


# THE NEW BREED OF CONTRACTORS

*How To Sell To The Changing Building Trade Market*

BY WILLIAM A. PARSONS, ASSISTANT EDITOR



**T**he landscape of the contractor trade is changing. The once clearly defined lines between the remodeling and the home building contractor are blurring. As tight credit, stagnant wages and tax pressures make large construction and home building projects scarce, contractors are turning to the oft-neglected remodeling market to survive.

ILLUSTRATION BY RICHARD McNEEL

The home maintenance and repair market, historically less affected by economic downturns than home building, has given many contractors a safe haven to wait out America's current economic crisis.

Retailers willing to cater to the shift toward remodeling could gain a loyal and committed clientele that will make their business thrive when the economy does recover. The remodeling market will remain strong even after the housing market regains steam.

The housing slump is making it hard for all but the strongest and most committed contractors to survive. And just as a wolf will trail a herd of elk or deer and pick off the weak or sick, only the strongest, smartest and best organized contractors will control the marketplace by the time the recovery arrives.

The emerging breed of contractors are survivors who are open to new ideas, will do just about any job, and are committed for the long haul. They can build a house or redo a bathroom. They may even be computerized.

Industry expert Walter Stoppelwerth estimates the sales volume of America's remodeling industry will rise 3 percent to 5 percent annually during the 1990s. The National Association of Home Builders (NAHB) agrees that the remodeling and repair business is on the verge of significant growth.

By 1993, Stoppelwerth predicts that remodeling will exceed new single-family construction, with professional contractors doing 80 percent of the work.

In 1991, major building projects like home additions fell 8 percent to \$51.1 billion, the NAHB reported, while the home maintenance and repair market rose 6 percent to \$54.6 billion. By the year 2000, the NAHB predicts that

renewed economic growth and restored consumer confidence will boost remodeling sales to more than \$200 billion.

The aging of the present housing stock is another factor spurring growth in the remodeling and repair sector of contracting. Most homes built in the 1970s and early '80s now require repairs that cannot be put off.

So how do retailers capitalize on this emerging trend? The good news is that this new breed of contractors has the same wish list as the traditional contractors. They want credit, special prices, fast delivery and good service.



*To serve its building remodeling contractors, Mans Do-it center, in Canton Mich., has four specialized showrooms that handle floors, kitchens, baths, and Peach Tree doors and windows.*

#### CREDIT

Without credit, contractors are forced to tie up large sums of their own cash while they build. But for many contractors whose business is mainly remodeling, credit can be hard to find.

Most remodeling contractors today, says Stoppelwerth, have only one-man crews. Since their

jobs do not entail the volume of materials generated from home builders, many retailers prefer not to extend credit. For retailers who do decide to extend credit, the watchword is caution.

Bill Small of Small's PRO Hardware in the Cincinnati area, takes on only those contractors with good references, starting them with a low credit limit until they prove they are trustworthy.

Jay-K Independent Lumber Co. in New Hartford, N.Y., has a full-time credit manager who makes sure contractors keep up their payments.

Realizing that contractors can't pay their bills until the home owner pays them, Jay-K sponsors an evening seminar on "how to collect on an account." They will even run a free credit check on a home owner as a service to their contractor customers.

