the way your employees act that you don't want potential clients to know who you are. If someone out there has a better idea, let me know.

And it's not just smaller contractors, if that's what you're thinking. Of those contractors over $3 million a year in sales, 22 percent aren't using truck or site signage.

The other surprise? Web sites. More than 40 percent of remodelers said they don't have a site, including 21 percent of companies with more than $3 million in 2008 sales.

Condensed from a post at www.proremodeler.com. For more on the Business Results survey, see p. 18.

>> If you have a **Trade Secret** you would like to share, e-mail Senior Editor Jonathan Sweet at *jonathan.sweet@reedbusiness.com.*

Giving clients green rebates

BOWA Builders wants to make it as easy and cost-effective as possible for its clients to go green.

That's the idea behind a new environmental incentive program the company just launched that waives the company's fees associated with an environmental upgrade. BOWA will present customers with the basic, already environmentally friendly options the company offers, but if they want to upgrade BOWA will waive its profit and overhead on the change, says Larry Weinberg, CEO of the McLean, Va., firm.

For example, if clients want to change from a 14-SEER HVAC unit to a 17-SEER unit, they would only pay the labor and materials associated with the change without the normal markups.

The new program is in response to what BOWA sees as some companies taking advantage of the green label to increase profits without necessarily improving the environment.

"I don't want it to be something where we're pushing them to do something that we make more money on," Weinberg says. "To me, that wouldn't be genuine in terms of being environmentally conscious."

The program will be the focus of BOWA's spring marketing campaign. The company normally sends out a letter to its past clients every spring, and the environmental incentives will be the centerpiece of that as well as the company's newsletters, postcards and magazine ads this spring.

The incentives are also highlighted on the company's Web site (www.bowa.com) and the BOWA sales team discusses it with every client, Weinberg says.

Many more clients are interested in green than they were just a few years ago, so it's a good time for incentives like this, Weinberg says.

"There were times when some of these ideas were falling on deaf ears," he says. "People know what we're talking about now."

Marketing the new green tax credits

Government estimates show that the new green tax credits could add $6 billion in new activity to the remodeling market.

With the tax credit increasing from 10 to 30 percent and the lifetime credit cap increasing from $500 to $1,500, that may be enough to get homeowners thinking about energy-efficient remodels off the fence.

That's what John Sperath, president of Blue Ribbon Residential Construction in Raleigh, N.C., hopes. He's making the new incentives the centerpiece of his new marketing campaign.

The design/build firm has already sent out an e-newsletter to 1,200 past clients and prospects highlighting the changes, and Sperath plans to promote it heavily at upcoming home shows. He also brings it up with every prospective client he talks to.

Many clients don't know about the change, so getting the message out is important, Sperath says.

"For the most part, it's new information," he says. "I think there's so much out there about all these plans that in many cases they haven't even heard about this."

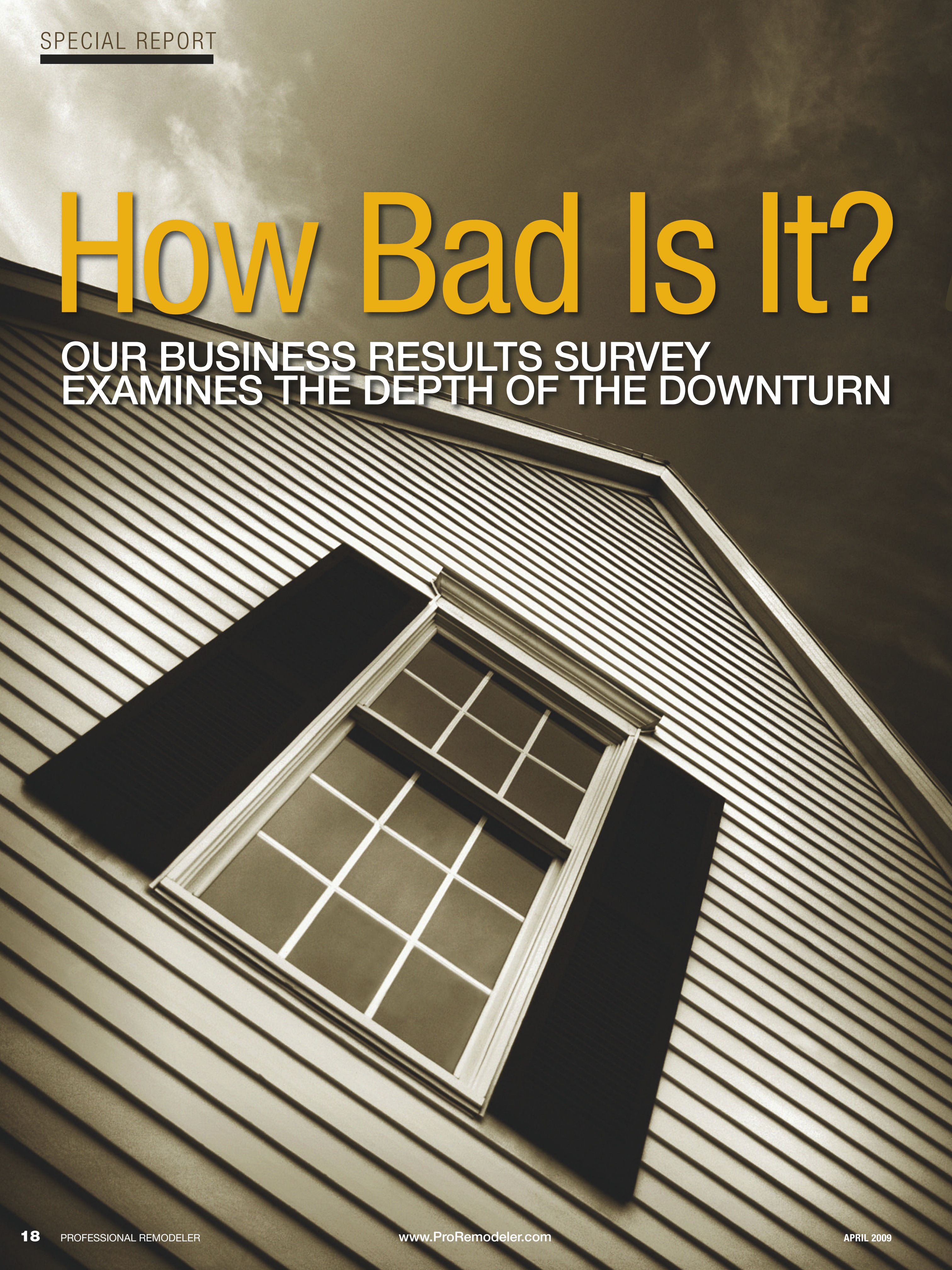
While the tax credits alone probably won't be enough to convince people to remodel, it's another "tool in the toolbox," Sperath says.

"We're still getting a fair number of inquiries, but converting them into a sale is just a nightmare," he says. "All these things pile up, and each one contributes a little bit to the buying decision."

Blue Ribbon had a division that focused exclusively on the exterior envelope of the home but had moved away from that in recent years. Sperath says the new tax credits are a good opportunity to get that up and running again.

How Bad Is It?

OUR BUSINESS RESULTS SURVEY EXAMINES THE DEPTH OF THE DOWNTURN



By Jonathan Sweet, Senior Editor

THERE'S LITTLE DOUBT THAT 2008 was a brutal year in the housing industry, and unlike previous ones most remodelers did not emerge unscathed.

We saw early signs of turmoil in 2007, but 2008 was the year that the remodeling downturn really hit remodelers across the country. Almost every indicator in our 7th annual Business Results Survey points to a shrinking market in 2008.

Average installed volume was down more than 17 percent from $1.2 million in 2007 to $995,000 in 2008. Average job size dropped by a third, to $43,224 from $65,216. Total jobs and profits were down.

Besides giving us a snapshot of the industry, the study also provides a benchmark for you to compare your company against others across the country. With more than 400 respondents, this year's study allows you to see how your company measures up across several areas, including expenses, revenues, marketing, labor and sales.

PAIN AT THE LOW- AND HIGH-END

Companies of different sizes have different cost structures, challenges and profit goals, so we've looked at several areas through that filter. We classified the industry into four groups based on 2008 revenues: less than $500,000, $500,000 to $999,999, $1 million to $3 million and more than $3 million. The tables on this page show what the "average" company of each size looks like.

(For reference, 29 percent of respondents had revenues less than $500,000; 21 percent were between $500,000 and $999,999; 32 percent fell between $1 million and $3 million; and 18 percent had revenues of more than $3 million.)

The biggest difference between the various company groups was average job size, from a low of $5,248 for the smallest firms and $77,687 for the largest. The numbers seem to support the anecdotal evidence that job sizes, especially in the high end, decreased in 2008. Those companies, over $3 million saw their average job size drop by almost $60,000, from $133,456 in 2007 to $77,687 last year, while the total number of jobs increased from 157 to 181.

The smallest firms were also hurt, too. Firms with revenue under $500,000 saw the average job drop to $5,248 — barely half of the 2007 level of $9,847 — and job numbers increase more than 50 percent, from 26 to 41. Perhaps this represents an increasing reliance on handyman projects at the bottom of the industry or the increasing competition from former builders and subcontractors for the smallest projects. The middle two groups actually saw job sizes slightly increase.

