



PowerTips

The Remodeler's Guide to Business

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Exclusive Newsletter Content

Three articles, authored by our industry experts, that can only be found here in your PowerTips Quarterly Newsletter.

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Episode 78: The Four-Day Work Week with Tim Welsh

In this episode of the Tim Faller Show, Tim Welsh, President of Welsh Construction, discusses the four-day work week, including how he came to it, what benefits there are, and how you can do it too.



Going After Grippage

PROFIT MARGIN IMPROVEMENT

By Doug Howard, CFO & Director of Business Consulting, Remodelers Advantage

Improving profit margins can have a tremendous impact on the net profit of your remodeling company. When I work with companies on five-year plans, there's always focus on the fact that improvement in profit margin over several years can be more viable — and as beneficial — as a strategy to dramatically increase sales.

However, too often remodeling companies emphasize avoiding slippage instead of working on achieving grippage.

A Focus Shift

Well-established companies that are successful in their pricing and performance should shift their focus — and that of their team's — to obtaining grippage. The target gross-profit percentage for the job should be the minimum, not the maximum, of what we're looking to achieve.

You can't budget for the perfect job. Estimates need to be practical in terms of how long things take and allow for a reasonable amount of error, waste, and delay. Estimates from your subcontractors also take those factors into consideration when they provide you with pricing. We settle into norms in terms of time to do tasks, waiting time for scheduling issues, mistakes, and other forms of waste.

Hitting your target GP is great. It means the job was accomplished within the time frames (and built-in margin for error) that was in your estimate. But often, we consider that to be the maximum, the perfect. Then we start planning for incentivizing a reasonable difference from that percentage — this is slippage.

Continuous Improvement

But think about focusing the budgeted percentage on what is minimally expected. Then during the project, concentrate on avoiding errors, minimizing waiting, improving communications and executing even better — and celebrate that.

This is what continuous process improvement is all about. LEAN is one method that remodelers are using to accomplish such improvements. But whatever your method, let's focus on grippage.

Consider the benefits if this way of thinking extended to your subcontractors. They also eliminate more mistakes and delays, leaving themselves even more profit.

After Toyota, the creators of LEAN had been successful at improving their processes, they realized that they could only continue that effort if that way of thinking was adopted by their suppliers. What would that look like in your world?

These are seven steps to making grippage the goal:

- 1. Change the mindset:** The estimated gross profit should be the minimum to achieve
- 2. Build an Ideal State:** Ask "what would it take to beat that estimated margin?"
- 3. Know where the opportunities lie:** Focus on what areas could go better than planned
- 4. Build a support system for the team in the field:** Use management and staff to maximize the efficiency and effectiveness of those in the field by offering great support
- 5. Make your subcontractors part of the process:** Take them on the journey with you
- 6. Celebrate grippage:** And not just the avoidance of slippage
- 7. Expect a better GP each year:** This is the very nature of continuous improvement — and one of the most profound ways you can impact long-term net profit.

Now, take your sales goals for each of the next five years and multiply them by a margin that's one percent higher each year. How much more will that add to your gross profit in 2024? Oh, and by the way, since your overhead doesn't change, all of the additional gross profit is also additional net profit!

Welcome to 2020!

We are so excited to get rolling this year... after a tremendous 2019 we have so many great things planned for this year, as we remain committed to our corporate mission statement: *To light the path of greater success for motivated remodeling professionals.*

Here is just a glimpse of some of the things we have been working on...

Masterclasses & Strategic Action Groups (SAGs): You asked for ways to get your team members and staff in line with the "R/A Way" and we delivered... and we had full classes all year! Our masterclasses are held here at our R/A Headquarters in Maryland and range from Marketing and Sales to Production and Bookkeeping. We will add more this year and keep you updated on availability.

We Are Roundtables Portal: We are still fine-tuning some of the website's features, but a huge step in the right direction with a new Roundtables member portal. If you have not logged in yet, please do! Take a look around and if you need any help finding anything or using this updated resource, please contact us.

Remodeling Excellence Week: Our team is putting the final details in place on our plans for this Fall but we are excited to take our annual Remodelers Summit to the next level in October by bringing in a few new strategic partners and taking over Phoenix, Arizona for a whole week!

Remodelers University: We brought on a new team member, Micah Kleid, who is overseeing the online university and will be updating content, bringing on new members and strengthening the overall strategy of the University. Remember, you get 8 seats in the university with your Roundtables membership, so make sure you are taking advantage of that.

There is so much more in store this year... and as we've said many time before, thank you for being a part of our world. We appreciate your confidence in us..

Have a great 2020 and let's keep building and improving!

Victoria

A Message From Victoria -



The full articles and podcast episode descriptions featured in this newsletter are available online and we've provided a link to each one with our handy link icon that you will see throughout this newsletter.





