

Becoming the Company Your Clients Want

I've been in the remodeling business for 37 years. I own and operate a design-build company with 23 full-time employees. We mostly do kitchens, bathrooms, and finished-basement remodeling work and typically have seven to 10 jobs running simultaneously. When it comes to running a remodeling business, I'm pretty much self-taught, but I don't think that's an admirable trait. I wasn't smart enough to seek business coaching along the way, so I learned just by my mistakes—the school of hard knocks, as they say.

Recently, it dawned on me that over those 37 years, my business has morphed into the company my clients wanted it to be rather than the company that I initially thought it would be (particularly over the past 10 to 15 years as we have increasingly incorporated client feedback into our business operations). Feedback, both from clients and other sources, such as employees and trade partners, has led to changes in how we approach customer service. We've learned to change the way we treat our clients, how to show more gratitude toward them, and how to ask them more (and better) questions.

Simply put, properly incorporating feedback from our clients has led to improvements in our customer service. Better customer service has led to greater value, and greater value has boosted our bottom line, allowing us to afford our valuable employees, our company trucks and trailers, worker's comp and liability coverage, Chief Architect software, Timberline estimating software, excavators, jackhammers, seven tile saws ... the list goes on and on. And it's getting more and more expensive to be in this business and somebody's got to pay for that—somebody being our clients; they pay for it.

So we need to be able to build great value in our companies, and the secret of accomplishing this is learning what's truly valuable. We are in the people-pleasing business, and we need to stop thinking we know what clients desire and start mining for feedback to learn the truth.

FEEDBACK: THE STRAW THAT STIRS THE DRINK

We have to build great value in our companies because we have to be able to close that gap between the number that we want to sell a project for and the number our clients want to pay. We can't just say, "We're the best builder. Or my crown molding is better than anybody's. We set cabinets like nobody's business." That's great. But that's what's not going to keep your company together. That's not what's going to get you to 10% net profit at the end of the year. That's not what's going to allow you to scale to a \$2 million or \$5 million or \$10 million company, not by itself anyway.

We need to do everything that we can to close that gap. We build value because we need to be able to sell for the right price—that 67% markup, that 40% gross margin—which will hopefully give us a 10% net profit. (Of course, the number depends on how your business is structured. For some, it's more than 40%, for some it's less. Our business needs around a 40% margin.) We can close that gap through obtaining client feedback, taking the resulting data, and doing something with it. Feedback, as the saying goes, is the straw that stirs the drink. It should be the most valuable resource of your company, but for most remodeling businesses, I wager, it largely goes untapped.

“We have to build great value in our companies because we have to be able to close that gap between the number that you want to sell a project for and the number your clients want to pay ... incorporating client feedback helps achieve this.”

We must grow to survive. We need to create raving fans in this business. I don't think there's any other way to achieve our margins. When all things are equal, most clients will say, "I'm just going to choose the other guy because he's cheaper." But, the client may not be willing to pass up some incredible value that you put in your estimate. Build value that makes them say, "I want everything your company stands for. You've shown that you also don't want me to have regrets five years from now. I'm willing to spend more for a worthwhile investment." We have to be able to build that value. We want our homeowners to be raving fans.

The business maxim "If you're not growing, you're dying" is true. As remodelers, we're not excused from it. You can't go around thinking, "I'm a great remodeler. I know my stuff. I don't really need to grow. I don't need to get better." You are now in business, you are no longer just a carpenter. You have people who work for you. You have responsibilities for other people's lives. You have to be willing to change and grow. I know a lot of us didn't sign up for that initially, but in business, this is what we have to do. We're not just carpenters any more.

The best companies, organizations, and athletes in the world have to be open to growth. The Kansas City Chiefs won the Super Bowl this year; does the team have to improve to avoid irrelevance going into next year? You bet it does, and it has to start the day after the Super Bowl. Would you continue to buy tools from Hilti if it had made no improvements in five years? Probably not. Pepsi is in a battle against everybody else in its business; does it have to change to stay relevant? Mikaela Shiffrin has the most World Cup wins of any alpine skier in history and two Olympic gold medals. She is probably looking to shave two seconds off her giant slalom time.