The average remodeling firm

Years in business	21
Field employees	5
Office employees	1
Salespeople	2
2008 installed volume	$995,000
Annual jobs	76
Average job size	$43,224

Less than $500,000 in revenue

Years in business	18
Field employees	2
Office employees	0
Salespeople	1
Annual jobs	41
Average job size	$5,248

$500,000-$999,999

Years in business:	21
Field employees	3
Office employees	1
Salespeople	1
Annual jobs	37
Average job size	$18,512

$1 million-$3 million

Years in business	20
Field employees	6
Office employees	2
Salespeople	2
Annual jobs	74
Average job size:	$22,225

More than $3 million

Years in business	26
Field employees	11
Office employees	3
Salespeople	2
Annual jobs	181
Average job size	$77,687

Source: 2009 *Professional Remodeler* Business Results Survey

Although not reflected on the tables, larger companies were also much more likely to belong to a trade association. Nearly 70 percent of companies with volume of more than $1 million belong to a trade association, compared with 44 percent of those with revenues less than $1 million. Overall, 41 percent of respondents were members of NAHB, 25 percent were members of NARI and 14 percent were members of NKBA.

KENDALL MCMINIMY/STONE

Revenues take a plunge

THE AVERAGE REVENUES FOR OUR RESPONDENTS was $995,000, a 17 percent drop from 2007's $1.2 million number. Half of all respondents reported their revenues were down in 2008, and another 14 percent were basically unchanged. Even in this challenging climate, 36 percent of companies reported an increase in revenue.

Once again, the middle seemed to be the place to be, as 58 percent of firms below $500,000 reported a drop in business, as did 51 percent of those over $3 million. Only 45 percent of the companies between $500,000 and $3 million reported a decrease.

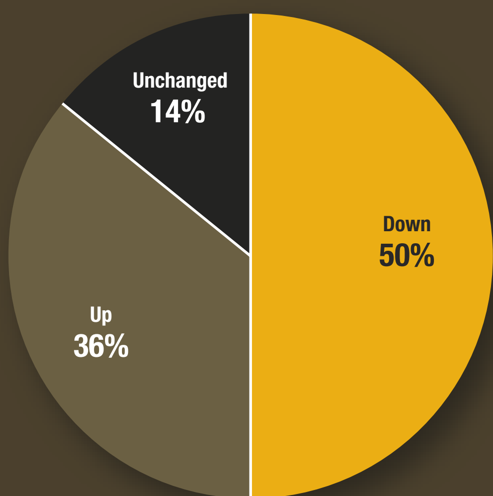
Contractors in the Midwest also saw less of a downturn than their brethren in other regions, with only 42 percent reporting a decline in revenue, compared with more than 50 percent in every other part of the country. Whether related or not, Midwest contractors also had the smallest average revenue at $765,000, with the Northeast ($950,000), West ($1 million) and South ($1,102,500) all coming in significantly higher. For every region, those numbers represent a decrease from 2007.

Contractors are also not very optimistic about 2009, with 43 percent of them saying they expect to see a decrease in business this year and only 34 percent expecting an increase. Larger firms were less optimistic, with 52 percent of those doing more than $1 million in business expecting a decrease, compared with 34 percent of those under $1 million. Those numbers held steady across the country with negligible regional differences. It's worth noting that as of this writing the economy has declined even more since the survey was conducted and many remodelers might have an even more pessimistic view of the year ahead.

Last year, remodelers were overly optimistic, with 56 percent of remodelers saying they expected an increase in business in 2008 and only 21 percent expecting a decrease. Clearly, the numbers did not justify that optimism.

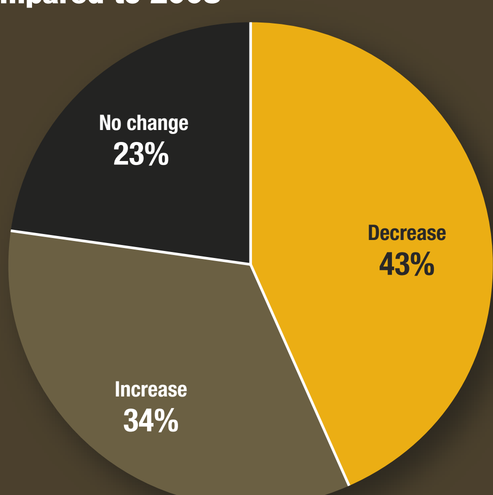
> The average company revenue dropped by **17 percent** from 2007 to 2008.

2008 revenue compared to 2007



Source: 2009 *Professional Remodeler* Business Results Survey

Projected 2009 revenue compared to 2008



Source: 2009 *Professional Remodeler* Business Results Survey

Labor is top expense

WHETHER THE WORK IS PERFORMED IN-HOUSE or subbed out, labor leads all expenses, accounting for 44 percent of all expenditures. That number was basically equal across companies of all sizes, but the split between employees and subs shifted as revenues increased. (We've split expenses out by company size in the adjacent table.)

The percentage of money spent on direct labor decreases and the amount spent on subs increases as company size increases. Only the smallest companies spend more on direct labor costs than subcontractors, and the largest companies spend more than two-thirds of their labor costs on trade contractors. (For more on labor, see p. 22)

Building materials accounted for 27 percent of expenditures, with little difference between companies of varying sizes, except that those under $500,000 spend a slightly higher percentage on materials. That's probably due to the very low overhead these small firms have.

Owner's compensation ranged from 4 percent of revenue for the largest firms to 8 percent for the smallest. For the second year in a row, the real dollars ($17,808) that equates to for the smallest firms seem low. One possible explanation is that owners were not taking into account profits and other benefits, such as a company truck, that they pull out of the business. It's also quite possible that these smallest firms are only part-time endeavors for the owners.

SLIPPAGE A PROBLEM

Most companies continue to have problems hitting their profit goals. The average company is aiming for a gross profit of 28 percent but ending up with 23 percent. Nearly half of companies have gross profits under 20 percent, and 23 percent have gross profits under 10 percent. In fact, 14 percent had a target gross of under 10 percent, a number that would seem to make it difficult to stay in business. More than a third of companies targeted a gross profit under 20 percent.

There was, however, significant difference in the net profit percentages, which declined as revenue increased (see table). There was also less slippage by the largest firms, likely reflecting their better handle on overhead costs. The smallest firms aimed for a 23 percent net profit, achieving only 16 percent on average, while the largest companies aimed for 12 percent and achieved 9 percent.

Overall, more than 60 percent of companies had net profits under 10 percent and 9 percent of firms had no profit in 2008. Nearly half of companies had a target net profit of under 10 percent.

Net profit percentages

	Target	Actual
All companies	17%	13%
Less than $500,000	23%	16%
$500,000 to $999,999	18%	13%
$1 million to $3 million	16%	12%
More than $3 million	12%	9%

Source: 2009 *Professional Remodeler* Business Results Survey

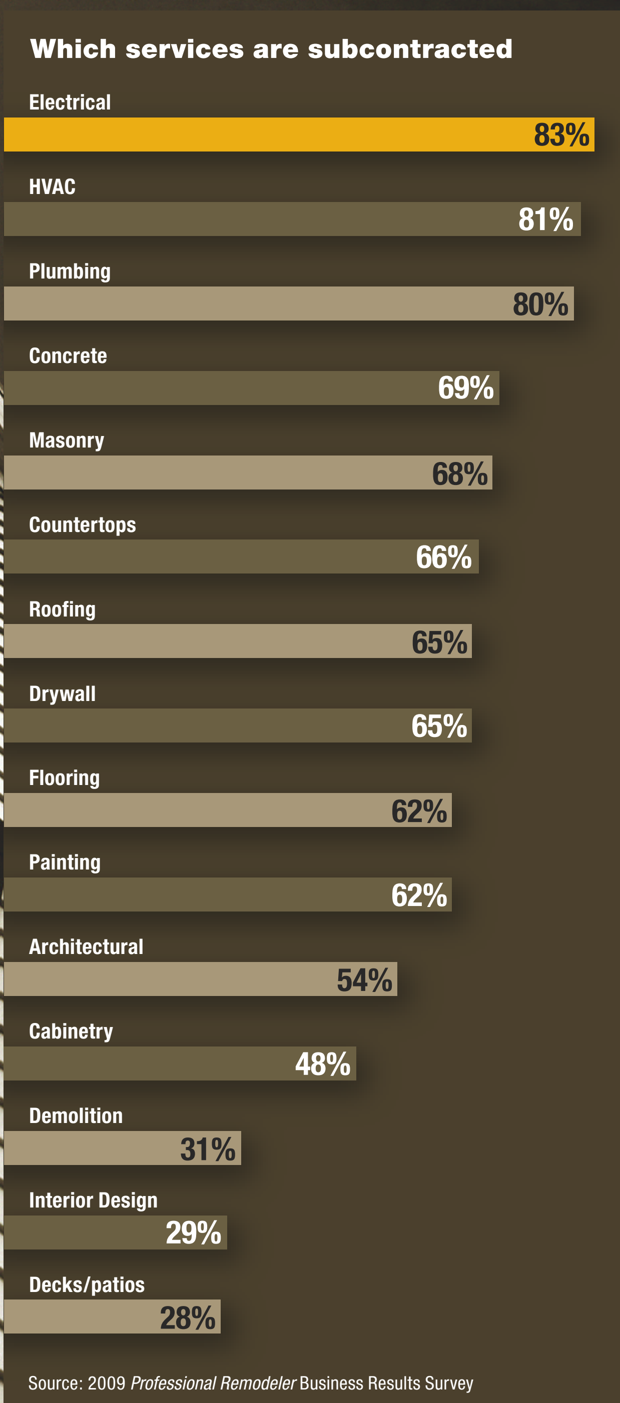
Amounts spent on key expenses

2008 Revenue	< $500,000	$500,000-$999,000
Direct labor	$44,200 (21%)	$145,278 (21%)
Subcontractors	$38,763 (18%)	$169,724 (24%)
Building materials	$65,325 (31%)	$187,604 (27%)
Owner's comp	$17,808 (8%)	$44,631 (6%)
Marketing	$2,868 (1%)	$9,010 (1%)

2008 Revenue	$1M-$3M	> $3M
Direct labor	$286,628 (17%)	$734,500 (15%)
Subcontractors	$465,047 (28%)	$1,581,000 (32%)
Building materials	$425,893 (26%)	$1,275,500 (26%)
Owner's comp	$74,671 (5%)	$215,000 (4%)
Marketing	$23,293 (1%)	$73,000 (1%)

Source: 2009 *Professional Remodeler* Business Results Survey

17 percent of companies have no field employees beyond the owner.