Episode 78: The Four-Day Work Week with Tim Welsh

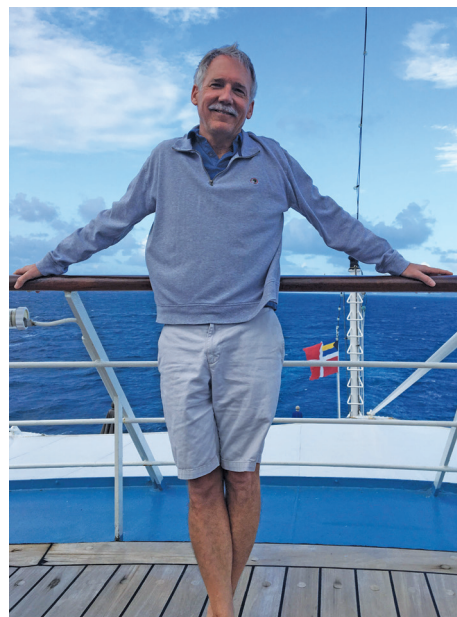
To make your remodeling business work, there are a few “musts” — you must be efficient, you must have a competitive edge and you must have a good work-life balance. Tim Welsh’s company is able to accomplish all three in only four days every week — at least in the field.

In this episode, Tim discusses the four-day work week with Tim and Steve, including how he came to it, what benefits there are, and how you can do it too.

Tim is the president of Welsh Construction in Lexington, VA. He opened his own business 26 years ago, doing everything himself until his wife joined him. Tim and Janeen have grown the company, added staff, and are in the process of transferring ownership as part of an eight-year transition plan.

Tim tells you why it works for his company, including:

- Who works four days, who works all five
- How it makes start-up and breakdown more efficient
- What you save from only having four lunch breaks
- Explaining the schedule to your clients
- Working with your subcontractors
- And more...



Episode 86: Hindsight is 2020 with Tim and Steve



If you’ve ever wondered what you’d do differently when starting your remodeling business... As the phrase goes, “if you only knew then what you know now”, you’re not alone. Tim and Steve feel that way as well.

As the Tim Faller Show closes in on 100 Episodes, the guys take the opportunity in Episode 86 to talk about what they’ve learned in their time at R/A and from their podcast guests that they wish they knew when they were running their own businesses.

The Tim Faller Show is a podcast dedicated entirely to the production side of the remodeling industry. Tim, along with his co-host Steve Wheeler, bring you weekly interviews with elite production managers, lead carpenters and industry experts.

Check out Episode 86, past episodes and new episodes every Monday. Our podcasts are available on iTunes, Spotify, Stitcher and on our website: <https://thetimfallershow.com/>



Using Proactive Markup to Grow Your Remodeling Business Effectively

By Tim Faller, Senior Consultant, Remodelers Advantage

Most of the remodeling world knows me as a production guy, and mainly that’s my area. However, during the recession, the consulting aspects of my work dried up and I needed to earn money.

The first logical choice for me was to start a small remodeling business. I took a little time to actually create a plan for what I would do, which of course, included how I would price my jobs. The plan was simple. I’d be doing the on-site work, and I would charge for that time.

First Steps

I took stock of what I thought it would cost me to run a business — you know, overhead. At first glance, it seemed that I had very little:

- I worked out of my house
- The truck was paid for
- All the tools and my computer were paid for

Then I dug a little deeper, and realized that in spite of everything being “paid for,” there were other considerations, including:

- My time that it took to sell the jobs
- Cost of gas and maintenance not associated with on-the-job work
- Estimating costs

So I ended up with a 50% markup.

The Proactive Markup

It hit me that I was practicing what I have come to call Proactive Markup. Here is the concept. It is a mistake to base your markup only on your projected expenses for the year. A better practice is to calculate projected expenses the company has now and add projected expenses for growth.

In my example, I was thinking about what I would have to charge if I was paying someone in the field to get the work down and all I did was sell, even though I intended to physically do the work myself. By doing this I realized some significant benefits other than being able to realize good profits.

The first benefit to the system is that when you do hire that new overhead expense, like an office manager (for young companies) or production assistant (for more mature companies), the money is already accounted for in what you are charging clients. We’re working with our client’s money for the growth of the company.

Normally, we play a catch up game. “If the person is going to cost me \$75,000 per year and my gross profit is 35%, can I sell an additional \$215,000 worth of work?” That alone may be a little scary. We may hesitate and therefore hurt effective growth. In proactive overhead the money is in the bank. You make the hire and growth occurs.

The second benefit is that you get used to selling at a markup that pays the bills. Then when you have to hire someone, the jolt of hiring, training, seeing if they’re the right fit, and then adding something to the sales price does not derail the process. These are all fairly disruptive to a company. The hiring process should be the focus, not how to pay for it.

Then, once the person is on board and have proven effective, we look for the next step and add the extra percentage into the sales price slowly. Handling your hiring overhead is like the job itself — we’re constantly working with the client’s money.