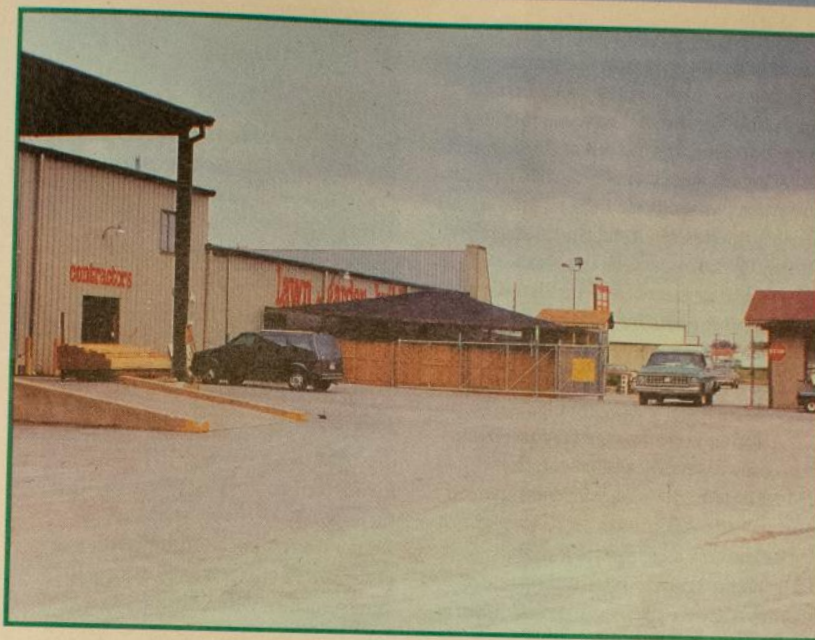
Late payment is a common frustration that goes with extending credit. When one of his customers is late settling up an account, Small tries to work with them to resolve the matter. Turning the debt over to a collection attorney should be considered a last resort tactic.

#### SPECIAL PRICES

Preferred contractor prices generate contractor sales.

Traditionally, contractors receive a 5 percent to 10 percent discount on building materials. The discount helps them





**Russell Building Supply Do-it center in Decatur, Ala., has a drive-through yard and a separate store entrance for contractors.**



way to encourage purchases. Retailers employing this policy set target goals for their customers based on the previous year's sales. Contractors who meet or surpass the goals receive rebates.

#### DELIVERY

Transporting materials to the job site is almost a necessity if retailers want to attract the home building contractor. It's also a service desired by the remodeling contractor.

Having to send a man to fetch supplies on off-hours or having a crew stand idle while waiting for materials to arrive from the lumberyard costs contractors a lot of money.

Retailers can eliminate contractor down time by encouraging them to fax or phone in their orders early and by offering 24-hour delivery. The new breed of contractors desires a delivery service that is fast, efficient and helpful.

To make sure they get their trucks to where they are supposed to be, on time, Strait & Lamp has a radio dispatcher.

Determining what to charge for delivery service can be a tough matter to resolve. Cleaver's SERVISTAR, which runs its tractor-trailers as far as 75 miles from their store, charges by the distance and the size of the load. Jay-K Lumber, on the other hand, charges \$7 per load whether the delivery is a few blocks away or 75 miles away. Other retailers, like Bob's Ace Home Center in Rockford, Ill., do not charge for local delivery but do so for trips of considerable distance.

#### GOOD SERVICE

Like the old saying goes, "It doesn't cost anything to be nice."

But giving contractor/remodelers good service goes beyond simply having friendly employees. Contractors need a room and sales desk set aside just to handle their business.

Retailers also need to cultivate the contractors in their area so that they will be able to survive the heightened competition of the '90s.

To teach their contractors how to be more successful, Jay-K Lumber sponsors all-day educational seminars at a cost of \$30 to the contractors. Collecting the money in advance ensures that the contractors attend, Kelly says. "Once somebody pays they're committed."

The focus of the seminars is to make the contractors more professional and

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Hughes says, "have a discount level

all the time." Those that work out of

different yards are quoted a price

according to the size of each job.

Tom Sagar, manager of Strait & Lamp

Lumber Do-it center in Hebron, Ohio,

also base discounts on the volume of a

contractor's purchases. At Strait &

Lamp, he explains, the contractor's buy-

lower fixed costs and replace strategic  
equipment like a truck or professional  
quality tools.

Despite the desire of retailers to help  
their professional customers with a  
favorable price, stores that do a strong  
do-it-yourself business walk a fine line  
between offending their consumer or  
their contractor customers.

Jay-K Lumber deals with the conflict  
by offering the most favorable prices for  
items in larger quantities. "We've always  
been very strong with the home owners,  
and we want to keep them happy," says

Chris Kelly, vice president. Jay-K posts  
the store's price levels on the wall  
behind the cashier: a price for the 20  
most promoted items, a cash and carry  
price and a bundle price.

The bundle price is the lowest price  
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SERVISTAR Farm

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productive, which pays off for Jay-K Lumber in the long run, Kelly says.