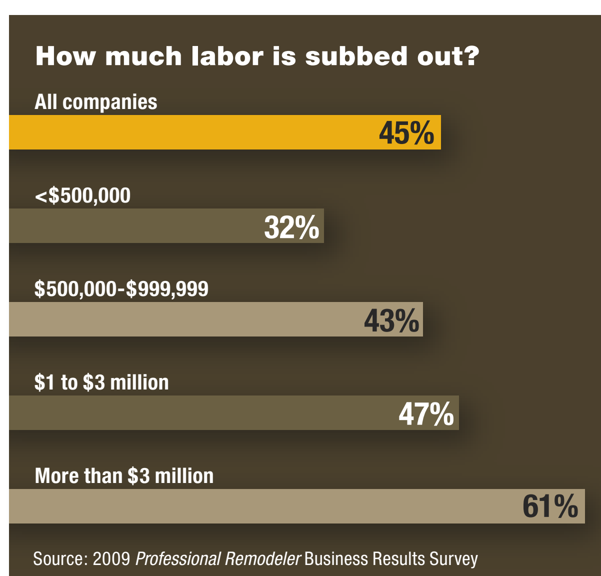
Small workforce the norm

DESPITE GROWTH IN THE MARKET, remodeling remains an industry of relatively small companies. The average company reported three field employees and one office employee, not including the owner. A quarter of companies have no office employees, and 17 percent have no field employees. More than 90 percent of firms have less than five office employees, and 72 percent have less than five field employees.

Most companies make extensive use of trade contractors, with the average company subbing out 45 percent of labor. The biggest companies were the most likely to sub out their work, as firms with more than $3 million in revenue subcontracted 61 percent, compared with the 32 percent subbed out by companies under $500,000.

While most companies sub out at least some labor, 11 percent of firms reported using no subcontractors in 2008. At the other end of the spectrum, 16 percent used subcontractors for more than 90 percent of field labor.

Companies subcontract out a wide variety of services, but the most common were electrical, HVAC and plumbing, which were subcontracted by at least 80 percent of firms. Companies also frequently used trade contractors for other specialty trades, such as concrete, masonry and drywall. Many companies also sub their design services, with 54 percent reporting using outside architectural services and 29 percent farming out interior design.



The amazing shrinking job

NO MATTER HOW YOU LOOK AT IT, job sizes shrunk in 2008. In every category, the average price tag dropped from 2007 to 2008. (See adjacent graph.)

Another indicator: In 2007, whole-house remodels made up the biggest portion of revenue for the average company. In 2008, it was kitchens.

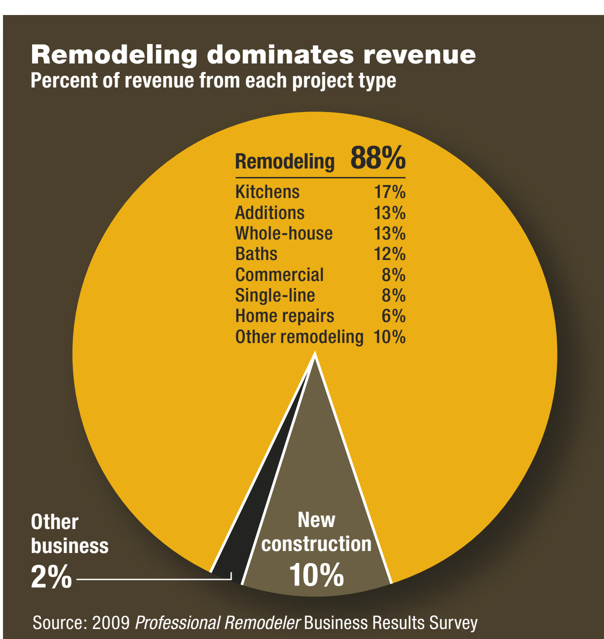
The average company completed 76 jobs in 2008, but there were many companies doing less work as well. More than a third of companies reported less than 20 jobs for the year.

The most popular type of job was kitchens, with 70 percent of companies reporting they renovated at least one kitchen in 2008, followed by bathrooms (67 percent), additions (58 percent) and whole-house remodels (52 percent).

By pure number of projects, home repairs or handyman work topped the list, accounting for about a quarter of all remodeling jobs, although only 46 percent of companies reported at least one home repair project for 2008. Home repairs also equaled only 6 percent of total revenue because of the much smaller price tags for those projects.

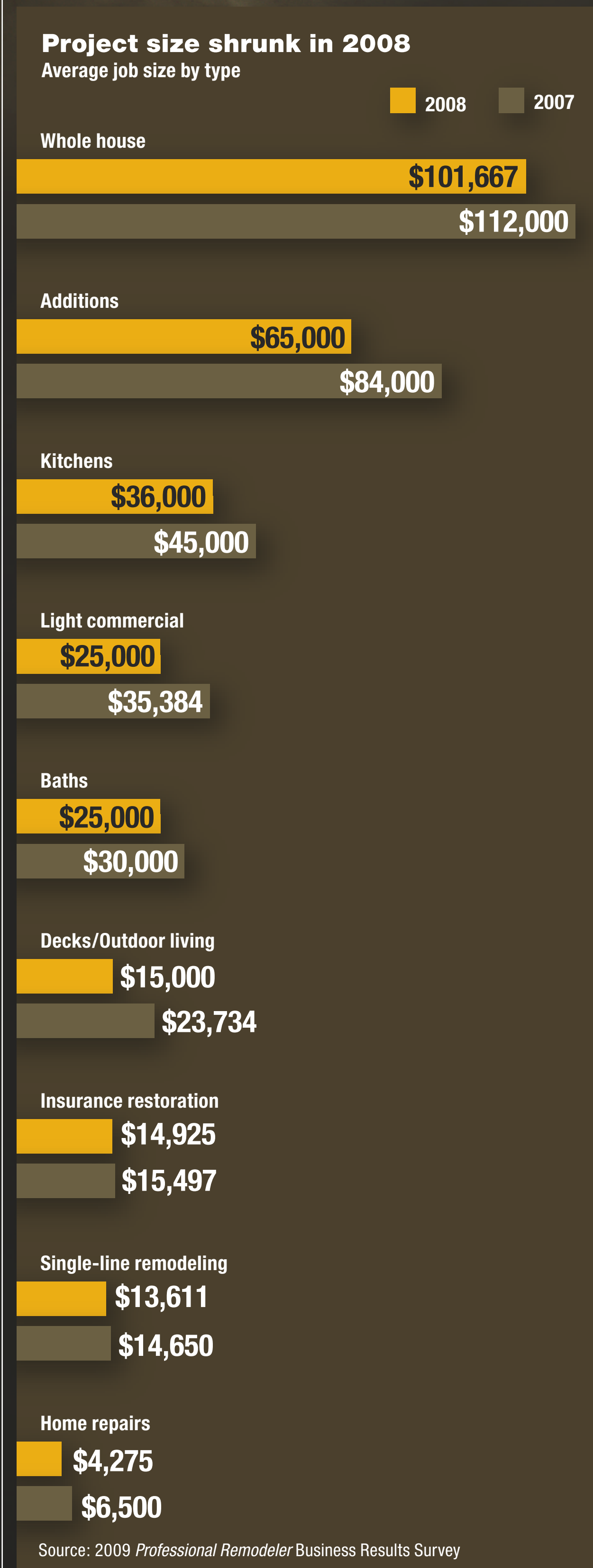
The least popular type of remodeling work was insurance restoration, with only 19 percent of companies providing that service in 2008. Those projects accounted for 2 percent of total revenue and about 5 percent of total projects.

About a quarter of companies also built at least one new home in 2008, with an average price tag of $275,000.



