



REMODELER SURVEY SERIES

Doing What Comes Naturally

Should remodelers specialize, branch out or keep doing what they've always done?

By Kenneth W. Betz

The types of remodeling jobs consumers are pursuing have shifted unquestionably — from discretionary upgrades to more practical maintenance-related jobs, from high-dollar projects to modest rehabs — and, as they always have, remodelers have responded in a variety of ways.

Most have made little change in their business plans (50 percent), while others acknowledge they've made an internal change in focus on the types of jobs they're doing. Of those who noted significant changes in services offered, two-thirds said the change was simply one of emphasis; another 20 percent formed a new division within their company. Ten percent reported investing in a franchise or dealership.

Respondents who took steps to either branch out or specialize were evenly split as to whether their action was a growth opportunity or a survival tactic.

With the size of projects shrinking, a number of remodelers have sought to turn that trend to their advantage by taking on — and actively seeking — “handyman” jobs. In brighter economic times, many contractors had neither the time or inter-

est in these small jobs except perhaps as a means of maintaining contact with their customer base or cultivating new clients.

Those motives are still valid, but some remodelers caution that the work can be labor intensive and profits may be elusive. Steve Gray of Steve Gray Renovations, a full-service remodeler in Indianapolis, would beg to differ. He formed a separate division within his company to actively pursue handyman work and is pleased with the results.

“We started the handyman division officially in 2009,” he says, “because we listened to our customers; the clients we worked with were looking for highly qualified people to take care of the small things.

“When you do a lot of high-end remodeling, it's easy to fall into the trap of thinking this project is way too small. We only do the big things,” Gray says.

The division has been profitable, he says, and has been helpful in keeping his firm visible. “It really helped us dramatically in the first four months of last year when it was pretty slow. We were still continually on the road with our vehicles, and we were seen as that ‘go-to’ company. People didn't



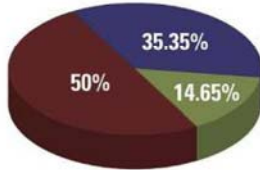
Steve Gray

know if we were doing a \$2,000 handyman project or a major renovation. It helped keep us in the forefront of people who were thinking of doing a renovation down the road. That's been a really good thing for us,” Gray reports.

One of the elements that may have contributed to the success of the handyman division, Gray feels, is that it targets a higher-end client base, the same type of clientele the company seeks for its upper-end home renovations. “At the end of the day it wasn't so much about price as finding someone they trusted who would do high-quality work,” he comments.

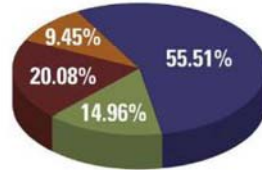
“Our clients were willing to pay; they knew they were getting a fair deal from us. We had built this relationship with them long before the handyman division was rolled out,” he adds.

Has the scope of work your company does expanded or contracted? Have you:



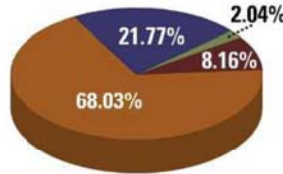
- Branched out (added new services)
- Specialized (reduced range of services)
- No significant change

What best describes your company's current business model:



- Full-service remodeler, no change
- Full-service, added specialty franchise, dealership or division
- Specialty, no change
- Specialty, added additional franchise, dealership or division

If you have added new services, have you formed a new division within your company or have you purchased a franchise or dealership?



- Division
- Franchise
- Dealership
- Internally changed focus

"We looked at it as a way of saying we want to be the total resource for anybody with a home, and we knew that we couldn't complete that without having a handyman division. We didn't want to get the reputation for only doing expensive work," he says.

Gray has taken care to adjust his margins on handyman work so that the jobs remain profitable, noting that not having an accurate handle on their costs is what gets remodelers into trouble even in good times. "If you're going to do a handyman division, you'd better know the costs and the margins," he says.

He cautions against taking a job out of desperation and lowballing it. "I would sooner do nothing than do a project knowing I'm losing money before it even starts. There's no need for that," he says.

Gray's handyman division is built on existing strengths, he notes. "We've always been really good with our costs, and we have great rapport with all our vendors and contractors. We know pretty much to a T what something should cost," he says.

His advice for anyone who wants to venture out with a new arm or division, especially a

handyman division, is "you need to be really great with numbers and know exactly what your time frame is, because it doesn't take long to start losing money in a situation like that. Organization and communication go right to the front," he comments.

Rebranding

Geoff Martin, president of Cedar Mill Group Inc. in Webster, N.H., has taken a different tack, in some ways narrowing his focus. He used to have a handyman division, but he eliminated it a couple of years ago. "It was getting more and more difficult to maintain profitability," he says.

Martin, like a lot of remodelers, has reassessed his business plan and rebranded his company. Unlike some, however, he saw the need to do so several years

ago, an insight he credits to a large extent to his participation in a remodelers' roundtable organization, a peer group program that brings business owners together to explore common problems and concerns.

In addition to realizing that the remodeling industry was about to undergo significant change, Martin recognized that he could no longer rely on repeat and referral business exclusively.

"I really had to become more knowledgeable and proficient in marketing, and I had to take out some head trash and that revolved around the whole design/build model. I was doing more and more design and more and more estimating for nothing," he said.

The Cedar Mill Group is now exclusively a design/build firm, and "I do not do any estimates for free," Martin says.

In effect the company has rebranded itself. "We don't even get inquiries for the smaller projects. A small project for us now is \$10,000, and our average job size has more than tripled. That's a huge plus in our world. Managing 20 projects over the course of the year rather than managing 70 is a huge benefit," Martin says.



Geoff Martin

AREAS INTO WHICH REMODELERS HAVE BRANCHED OUT

Survey respondents report branching out into a variety of areas, some traditional and some fairly new. Following are a few of those reported:

- Aging in place
- Annual contract home maintenance
- Basements
- Cabinetry
- Contract management
- Duct testing and duct sealing
- Energy consulting
- Expert witness, construction litigation
- Federal government work
- Glass replacement and remediation
- Green and energy related upgrades
- Gutter protection
- Ice melting
- Insulation
- Mold remediation
- Power washing and roof cleaning
- Generator sales/service
- Solar electric systems
- Sunrooms

While he anticipated change and the need to alter direction, Martin didn't chart a course for the unknown. "We identified what we do best and what we like to do, and we just have gone out there and talked to people about that," he says.

In fact, talking to people — and keeping visible — has been a key ingredient in Martin's success. Last year he volunteered