Putting a store's entire stock on catalog is another move that some retailers have done to cut time out of finding and ordering materials. Instead of driving to the store and waiting while an employee locates the desired item, the contractor simply finds the item in the retailer's catalog. They then call or fax in their order, and the retailer has it waiting for them when they arrive.

#### FINDING AND KEEPING ACCOUNTS

To find new contractor customers and keep up with current ones, retailers need a helping hand. That helping hand is an outside salesman.

The outside salesman is a cross between an agent and a troubleshooter. Ideally, whether part-time or full-time,

their job is to visit job sites on a regular basis and keep the relationship between retailer and contractor a smooth one, explains Greg Adams, owner of Adams Building Supply in Winter Haven, Fla. The outside salesman typically works on a commission basis.

Having a full-time outside salesman is great, but for stores in areas that can't support one there are alternatives.

One solution is to send out the store's managers several times a week to construction sites and contractor offices.

"We don't have an exclusive outside salesman," explains Walter Dowd, president of Beverly Sentry Lumber Co. in Riverside, Mo., "we're all outside salesmen."

Dowd says that he and his managers take time to visit job sites during the day and fraternize with contractors and their

employees after work.

Working the roughing crews is an approach that Dowd believes has paid off handsomely for Beverly Sentry Lumber. Dowd and his managers try to meet with different roughing crews, giving them small freebies like carpenter pencils and hats.

The roughing crews, in turn, have introduced their contractors to Beverly Sentry Lumber. Taking care of their customers, Dowd stresses, "is one of the main reasons we get new builders."

Hiring a retired hardlines salesman proved to be the answer to Cleaver's SERVISTAR's need for an outside salesman.

Having been in wholesale hardware sales for more than 30 years, Cleaver's outside salesman, Hughes says, was bored with soap operas and rocking

## HOOKING CONTRACTORS WITH SPECIAL PROMOTIONS

Special events are proven tools to attract contractors. While the promotion's purpose may be to inform contractors about new products, the real goal is to strengthen relationships.

Promotions range from providing a contractor with tickets to a sporting event to hosting a golf outing for every customer. Dinners, both formal and casual affairs, are common. The degree to which a retailer should go depends on the market and the goal of each event.

Mans Building Centers, Trenton, Mich., puts on two different dinners. One is held in the spring, at the opening of the building season, while the other occurs in the fall after

things begin to slow down. Both dinners are intended to build customer loyalty, but with different approaches. The first dinner is a casual

meal, and contractors are encouraged to bring along some of their people. Vendors are also invited and allowed to set up booths. The whole promotion has a carnival-type atmosphere, and is intended to educate contractors as well as generate sales.

Mans' fall meal is a social affair. It is held at a prestigious Detroit area country club, and only the contractors and their wives attend. The second dinner's focus is to thank contractors for their patronage.

Mans has found both dinners to be well worth the effort and expense.

Beverly Sentry Lumber Co., in Riverside, Mo., spends less per dinner but has more of them. Each quarter, all area contractors and their crews are invited to hear several vendor reps talk about products while they share beer, soda and pizza.

"We don't want to waste the dinners on one product," Dowd says, "(so) we take two different products." Clinics, he explained, should show the contractor how to properly install the item, as well as the do's and don'ts of handling and maintaining the product. Installation videos also work well, Dowd says.

Promotions don't have to be big

events to be effective in developing a relationship between the retailer and the contractor.