Remodeling dominates revenue
Percent of revenue from each project type

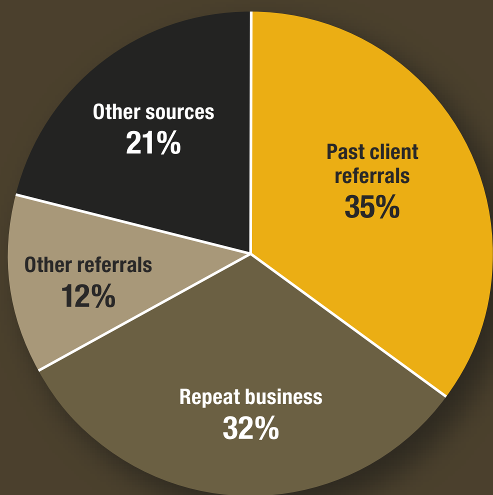
Source: 2009 *Professional Remodeler* Business Results Survey



Project size shrunk in 2008
Average job size by type

Source: 2009 *Professional Remodeler* Business Results Survey

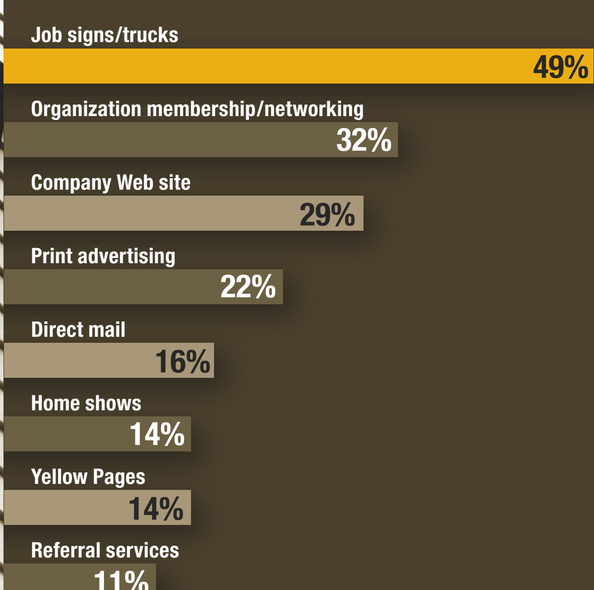
Where the business comes from



Source: 2009 *Professional Remodeler* Business Results Survey

Most successful marketing techniques

Beyond repeats and referrals, percent of remodelers who identified tactic as first or second most effective



Source: 2009 *Professional Remodeler* Business Results Survey

Repeats and referrals dominate

REPEATS AND REFERRALS CONTINUE to be the most reliable source of leads for most contractors, accounting for almost 80 percent of lead activity.

Past customers make up the biggest portion of that, with 35 percent of business coming from client referrals and 32 percent coming from repeat business. An additional 12 percent comes from referrals from other professionals, such as trade contractors or architects. Overall, 51 percent of all companies get more than half their business from repeats and referrals.

While companies of all size are fairly dependent on client referrals for business, repeat business is clearly more important to the smallest companies. Companies with less than $500,000 in annual revenue get 40 percent of their leads from repeat business, compared with only 30 percent for those with revenues over $500,000. About 21 percent of companies get less than 10 percent of leads from repeat business.

> **26 percent** of companies get all business from repeats and referrals.

Despite this reliance on repeats and referrals, most companies get a significant portion of their leads from other sources — 21 percent on average. Not surprisingly, that number goes up as company volume increases. Still, 26 percent of companies report relying solely on repeats and referrals for leads, and another 28 percent say they get less than 10 percent of business from other sources.

Remodelers use a variety of tactics to get the word out, with the most popular being job/truck signs (74 percent), company Web site (58 percent), organization membership/networking (48 percent), print advertising (48 percent), direct mail (39 percent) and Yellow Pages (35 percent).

Conversely, this means that many remodelers are ignoring two of the basics of marketing: 24 percent of companies don't use job site or truck signage and 42 percent don't have Web sites, including 21 percent of those with revenues over $3 million.

The most effective of those "other sources" were job/truck signs, membership in local organizations and a company Web site (see adjacent graph).

Lean sales operations

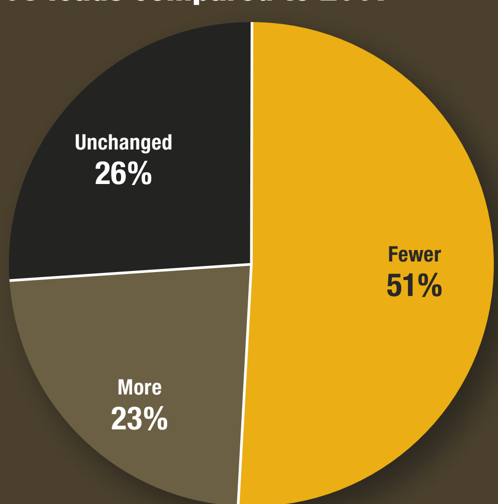
MOST COMPANIES ARE RUNNING small sales operations, with an average of less than one salesperson besides the owner. In fact, 58 percent report no salespeople besides the owner. That number increases to 74 percent for firms under $1 million in sales. More than 90 percent of companies have three or fewer salespeople.

Ninety percent of owners spend at least some of their time selling projects. Those owners who do sell spend an average of 34 percent of their time on sales.

More than half of companies reported a drop in leads in 2008, compared with only 36 percent who saw leads drop in 2007. Still, 23 percent of companies did see lead activity increase in 2008. There was a strong correlation between lead activity and revenue. Of those that saw an increase in leads, 70 percent had higher sales in 2008, while 79 percent of companies that had a decrease in leads had lower or unchanged sales.

About half of qualified leads become sales. Companies reported converting 49 percent of qualified leads to sales in 2008. (We defined qualified as someone the remodeler met in person or at least provided a ballpark price.) **PR**

2008 leads compared to 2007



Source: 2009 *Professional Remodeler* Business Results Survey

Be sure to visit www.HousingZone.com/BizResults for online-only content from the Business Results Survey, including podcast interviews with our Market Leaders on the current state of the market and exclusive analysis of the survey results.

The average company converts **49 percent** of qualified leads to sales.

58 percent of companies have no salespeople beyond the owner.

METHODOLOGY

417 remodelers completed the survey via the Internet. Data were collected from January 9 through February 6, 2009. Survey invitations were sent to random samples of subscribers to *Professional Remodeler* print and electronic editions as well as to members of Remodelers Advantage.

Take Two

FOR MICHAEL KLEIN, THE SALE OF AIROOM ENDED UP BEING A BEGINNING, NOT AN END

By Jonathan Sweet, Senior Editor

ONCE A REMODELER DECIDES TO SELL a company he and his family have spent decades building, it's typically the end of the story.

For Michael Klein, it turned out to just be a short hiatus. Nearly five years after he sold Airoom to a private equity group, Klein is back in charge as the sole owner of the firm his father founded in 1958.

The company has struggled in the years since Klein sold, with revenues dropping from nearly $100 million before the 2004 sale to only $40 million last year. That left the equity group looking for an exit and presented Klein with an opportunity to get back into the business and restore it.

"It wasn't going the direction that I wanted it to go, and they weren't getting to the places that I had envisioned," Klein says. "Their focus was not the focus that this type of company needed to ultimately grow and become what it could potentially become."

While he won't discuss exact figures, Klein admits it was a great opportunity, as he was able to buy the company back for less than he sold it for in 2004, leaving the Lincolnwood, Ill., company debt-free and with the financial resources to make it through the current downturn.

UNPLANNED EXIT

Five years ago, Klein certainly didn't expect things to end up this way. Initially, the partnership with the private equity group was about injecting capital into Airoom so the company could make acquisitions and expand outside the Chicago area.

At the same time, Klein was looking to take a step back after years of 90-hour weeks. Under the initial agreement in May 2004, Klein retained 18 percent ownership in Airoom and stayed on as the CEO. It quickly became apparent that the new and former owners weren't going to be able to work together.

"We had a difference of opinion on how the company was going to move forward," Klein says. "They had their opinion, probably formulated before they bought the company [about] what they were going to do and how they were going to do it."

The equity group decided it wanted to bring its own CEO aboard, and Klein officially left the company in January 2006, although he was "mentally out" by June 2005, he says.

"That's pretty much the standard M.O. for equity groups. You take the old CEO/entrepreneur out," Klein says. "I wasn't excited about it, but that's what they did."

When the opportunity came around to buy the company back, Klein decided he'd had enough time off and was ready to get back in the game.

Five years after he sold Airoom, Michael Klein is back at the helm of the Chicago-area remodeling firm.

MARC BERLOW/GETTY IMAGES

"If the company was going to be transitioned, I felt like the best transition would be back to me, especially because it's kind of been floundering," Klein says. "It couldn't afford to have a false start again."

While the remodeling market is certainly not what it was a few years ago, Airoom suffered a steeper decline in revenues than it needed to, Klein says. The biggest reason, he says, is a difference in the entrepreneurial mindset he brought to the firm versus the bottom-line focus of an equity firm.

"I believe in investing more today for tomorrow," Klein says. "They're looking for returns every month, every year, so that's not their M.O. That's the first thing that goes in the private equity mindset."

Klein also believes the company was too quick to make cuts when revenues dropped rather than addressing the problem. That led to the departure of several good employees, hindering the company further. At the same time, the company never had a clear leader after Klein was ousted, with the first CEO leaving after just 13 months and Airoom having to scramble to find a new chief executive.

"There were some bad decisions that caused more retraction than was necessary," Klein says. "Arguably we should be 20 or 30 percent down, not 50 percent down."

GROWTH DELAYED, NOT STOPPED

In a way, Klein intends to continue where he left off with Airoom in 2004. He projects an increase in revenues to $45 million this year, even in the current market, with the goal of getting the company north of $80 million in the next few years.

