



Change Your Approach to Change Orders

Remodelers face numerous and various challenges on every project, not the least of which is change orders. When clients change their minds mid-stream about critical project elements, it costs remodelers time and money. Here's how to balance customer demands with profitability in order to minimize the harm that change orders can do

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Retired remodeler David Lupberger once had a job in which his client requested 40 separate changes.

During the process of accommodating all of these requests, he learned that **change orders** can take a lot of time and cost a lot of money. He also learned that if you let them, customers will make an infinite number of changes.

"I hated change orders," says Lupberger, now the resident home improvement expert for **ServiceMagic.com**, a Denver-based contractor referral service Web site. "They took the project out of my control, so I always tried to avoid them."

Unfortunately, change orders for **remodelers** are unavoidable, according to Atlanta-based remodeler Neal Creech, president and CEO of Creech Custom Builders. "You can't have a project without change orders," he says. "You just won't be able to satisfy your customers without them."

Just because change orders are necessary, however, doesn't mean they have to harm your bottom line. With the right policies and procedures in place, you can make change orders work for your clients and your checkbook.

Identify Threats and Opportunities

Because change orders are inevitable, controlling them requires understanding them, according to Lupberger. "Change orders are very expensive because of how disruptive they can be," he says. "Remodelers must help their clients understand the effects of change orders and their cost."

Change orders can be a builder's biggest problem, Creech echoes. Not because they're unexpected, but because they often require buying extra materials and extra labor beyond the original scope of the project. If they're not carefully managed, change orders can therefore liquidate a remodeler's profit margin, and can even cost him or her other jobs due to the extra time that they often add to a project's timeline.

For the same reasons they can hurt builders, however, change orders can help them, says Indianapolis-based remodeler Steve Gray, president and CEO of Steve Gray Renovations.

"There will always be change orders in a project," he says. "And you know what? They actually help my bottom line."

Because Gray markets his business on the premise of quality and craftsmanship first, he's able to charge a premium on change orders.

"Price affects quality," Gray says. "You can't have a top-quality project if you're looking for the cheapest person in town to do it. We welcome change orders because they have a higher profit margin, because of the extra time and materials. Our customers understand that, because we add value by focusing on quality over price."

- See our article: **The Art of Negotiation** for information on maximizing profit with change orders

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