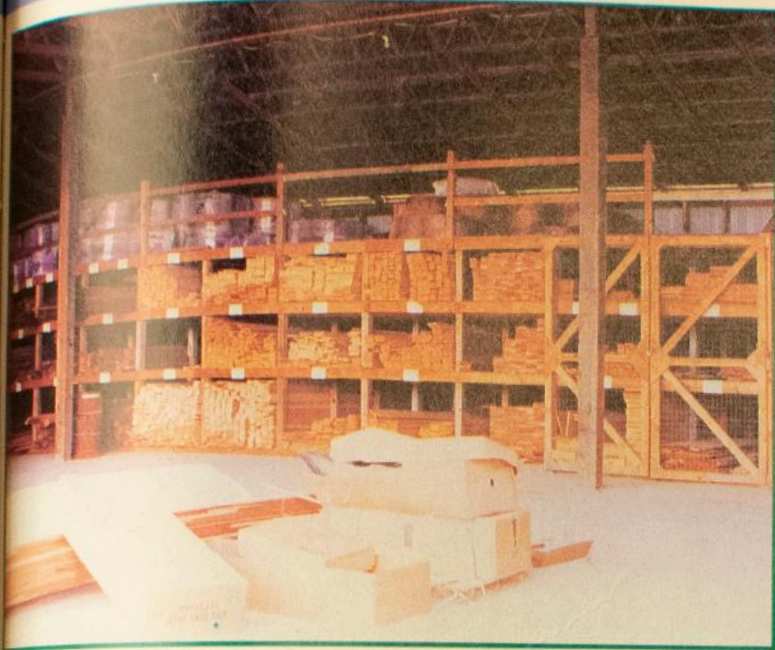
At Omaha Builder's Supply Company, in the heart of Nebraska "Corn-Husker" territory, Nebraska football tickets are hard to find. "The stadium has been sold out for 20 years," comments Dave Levitt of Builder's Supply.

Levitt says they try to get game tickets for as many of their contractors as possible. To Builder's Supply the tickets are just one aspect of customer service to live and die by giving our customers extremely good service," he says, "to coddle them."

Contractor promotions at Pickett SERVISTAR Building Materials in Oneonta, N.Y., are changing with the market. Where once they promoted items designed for homes and large construction, now their contractor events are directed toward the professional remodeler.

"As the industry has gone more into remodeling mode, we are promoting mostly retro-type products and new products," says Paul Barnhart, manager at Pickett. Replacement windows, concrete repair materials and power tools are some popular categories





Contractors need to get in and out of the lumberyard quickly. Retailers should organize their yard operations to make the pick-up process run smoothly.

chairs. Sitting in the store all day equally bored him, so Cleaver's put him on the road.

"(Our outside salesman) works two or three days a week at his pace," Hughes explained. He takes care of local accounts and pays visits to work sites. The arrangement works well for both sides—Cleaver's gets the benefit of his industry knowledge, while he does something rewarding with his time.

Newsletters and direct mailings are another method to keep builder/remodeling customers informed. Because simple, direct mailing ad sheets or inserts can sometimes end up in the trash,

the new breed builder/remodeling contractor, Barnhart says.

For promotional events, Barnhart says it's important to make the product displays service-oriented. To be involved in hands-on demonstration helps them understand how to use a new product in their business, he explains. "Sales don't

come immediately, but when a job arrives they remember where they saw it and buy it from us."

Contractor nights at Pickett's are similar to a wholesaler's buying market. The event is held in the company's heated warehouse. Vendors are invited to set up displays and promote their

products. Hot dogs, hamburgers and drinks are provided, and contractors are encouraged to stop by on their way home from work.

"We're not really pushing hard for them to buy something right then. We try to inform them," Barnhart says.

## HOW MANS TEES IT UP WITH CONTRACTORS

Nick Mans, president of N.A. Mans & Sons Inc. in Trenton, Mich., knows he needs to keep his company's name in front of his contractor customers.

One of the ways he does this is to host a golf outing for all his contractor customers. Marketing Manager Al St. Pierre and Mans offer the following tips in planning such a special event.

**1.** Set a date for the outing at least six months to a year in advance with a country club or golf course capable of providing a meal afterwards.

**2.** Review your customer list to determine the number of players. Then figure up what it would cost to put on the event. Costs include: greens fees, cart rentals, door prizes, dinners and open bar. In planning its 1989 outing, Mans estimated it would cost them \$42.75 per person. With 144 intended players and \$300 for door prizes, they estimated the total cost at \$6,456.

To help defer costs, Mans went to its sup-

pliers and asked for donations.

**3.** Mans has found that it is best to ask for funds eight to 12 weeks in advance. Management approval sometimes takes extra time. Most firms, though, have set aside money specifically for such events or can authorize it through co-op advertising accounts.