Klein plans to get there through acquisitions and expansions into other markets — much the same strategy that drove the

EXECUTIVE SUMMARY

Airoom, Lincolnwood, Ill.
Chairman: Michael Klein
Specialty: Design/build
2008 projects: 300
2008 volume: $40 million
Projected 2009 volume: $45 million
Employees: 70
Founded: 1958
Biggest challenge: Driving leads and qualifying them at a reasonable cost
Web site: www.airoom.com

"There were some bad decisions that caused more retraction than was necessary. Arguably we should be 20 or 30 percent down, not 50 percent down."

initial partnership with the private equity group. This time, though, Airoom has the resources to do it on its own.

One of the company's biggest strengths going forward will be its mortgage business, which Klein intends to beef up to make sure Airoom's clients can continue to get financing.

"The companies that are able to control the funding through good times and bad times are ultimately the companies that can sustain success and navigate through muddy waters," Klein says.

That financing arm is one part Klein would like to take national this year because he believes there are a lot of remodelers and clients that have gotten tied up in the lending freeze despite being able to pay for a project.

THE NEW MARKETING REALITY

One of the biggest changes in the short time Michael Klein was away from Airoom is in the arena of marketing.

"How to generate a lead and how to talk to the consumer has totally changed," he says. "It's a little bit weird. Newspapers are dead for all practical purposes, and died so quickly."

Year after year, the cost of getting and qualifying a lead increases as remodelers have to go to many different sources to reach the potential customer, as opposed to the past when Airoom could buy its real-estate in the newspaper and expect to see results.

"Nobody really has a good understanding of how to drive leads the way it used to be," Klein says.

For Airoom, the answer so far is a combination of the global and the hyper-local. While investing heavily in electronic marketing, the company is also getting more involved in neighborhood events to drive local attention. At the same time, the company can't abandon print advertising because that is still the best way to reach some segments of the market. However, where newspapers and direct mail once made up 90 percent of the company's marketing budget, it's now closer to 15 percent.

"It's not changed a little, it's changed a lot," Klein says. "We were trained by the generation before us that there's only one thing — print — and we have to get over that."

At the same time, the Airoom team is looking for possible acquisitions, especially companies that provide services that would supplement the company's core remodeling services, such as closet systems or home automation. Klein doesn't plan to expand the company's remodeling services outside Illinois this year, but says that is definitely in the plan for 2010.

"I think we have a real opportunity to build some of these 'micro-businesses' inside of our business," Klein says.

Even as Airoom plans for future growth, the company has to deal with the very real challenge of a recession. Leads are down, and the average job ticket is 10 to 15 percent less than it was a year ago.

At the same time, Airoom is balancing the need to keep the best employees with the reduced overhead necessitated by lower revenues.

"Is it OK not to run a profit this year?" Klein says. "How much is that talent that you've invested in for years worth?"

In the end, a lot of those decisions have to come down to gut calls.

"You can look at the math, but the math doesn't tell you what tomorrow is; it just tells you where you are today," Klein says. "None of us have crystal balls."

While the recession is a challenge, it also presents an opportunity for an established business like Airoom to pick up market share as inferior competition leaves the marketplace.

"The good news is that as money becomes more important, clients are more concerned about who they're investing with," Klein says. "We're going to take advantage of our debt-free empire, so to speak, and our good name and brand and our longevity."

That's a message the company is emphasizing through its advertising and other marketing efforts: that it's a good time to remodel, and Airoom's history makes it the right company to choose.

"We have to bring people back to the mindset that it's OK to spend," Klein says. "It's not necessarily that they can't do it the way they did 2½, 3 years ago, but they feel like they shouldn't."

The phone is ringing less these days, but those clients who are calling today are more serious and better qualified than those a few years ago.

"Those people were calling you on a whim," Klein says. "The people that are calling today know what's going on around us." PR

A REMODELED BATHROOM FINDS ROOM FOR KING-SIZE FEATURES

Fit for a King

AFTER PHOTOS BY JOHN UMBERGER, REAL IMAGES

PRODUCTS LIST

Cabinets: Diamond Cabinets **Ceramic tile:** Noche, Medici **Commode, shower and tub fittings:** Kohler **Countertops and tub deck:** Cambria **Door hardware:** Baldwin **Grab bars:** Ginger **Grout:** Laticrete **Lighting:** Ryan Lighting **Tub:** Amerech

Home Rebuilders angled the extra-large tub into the space between the shower and water closet. The stylishly curved tub surround incorporates a seating/transfer area while preserving floor space.

By Wendy A. Jordan, Senior Contributing Editor

TALK ABOUT WELL-PREPARED CLIENTS. Gerald Dupre and Keith Kyle compiled bathroom design ideas and knew what they wanted six months before contacting any contractors. In their first meeting with David LeCourt of Home Rebuilders, Atlanta, they presented a three-page list of wants and needs and even a sketch of the design they had in mind. But even in remodeling projects headed for perfection, things happen.

CLEAR GOALS

Frequent travelers, Dupre and Kyle wanted to bring the beauty and fine appointments of luxurious "European spa" hotel bathrooms into their 1993 suburban Atlanta home via a master suite remodel. They hoped to incorporate a large shower, air-jet tub, private water closet, enhanced bathroom storage and better closets in an airy, elegant space, all without adding on.

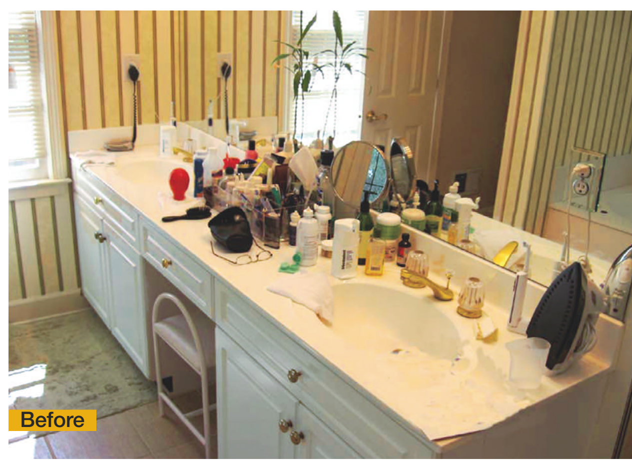
They picked up more ideas from HGTV and the local home improvement magazine. When they were ready to get started, they contacted three design-build contractors whose ads in that magazine caught their eye. "We wanted a design-build firm," says Dupre, because "we wanted one party to be responsible for everything. The whole design-build concept gives us peace of mind." The Home Rebuilders ad impressed him because it announced an award the company had received. Another point in the company's favor: "They were in town," says Dupre. "They had a place where we could go to meet with them and a showroom, which allowed us to visualize."

Though Home Rebuilders had the edge, all the work they showed to Dupre and Kyle was traditional in style. The homeowners wanted a clean, contemporary look.

When they came to the showroom for a first meeting, Home Rebuilders bathroom designer Kim Wingard won them over. "I had past experience doing contemporary kitchens and baths," she says. She pulled together materials that create a soft, contemporary palette, and immediately the trio was on the same page.

PLANS AND SURPRISES

Staff intern architect Stephanie Ives faced a twofold challenge in rearranging the bathing area. She needed not only to incorporate large fixtures and features but also to make the space what Dupre calls "AARP friendly" — with wide doorways, generous circulation room, clear access, accessible storage and shadow-free lighting. The 217-square-foot existing space included a 115-square-foot bathroom, two walk-in closets, a linen closet and a 22-square-foot entry alcove. Ives relocated the bathroom entry, absorbed the alcove area into the room and centered the closet entry door between separate vanities. By positioning the closet



BEFORE PHOTOS BY HOME REBUILDERS

The original bathroom wasted space, with a needless entry alcove on one side and an overly long vanity. Intern architect Stephanie Ives absorbed the alcove into the bathroom and centered the entry, creating separate vanities and room for a larger shower and water closet.

COMPANY SNAPSHOT

Home Rebuilders
Owner: William A. Bartlett
Location: Atlanta
2008 volume: $6,422,596
Projected 2009 volume: $5 million
Web site: www.homerebuilders.com
Biggest challenge of this project: Accommodating an extra-large tub midway through the project

PROJECT TIMELINE

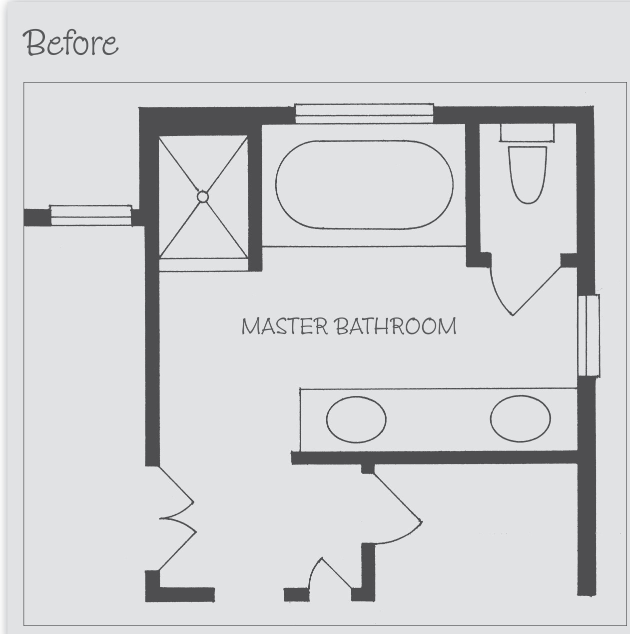
Dec. 28, 2007	Contract signed
2008	
Jan. 24	Permits pulled
Feb. 21	Demolition begins
Feb. 25	Framing begins
Feb. 28	Rough-ins complete
March 6	Insulation and drywall installed
March 25	Tile installed
April 11	Counter tops and tub decking installed
April 18	Plumbing fixtures installed
April 25	Electrical fixtures installed
May 6	Painting completed
May 12	Punch list walk-through
May 16	Project completed
Client payment schedule:	
Dec. 28, 2007	$2,403
Jan. 24, 2008	$1,602
Feb. 21, 2008	$4,005
Biweekly cost-plus payments after construction began	