So, what are we going to do to make our companies better? I think we all need to embrace change and constantly push the envelope as we critique every facet of our business in perpetuity. Inherit the desire to constantly make adjustments. These small, incremental improvements may not only save your business but create a windfall of profit as well.

Change for the good (Kaizen). The Japanese business philosophy “Kaizen” is a wonderful concept. It is an approach to creating continuous improvement based on the idea that small, ongoing positive changes can reap significant improvements. This is how you build a better company and how you’re able to scale.

“Over the years, we’ve instilled a set of core values for our company. We live by them. We hire by them. We fire by them. They are thoughtfulness, discipline, passion, family, integrity, and growth. Growth has to be a part of all of our companies. It should be front and center.”

We use the Kaizen approach in every part of our business; our showroom, intro appointments, job scoping, estimating, marketing, performance reviews, sales, training, exit interviews, lead qualifying, warranty, meetings, and systems and processes. For instance, we are continuously improving our intro appointments; we’re never satisfied with them. We think of new questions to ask. We write down every idea, like creating a new training class just on conducting an intro appointment. Or, we are always improving our estimating. I would never use a job scope I wrote four years ago; I would be too vulnerable (even though that scope was really good and was based on 33 years of experience). Since then, I have learned more things. I’ve been burned more times. I have a couple of scars from when somebody said, “Nope. I don’t see it anywhere in the scope.” I had to make my job scope a little bit better. I tweaked it, and I keep tweaking it.

We try to improve every part of our business as time goes on. It’s important. We have a book club, and employees will read a book about Kaizen and then get together with a volunteer employee

moderator to discuss it. We discuss what we learned, how we would apply it to work, and how we might apply it in our personal lives, too. We’re always keeping growth in our foremost thoughts.

Core values. Over the years, we’ve instilled a set of core values for our company. We live by them. We hire by them. We fire by them. They are thoughtfulness, discipline, passion, family, integrity, and growth. Growth has to be a part of all of our companies. It should be front and center. I can argue that every company needs growth as a core value.

It is imperative, as a team, to identify your core values. Write them down. Write them on the wall. Have your staff discuss them in meetings, including how the values relate to them personally. Keep your core values alive in your company. If you don’t have this list of values, where’s your beacon? Who’s guiding all these people? Who’s keeping people in check at the office and in the field? Are your employees like family? Are they disciplined? Are they thoughtful?

Thoughtfulness. When we’re talking about customer service and we’re talking about creating greater fans, we need to be genuinely thoughtful. This is where the money is.

Be thoughtful when you leave a job and when you sign a job. Be thoughtful in the comments you make to the client. When they sign a contract, I say, “Mrs. Jones, I just want to thank you from the bottom of my heart for giving me this opportunity to work for you.” That’s being thoughtful. That is going to get us more business down the road. She’s going to tell her friend, “This is the nicest company. They really care. Yes, I’m spending a little bit more, but I feel like it’s right for me.” That’s because we’re being thoughtful with clients. We’re being genuine with them.

Invest some time to think about why you should be thoughtful and show gratitude. It’s because they just signed your contract. What would you do if they hadn’t signed it? Nothing. How happy should you be when somebody signs on the dotted line? Are you over the moon with every client that you sign a contract with? Share with them why you have this immense amount of gratitude. Why wouldn’t you? We need to do this at every step with them. Maybe everybody who goes to the jobsite would say something like, “Thank you again. We’re very grateful for your business. We love working with your family. How’s everything going with you? Are the dogs comfortable? I know it was a big concern that they not be let out. This is great being a guest in your home, and we’re having a wonderful time working for you. You’ve been kind saying you appreciate everything we’re doing, but really, the ‘Thanks’ goes back to you. If you didn’t choose us to be here, I’m not sure that we would have a place to go. Folks like you allow us to keep our business going, support our people, and feed our families.” You should be thinking about that.

When a job is done, are you showing immense gratitude toward your client? Are you letting the client know how much you appreciated this job? They just did a \$200,000 job with you and allowed you the privilege of being a guest in their home. This is a time to pause and think about how lucky we are. Bring some flowers and a dinner gift certificate to a job-ending exit interview to say thank

you for your business. Having gratitude and thoughtfulness for those we serve ... that's classic customer service.