Mans allocates advertising space in the golf outing's program according to how much the company gave. It is a good idea, Mans says, to invite a supplier's representative to the event. If a retailer plays his cards right, he can raise enough from suppliers to pay for the whole event.

**4.** Invitations should be sent out two to three weeks prior to the event. The contractor is asked to call in to request his desired tee-off time. Mans' staff follows up all tee requests by phone.

Mans sends a note to everyone with a confirmed tee time, thanking them for planning to attend. The letter also clearly sets the loca-

tion and the date.

The player is given his program when he registers. Programs should include: sponsor's advertising, your company's information and a door prize number. Including the door prize number in the program insures the contractor keeps it throughout the event, Mans has discovered.

**5.** After all the participants have finished, a dinner is served at the golf club and awards are given and door prizes drawn.

Mans gives awards for high score, low score, closest to the pin and longest drive.

**6.** While the returns to the retailer are fun memories and increased business, Mans says, the best part is that retailers can defer most or all of their costs through careful planning.



retailers might find it advantageous to put together a small, informative newsletter about what's going on with the business in their area.

Combining the newsletter with a monthly tool special or sale can be a

good way to draw contractor traffic.

Direct mailings are basically the same as a newsletter, except that what is sent to prospective contractor customers is primarily ads or sales announcements.

Builder/remodelers addresses are

easily attained from common sources like the phone book or chamber of commerce guide, as well as sales receipts and rosters from promotional events and contractor dinners.

## WHAT CAN YOU DO FOR YOUR CONTRACTOR CUSTOMERS?

**R**emodeling and contracting business expert Walter Stoppelwerth believes hardware and building material retailers must do more to help their customers, the building/remodeling contractor, stay competitive.

Here are some things he says retailers can do to better serve the building and remodeling market:

- Use some type of preferred contractor program or installed sales program.
- Have a separate contractor desk or contractor room.
- Provide fax ordering and/or computerized ordering.
- Offer 24-hour delivery.
- Hold educational seminars on contractor issues.

Here are some suggestions Stoppelwerth has for retailers to pass on to their building/remodeling contractors to make them more productive:

- The contractor is selling, not bidding. When meeting with a potential client the contractor must present a professional image—that means a coat and tie.
- The contractor should put a book together with pictures and information highlighting each job in addition to references. Including a copy of the contractor's insurance policy is also a good selling point. It helps a customer's peace of mind to know that the contractor's covered in case of injury; it is also a feature many do not have.
- Since only one out of every five bids will result in a deal, contractors must learn to estimate a bid quickly and accurately.
- If the bid cannot be figured on one trip, the contractor should pay the customer a second visit. He should carefully explain each cost and what will be done and why. Never call a customer back on the phone, Stoppelwerth emphasizes.
- "If you're the low bidder you're out of business," he says. Sit down and explain to the home owner why your higher bid is better...because of higher quality workmanship, better materials and service.
- Before starting a job make sure all materials for it are in

local stock and get all decisions made up front with the home owner.

- Collect money as you go. Put it in writing that you want 20 percent at the beginning of each construction phase. It is a check on quality.

- Call or fax your order to the lumberyard or hardware store where you buy materials so that they can get materials together and have them waiting for crews.

- Before the job is totally complete (and things are still a bit dirty), walk the home owner through the job and point out everything done and see if they are pleased. Especially point out a nick on a wall or other small error that might inadvertently have been caused and assure the owner that it will be taken care of.

- Leave a finished job spotless. Call in a professional cleaning service if need be. If it's a bathroom job, make the tub so clean the owner can come home and, without a second thought, take a bath.

- After a job is done, call to check on the customer in six months and then call them again in one year, just to see if everything is alright.

- Make sure you charge enough. Almost everything should receive a 50 percent to 57 percent mark up.

- Keep job costs down by limiting crew. For most remodeling jobs a one-man crew is all that's necessary.

- Find your niche. Whether it's windows and doors or kitchens and baths, find what you are good at and get good at it.

- Pick one retail operation to do all your business with.

- The professional contractor controls the kind of materials that go into a house 90 percent of the time. If the customer says, "I don't want that brand of window," the informed professional contractor can tell them, "These are the best ones for you and this is why ..."