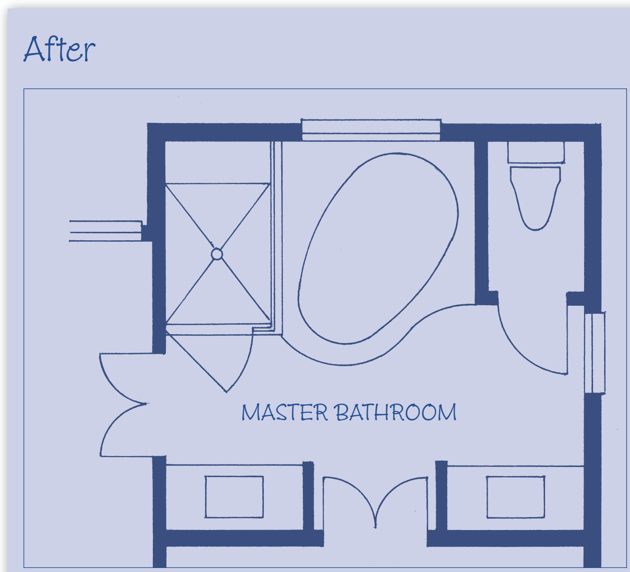
door between the vanities, she created wide, straight access into the room. Absorbing the alcove space enabled Ives to squeeze a large shower, water closet and tub into the room without constricting the circulation area.

New vanities plus cabinets over the toilet boost storage capacity. Grab bars and a built-in bench prepare the shower for use by a person with mobility issues. More handrails in the water closet and on the tub deck also anticipate the homeowners' needs as they age. The new plan encompasses a 137-square-foot bathroom — including a bonus foot gleaned when some small walls came out — and a single, storage-rich, 81-square-foot walk-in closet. Dupre and Kyle signed a construction contract with almost no changes to the design.

Soon after demolition began, Home Rebuilders faced the first challenge of the job. Crews tore open the old vanity wall to discover plumbing pipes from the bathroom above and an HVAC chase. With finished space above and below, Ives had little room for adjustment. Planning for this possible problem, Ives had made a place for the plumbing inside slim wing walls inserted by the vanities. "It was an opportunity to make each vanity to feel separate," she says, "and that would allow us to conceal the plumbing if required."

However, the chase could not be relocated so easily. Ives enclosed it in a soffit and used the resulting wall area between vanities as the location for one of the homeowners' must-haves: a flat screen television.





Another surprise centered on the beige, chair-height toilet the clients had chosen. A toilet was delivered. It leaked. No more were available. It would be three months — too long to wait — before others in that color would be produced. As a gesture of good will, the manufacturer sent a fancier model at no extra charge. The problem was that it required an electrical connection, and the water closet area had none. Luckily the access panel for the tub was nearby, so project manager Mike Meagher put the toilet wiring there.

SUPERSIZE TUB

The biggest surprise of the project involved the air jet tub. Early on, the clients had selected an oval unit 6 feet long to accommodate his tall frame. Ives managed to position the large tub under the existing etched glass window, between the shower and toi-

let, only by carefully angling it into the room. Once construction was under way yet before signing off on all the plumbing selections, Dupre went shopping one last time. He found an even larger tub, wider and more rectangular than the first one. "It's huge," he admits. The close tolerances of the tub placement instantly went from small to microscopic.

"It was too tight to do on CAD," Ives says. Instead they made a template of the new tub. To fit the tub in, "We went from 6½ inches between tub and wall to maybe an inch and a half," says Ives. And the giant tub cuts somewhat more sharply into the circulation space. Dupre sees the adjustment as lemonade, not a lemon. "It took a lot of the straight lines out of the bathroom," he says. "It's really cool."

Pre-matted mosaic tiles wrap smoothly around the sinuous tub surround. Solid surfacing, not tile, made it easier to fabricate the curved deck.

The benefits of the new bathroom design spill into the adjacent bedroom. Moving the bathroom entry some 4 feet to the center of the wall "created a nice balance between the sleeping side of the bedroom and the relaxing side," says Ives. The "relaxing side," which before barely had room for a chair, now houses a chaise lounge where the clients can stretch out and read after a soothing shower or bath. **PR**

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THE FINANCIALS

As it does with most clients, Home Rebuilders gave Gerald Dupre and Keith Kyle a choice of fixed price or a cost-plus contract that incorporates draws when the contract is signed, permits are pulled and demo begins, then it shifts to biweekly cost plus payments. Offering this choice "makes us different than many of our competitors," says Account Manager David LeCourt, and it's "absolutely one of the reasons some people call us. Clients who see cost-plus as more risky are more comfortable with fixed-price. But if they like the idea of saving money," they choose the cost-plus approach.

Dupre opted for cost-plus, believing the fixed-price contract incorporated "too much safety net" while cost plus held out the possibility of savings. Each itemized cost-plus invoice showed bills Home Rebuilders had received, hours worked, plus the company's standard 20 percent gross profit. "We were able to see exactly what was going on," Dupre says. "It worked out fine."

Budget History

Initial estimate	$65,000
Bid add-ons	$20,108
Final estimate	$80,108
Final price of job	$86,706
Cost to produce	$70,527
Gross profit	$16,179
Budgeted gross profit percentage	20%
Actual gross profit percentage	19%

For his part, LeCourt was happy with cost-plus because it largely protected his gross profit. After paying for a flower urn that a sub had damaged and giving the clients a credit to make up for delays in receiving their new tub, LeCourt says gross profit stayed close to target.

Since the Dupre-Kyle project, the design-build company has added another incentive for clients to go cost-plus: the company provides a "not to exceed" price on cost-plus projects.

Product Trends

Professional Remodeler

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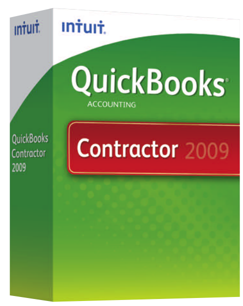

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Milgard Windows & Doors

By Nick Bajzek
Products Editor

GREEN-POWERED CABINETRY

FSC-certified and with low- or no-VOC binders and glues, Neil Kelly Cabinets were green before green was cool.

Neil Kelly first started cranking out high-end cabinets in 1966, first as a division of Neil Kelly Design/Build Remodeling and since 2001 as a stand-alone company based in Portland, Ore. “We’re pretty much a custom shop,” says Tom Kelly, Neil Kelly Cabinets’ Chairman of the Board and Owner who is also the president of the design/build arm today. “We have standard doors, of course, but we always build frameless cabinets. We don’t get into making fixed-frame models, but otherwise we make a wide variety of cabinets.”

A decade ago, the company introduced its innovative Naturals Collection featuring no added formaldehyde agri-board panels, binders and glues; responsibly produced certified wood veneers; and low-VOC glues, adhesives and finishes. “We came out with a full range of environmentally friendly materials and construction techniques. I can say with almost 99.9 percent certainty that we were the first FSC-certified cabinet maker in the U.S.,” says Kelly.

The company periodically uses reclaimed wood, but all other wood is FSC-certified. “It requires a fair amount of accounting, so there’s a chain of custody from the forest to the mill. That adds some burden on the cost and it varies all the time,” says Kelly, adding, it is very important for companies that want to make green claims to get it right.

“That’s the only way you build a green cabinet. Everything has to be reviewed for its environmental friendliness. Ten years ago the lesson we learned was about adhesives. A lot of companies sort of forget about that. It’s always important for us to say ‘No added urea formaldehyde,’ and we’re very careful,” he says. There’s no added urea formaldehyde, or NAUF, as well as any industrial melamines.

Optional interiors of NAUF plywoods or NAUF MDF are also available. The company offers a five-year limited warranty against defects in workmanship and materials. According to the company, the proprietary soy flour-based binders used in its panels resulted from research by Oregon State University scientists using “biomimicry” techniques based on experience with shellfish.

“Hardware,” he says, “is a bit of a different story. With pulls, there’s a fair amount of product on the market with some eco story. But with slides and such the only option really is reclaimed steel. I wish there were more green options.”

Because of the success of the Naturals Collection, the company switched all production methods to those using the same home-friendly, healthy materials and methods.

It’s just as well. Kelly points out that starting this year California’s air quality regulations restrict the emission of formaldehyde, a cancer-causing chemical found in kitchen cabinets, shelving, countertops and ready-to-assemble furniture. Legislation in the future will likely continue down the stringent path, Kelly says, so it’s time to do the right thing for the environment.