FEEDBACK: THE PATH TO GROWTH

So, how do we grow as a company and as people? Start by being humble and admitting our shortcomings. If you think you know everything about this business, that is a clear indicator you are heading down the back side. We want an upward trajectory when it comes to growth, and the best way to accomplish this is to be humble.

Ask great questions and listen well. This is the foundation of obtaining feedback. For instance, during an intro appointment, the first appointment when we go out visit somebody's home, I don't necessarily care about what kind of kitchen they want or whether they want maple cabinets. I care about what kind of remodeler they are looking for. I'll ask, what kind of qualities are you looking for in a contractor? And they're going to think, "That's a weird question. Why would a contractor ask me that? That's not typical language from a contractor." But, it's going to be effective. It'll make them think, "Maybe there is something here. They asked some pretty thoughtful questions. I feel comfortable with this company." So, we're already off to a great start. I'll delve into this topic in more depth in a future story.

Being disciplined. Properly incorporating client feedback into your business takes discipline. As we mine for suggestions and ideas (from those we serve) on how to improve our company, it becomes challenging to then implement. All of this takes time, money, and a willingness to grow. We can't accomplish this without discipline!

Implement training programs. I didn't officially start training employees until I was 30 years in business. Now, training is so important in our company. I understand if you're reading this, and you think you don't need to implement training, but we need training because today's youth are not getting into this business. There aren't a lot of carpenters out there at our fingertips, are there? Training takes time, but that's how we grow, and it's tough because it's just one more thing to do. (See "Creating an In-House Training Program," Jan/Feb/23, for information on how the author's company approaches training.)

Hiring people smarter than you. I mentioned previously that we have 23 employees in our company. I have an operations manager, operations support manager, a full-time marketing director, a few salespeople, and seven lead carpenters out in the field who run the jobs. They're all capable and amazing employees. I mention this because hiring smart people is how you build better companies. This is how we're able to scale. This is why I can take off January and August, which is a privilege for me. The office doesn't call me and I don't call them, I do other things. This is possible because I have the best people working for me.

Know your numbers. Do postmortems on projects and learn from your mistakes, so maybe the next time you won't get burned. Evaluate actual hours versus estimated. Look at materials and subcontracting costs versus estimated and look for meaningful data that will help with accuracy on future projects. This scrutiny will

no doubt encourage you to raise your prices. The only way to raise prices and successfully sell is to build tremendous value. If you properly implement feedback and continue to grow, your mission will be accomplished.

"We need to be coachable to discover better ways of running our businesses. And, we need to be open to constructive criticism and to be humble ... We're going to get the best coaching from those that we serve."

Be open to change. I can't afford to work with people who do not embrace change. Many people in our company are getting better at accepting change, and we're all moving in the right direction, which is great. But if you have employees who are fighting you on this, I would say get them to change or, as the saying goes, free up their future. One of our six core values is growth. We are working very hard to emphasize the necessity to grow. All of our meetings start with everyone choosing a core value and describing an example of how that core value is in play. I love hearing examples of growth in our company.

Improve through feedback and be coachable. We need to be coachable to discover better ways of running our businesses than we're now using. We need to be open to constructive criticism and to be humble, as I mentioned before. We have experts out there who are ready to offer us free coaching—it is all of our prospects as well as our clients. You may want to hire a business coach to get your financials in order. However, if you want to learn a thing or two about customer service ... ask those you serve; they will give you the best advice! We are in the people-pleasing business and we need to stop thinking we know what clients desire and start mining for feedback to learn the truth.

Morphing. Again, when we started out in this business, we didn't talk about delivering gratitude with sincerity. We were carpenters. We didn't worry about in-house training or Kaizen. But, the times have changed, and it's gotten tougher to be remodelers and builders. So, my advice is to diligently pursue feedback from those you serve, and incorporate it into your business. Be thoughtful, genuine, and honest—people are attracted to these qualities. Always be growing. Be the company your clients want it to be.

In an upcoming article, I'll dive deeper into how to obtain feedback, how to process it, and how to use it to boost your bottom line.

Brian Altmann, CAPS, is president of DBS Remodel, a design-build residential remodeling company based in Poughkeepsie, N.Y. He is also a private consultant for other remodeling companies related to business advice. You can reach him at brian@dbsremodel.com.