NEIL KELLY CABINETS

A sampling of the work Neil Kelly has done over the years. The company uses only FSC-certified wood in its cabinets with no added urea formaldehyde

Although the company avoids toxins, it isn’t skimping on craftsmanship. Each order is custom crafted to exacting standards using the aforementioned frameless European-style construction.

The company organizes its product line into four distinct collections: the Signature Collection, the Craftsman Collection, the Transitions Collection and what the company says is the “evolving” Mid-Century Modern Collection. it also recently introduced a no-added urea formaldehyde closet collection. PR

>> If you have ideas or comments, e-mail Nick Bajzek at **nicholas.bajzek@reedbusiness.com.**

A REVOLUTIONARY NEW LEADS PROGRAM.

Remodelers only pay when the job is completed.

With the change in the economy, lead generation has become more and more important to contractors all across the country. There are a number of lead services which all have delivered varying degrees of success.

But recently, one of the leaders in the contracting industry has taken a brand new look at lead generating programs. Contractors.com, a primary source of leads thru HGTV, HGTV.com, and FineLiving.com, has created a program that saves the best contractors time and money and delivers high-quality, high-paying jobs—the kind of jobs that allow these successful companies to thrive during challenging times. Contractor.com is calling this program the ***Free Leads Program***.

Free Leads Program developed from experience.

"We've been in the leads business for a long time, and we know the issues that contractors face with traditional leads generating programs. We also know the troubles that homeowners have – getting too many calls, or being connected with the wrong contractor" explains Kurt Reuss, President of Contractors.com. "We've taken our experience from the past 11 years and created a program that works better for everyone."

Just like the name suggests, all the leads are free to participating contractors. All the leads are first verified by phone, then sent out to the three category- and territory- exclusive contractors. Only the company that wins the job pays a fee, and only after the job is completed. "We verify

all leads before sending them out. Remember, our success depends on the contractor's success, so if we send out bad leads, we don't get paid – and we risk losing the interest of our members," says Reuss.

Traditional lead services have problems.

"A lot of the leads I get from my current leads-generating company are bad leads. The phone number doesn't work, or the homeowner isn't interested in doing a job. If I try to get a refund, they give me a run around," says Ken Porter, owner of Grey Wolf Remodelling in Los Angeles, CA.

Leads are not well screened. "I've had times when I call the homeowner within minutes of receiving a lead, and they've already hired someone. That doesn't make any sense. So I just paid for a lead that was a waste of my time," said Tom Byrum, owner of Farallon Builders in California.

The new ***Free Leads Program*** from Contractors.com has addressed these

> **"I don't have to pay if I don't win the job."**

concerns by aligning its success with the contractor's success. Participation is limited to just three contractors in each market, so each of these contractors receives every lead generated in their area.

Better competition!

Because this program is designed for top-quality contractors, members don't have to worry about competing against low-budget competitors. "With traditional lead services, homeowners typically get quotes that can vary drastically in price. This puts the quality contractor, like me, on the defensive, having to justify my higher quote against some truck and ladder guys. But with the ***Free Leads Program***, I'm competing on a level playing field with other quality contractors," explains Shane Monday of US Home Improvement Brokers. "It's the higher margin jobs that I want. Plus, I don't have to pay if I don't win the job."

Homeowner guarantee.

One amazing aspect of the program is the guarantee that Contractors.com provides its homeowner customers. The guarantee covers initial deposits, contractor's performance as stated in the contract, and provides homeowners with a lifetime labor warrantee.

"This is a tremendous sales tool, because it gives homeowners peace of mind that if something should go wrong they can hold Contractors.com accountable," says Reuss. "That's another reason why it's so important that we attract the most reputable contractors."

"This is one of the strongest closing tools I've ever encountered," says Monday. "Closing ratios will be significantly higher for contractors in this program than from other lead sources."

Free Leads Program.

- Don't pay for leads. Pay for jobs.
- Compete for the high-margin jobs against other qualified remodelers.
- Every category and territory has exclusivity for three contractors.
- The ***Free Leads Program*** comes with the Homeowner guarantee, the easiest way for a contractor to close the most sales.

Call today.

With all these benefits going to a small number of contractors, this revolutionary new program will fill up fast. Call **866-241-8865** right away to see if there is still availability in your area and your specialty. Go to **www.contractors.com/freeleads** to watch a 20 minute video about this exciting new program.

contractors.com
promoting contractors

CLEAN AND CLEAR

Made for both interior and exterior applications, Nichiha's KuraStone panels create the look of stacked stone with a cleaner finish and less mess. These fiber cement panels are unmatched in depth and detail and install easily thanks to the company's clip installation system. The panels are available in canyon, desert and mountain colors.

For free information, visit http://pr.hotims.com/23740-251

SMALL MIRACLE

It may not look it, but Bosch's new PS20-2A Pocket Driver is a hefty little guy. It features 25 percent more speed and torque than its first generation Pocket Driver forbearers. The new version also utilizes the first magnetic bit holder in the ultra-compact category, which means insert bits and changeovers are no problem.

For free information, visit http://pr.hotims.com/23740-252

A ROLLING STONE

We like the unique style of Meyda's Moss Creek Stepping Stone Pendants. The fixtures sport beige iridescent glass tiles that are hand-set in miniature windows on raised side panels. Behind the art glass insets in this Arts & Crafts-styled pendant is a layer of Amber Mica to provide a unique decorative ambiance.

For free information, visit http://pr.hotims.com/23740-254

WHO'S IN CHARGE?

Knaack's new PowerCrew has four GFCI-protected electrical outlets providing 15 amps of power for operating tools and equipment or charging batteries. The power source comes from a standard three prong/straight blade extension cord that plugs into the outside of the box. Other safety features include an internal relay.

For free information, visit http://pr.hotims.com/23740-253

THAT SINKING FEELING

Moen's new stainless steel sinks are available in a variety of sizes and configurations, including double- and single-bowl; undermount; drop-in; D-shaped; round; and square sinks in 16- to 22-gauge stainless steel. Shown here is the Lancelot double bowl. All models sport Moen's SoundShield noise-protection undercoating for a quieter experience while working at the sink.
For free information, visit http://pr.hotims.com/23740-255

UP IN THE CLOUDS

Your homeowners will escape to their own private waterfall with Danze's Sirius line. Create the ultimate shower with the company's ¾-inch thermostatic valve, 4-port shower diverter with trim, two function wall mount body spray, 6-inch square sunflower shower head with 77 Jets and the 15-inch Sirius shower arm.
For free information, visit http://pr.hotims.com/23740-256

BATH OF ALL TRADES

Offering numerous mix-and-match options, Sonia's Versatile Collection of modular furniture collection can be created by pairing a frame with a console and countertop. The Versatile Collection's console box unit features multi-layer, 100-percent water-resistant marine-grade wood. Homeowners can choose glass panels featuring numerous color options or a graphic motif.
For free information, visit http://pr.hotims.com/23740-257

CULINARY CREATOR

Want to install appliances that can achieve chef-worthy results? Look no further than KitchenAid's commercial-style series. Models include high-performance cooktops, dual-fuel ranges and powerful ventilation hoods. New dual fuel ranges and cooktops will be offered in 30-, 36- and 48-inch configurations and will be ready to hit the market by summer.

For free information, visit http://pr.hotims.com/23740-258

FILL 'ER UP

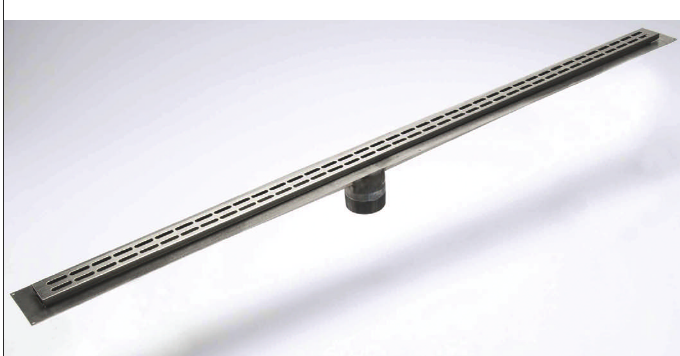
As compact as it is powerful, the PBS-400 mounts under virtually any countertop and plumbs to existing faucets, delivering an impressive 2.2 gallons per minute. So that means your homeowners can fill an entire gallon container in fewer than 30 seconds — not bad when they are filling a large pot for pasta or to steam vegetables.

For free information, visit http://pr.hotims.com/23740-259

DRAIN YOU

Mix it up a little with Quick Drain's new stainless steel linear slot drains for commercial or residential showers, pools, whirlpool tubs, and fountains. There's no need for traditional round center drains thanks to the unintrusive linear slot drains. The drains are easy to install, and because you won't have to work around a hole in the center of the job, installing tile, stone or glass will be faster and easier.

For free information, visit http://pr.hotims.com/23740-260



EUROPEAN ELEGANCE

Storage and accessibility are incredibly important in the garage and it's no different in the bathroom! Xylem's Europa bath furniture collection offers style from the other side of the pond through simple lines and a rich walnut finish. Available in three sizes, it accommodates any size space and also offers plenty of storage.

For free information, visit http://pr.hotims.com/23740-261

IT KEEPS GOING

Power outage? That's no problem thanks to Chamberlain's new LiftMaster Elite Series Model 3840, a ¾-horsepower, DC-powered screw drive garage door opener. It sports the company's EverCharge Standby Power System, which allows the opener to continue operating during a power outage. It just hit the market, so be the first kid on the block to check it out.

For free information, visit http://pr.hotims.com/23740-262

OVER MY HEAD

Offering the look and feel of handcrafted wood, Overhead Door's EcoBuilt line includes the Verde Collection in four styles: Yosemite, acadia, presidio and Tahoe. It is available in a variety of patterns and several window and decorative hardware options. The doors feature steel integrated meeting rails and can be purchased with or without insulation.

For free information, visit http://pr.hotims.com/23740-263

ORGANIZING THE MAN PAD

If a man's garage is his playground, make it an organized one at least—and you can with PremierGarage's PremierAccess cabinetry line. The ingenious sliding doors allow homeowners to get to their stored items without having to move the car. It's great for hobbyists and any client looking for more space.

For free information, visit http://pr.hotims.com/23740-264

Professional Remodeler

Best of the BEST Design Awards

2009 Call for Entries

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Entry forms and fees are due June 15, 2009.
You will receive an official project notebook for each project you enter. Official project notebooks must be submitted no later than July 15, 2009. (Note: CotY Award binders will be accepted, as long as Best of the Best Design Award cover sheets, entry forms and project information sheets are inserted)

Winners will be honored at the ***Professional Remodeler* Best of the Best Design Awards Celebration** at the **October 2009 Remodeling Show™** in Indianapolis, featured in the December 2009 issue of *Professional Remodeler* magazine and in an expanded photo slideshow on www.ProRemodeler.com

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BPA WORLDWIDE

THE BUYER'S POWER

Most of us got into this business for our love of the craft and because remodeling is not fraught with office politics and corporate ladders. Yet in the last 15 years of prosperity, it was easy to get caught up in the politics and lose sight of what is important. Our employees are important, but are they all aligned with our culture? Our clients are important, but are we focused on creating the most value for them — in pricing and in experience?

We need to help homeowners buy. Trying to sell our prospects on just anything is not effective — and could hurt our brand. Case's marketing focuses on giving our prospects knowledge or enjoyment — think educational seminars, open houses, community involvement. Our sales team should focus on consultative approaches. When meeting with a prospect we should be transparent; we should be their advocate. If the project doesn't make sense for their home, tell them that. If we aren't the right company to do the work, tell them that. When we are following up with past clients we should relish opportunities to fix warranty issues. We should proudly ask them about the space we created and if they would have done anything differently in retrospect.

The balance of power has shifted to the buyer in numerous ways:

1. Demand vs. Supply: Three years ago most consumers were elated with remodelers who called them back, showed up on time and didn't track mud through their living room. Today consumers can line up remodelers to give them free advice and design. If we don't call them back within 24 hours, we've lost our edge and we need to be ready to answer their knowledgeable, penetrating questions. At the same time, we have more competitors that are willing to work at, or sometimes below, cost to get a project — think new home builders or unemployed craftspeople hanging out their shingle.

2. Transparency: Knowledge is often commensurate with power, and the Internet age has empowered the buyer. I have met some homeowners who know more about a specific product than me because they researched it for three hours on the Web. At two in the morning, they can line up seven remodelers though Web-based referral services. Pricing is available 24/7 on most products and even from some remodelers. Not only does this shift the balance of power to the buyer, but if we don't add value to a specific task our consumers know that and won't pay our mark-ups.

3. Time: Unless a repair is required to prevent home damage, there is no reason for most homeowners to remodel today rather than remodeling in a year. Home values are depreciating. Uncertainty is rampant with unemployment rising and financial sectors crumbling. There are plenty of quality craftspeople hungry for work, and they (we) are likely to be hungry for work a year from now too. Time is on the side of the buyer.

With this new-world order, we should focus on building relationships, not one-night stands. At Case, creating "Clients for Life" is our beacon. We are not interested in their first or second project; we are interested in creating a relationship with our clients over the myriad home improvements in their lifetime. Our business model incorporates kitchens, bathrooms, small handyman repairs, larger remodeling work and design/build. We recently added another arm focused on connecting our clients with our preferred trade specialists. We even have a list of approved contractors that we will recommend to homeowners for services that don't fall within our scope of work (driveways, pools, etc.). Regardless of what a client wants done to their home, we want them to call Case. We see the client relationship, not the project, as the true focus of our efforts.

Bruce Case
Contributing Editor

When meeting with a prospect we should be transparent; we should be their advocate. If the project doesn't make sense for their home, tell them that.

This is the time to get back to what got most of us into this crazy business called remodeling — things like top quality craftsmanship and service as well as a focus on the client rather than on office politics and toxic employees. For someone to buy from us, these foundational issues must be strong. Excellence is required. PR

Give your input and continue the dialogue on Bruce's blog at www.housingzone.com/brucecase.

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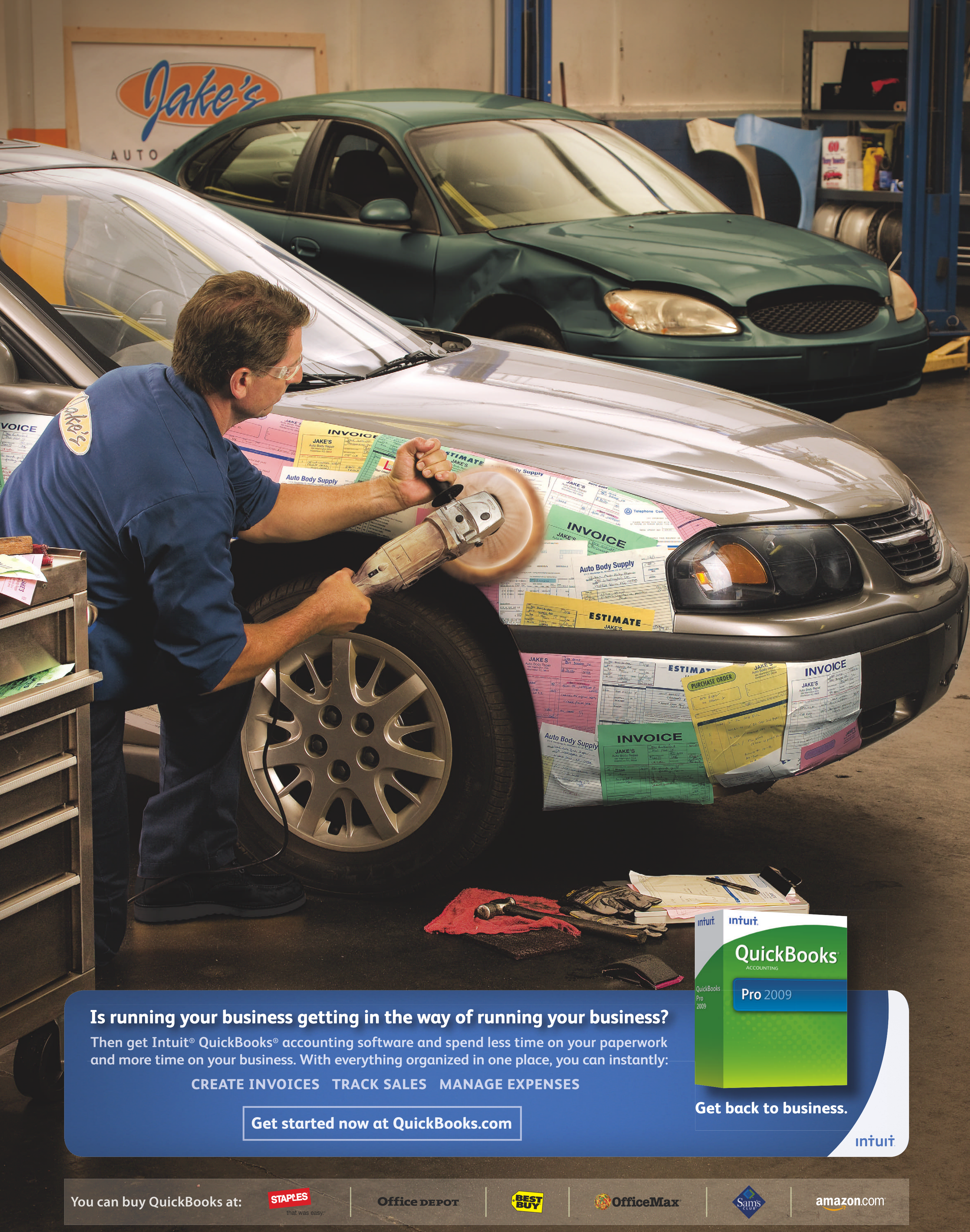

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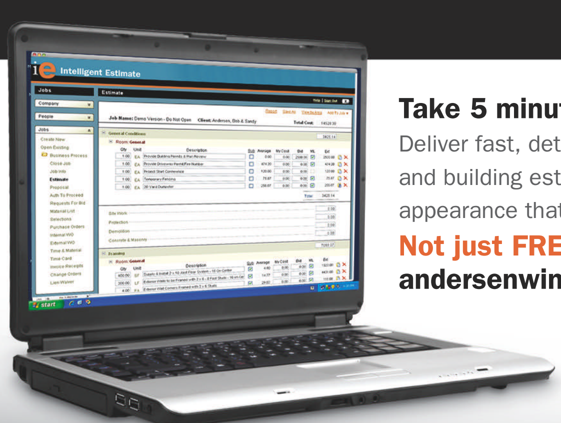

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