Tim’s book, *Dear Remodeler, Lessons on Life, Leadership and Production*, is currently on sale in the R/A Bookstore www.remodelersadvantage.com/store/



A podcast to help remodelers build a strong, profitable remodeling company



Whether you are listening in the truck on your way to your next client or at your desk during a lunch break, **PowerTips Unscripted** brings you your next big idea, success tip or even just a chance to hear from those that have achieved great success in the remodeling industry.

A new episode of PowerTips Unscripted is available every Wednesday on Apple iTunes, Google Play, Stitcher, Spotify and on <https://powertipspodcast.com>

Episode 92: The Dangers of Burnout and How To Promote Individual Resiliency with Marian Faller

No matter how well your remodeling company is doing, how well organized you are, life can get hectic at times. You work through it all, but this can leave you vulnerable to burnout; which can lead to an avalanche of problems.

In this episode, Marian Faller discusses burnout with Victoria and Mark, sharing its causes, the signs to look for in yourself and others, and how you can promote resiliency within your company.

Marian is a psychotherapist, and owns Cornerstone Consulting and Cornerstone Counseling in Westerly, RI. She also serves as a consultant for individuals, families, and companies wanting to address mental health concerns. She also happens to be married to our own Tim Faller.

Burnout happens gradually, says Marian, and so gradually that you may not notice it until it's too late. People experiencing burnout can be irritable, miss days of work, and can even get to the point of clinical depression. Burnout can affect individuals as well as entire organizations. Marian talks about what to know to keep yourself and your employees mentally healthy, including:

- The signs and symptoms of burnout
- How physical health can cause burnout
- How burnout can spread from one individual
- Why ignoring the causes of burnout won't make it go away
- Focusing on what went right vs. what went wrong
- And More!



Mark's Movie Minute *Business Lessons Learned from the Movies*

By Mark Harari, Vice president, Remodelers Advantage



One of the most captivating films I've ever seen also happens to be a documentary that holds many lessons for small business owners. Free Solo is a National Geographic Film that profiles Alex Honnold, a "free soloist" on his quest to climb the 3,000-foot sheer granite face of El Capitan in Yosemite National Park.

If you're not familiar with the term, free soloing is a form of technical ice or rock climbing where the climbers do so without any protective equipment whatsoever.

No ropes. No harnesses. No nothing.

They must rely entirely on their strength and skill.

No one has ever climbed El Capitan free solo. It has long been considered the Moon Landing of free soloing.

Besides being a breathtaking, jaw-dropping, fear-inducing spectacle of a film, there are many parallels that can be drawn between the free solo climb of El Capitan and running a business.

The most obvious being the risk we take as entrepreneurs. Yes, it's true that a poorly timed misstep can result in the rapid, untimely death of your business.

But that's much too obvious.

And I don't do obvious.

No, the lesson that struck me was a moment toward the end of the film where Alex was about two-thirds up the mountain face.

The director pulls away for a wide shot of the mountain. He then "draws" a digital line onto its face to show the path Alex had taken thus far.

That's when it really hits you; his climb to the summit is far from linear. He moves upward and to the left as he passes "Triangle Ledge." Then he moves to the right, and then to the left again around "Half Dollar."

When he finally arrives at "Mammoth Terraces," about 750 feet up the 3000-foot face, he must move horizontally to the left. This entire time he is not advancing upward toward the summit at all.

And if this lack of progress up the mountain face isn't bad enough, he then must downclimb close to 200 feet to "Heart Ledges" before he can begin climbing upwards again.

I think it's about 3 hours into his climb when he finally reaches "The Boulder Problem," which requires Alex to make

five or six different "moves" without progressing an inch. He literally stays in one spot, exerting all of this effort for no other reason than to get his body and limbs in the correct position so that he can finally begin advancing again.

That's when I saw it.

Not only is progress not linear; sometime progress means staying put.

Although it may be frustrating to exert so much energy without growth, it may be necessary in order to get a better foothold. There may be times when you'll need to make sure every limb of your company is in the right position before you can continue your advance.

Even more frustrating, however, is the realization that sometimes progress means a downclimb is necessary.

Taking a step back can feel like failure, but if done deliberately and with purpose, it can be the perfect move to redirect your climb toward the summit of success.

So, remember, regardless of what path you take in your journey, progress is never a straight line upwards.

Stay strong. Stay the course.

And if you haven't seen it yet, you absolutely must check out Free Solo. I dare you to watch it without covering your eyes at least once.

Link to the Film:
<https://on.natgeo.com/3aE9WsH>



amazing. industry. speakers

There are literally thousands of remodeling industry meetings and events held annually across North America every year. If you are tasked with finding professional, experienced, dynamic speakers for your event, look no further than the industry experts at the Podium Speakers Bureau.

Whether it is a keynote presentation, a breakout session or perhaps a seat on a panel of experts for a Q&A session, our team of industry professionals can speak to almost any topic or issue facing today's remodelers, renovators and custom builders.

Our website has bios and backgrounds on all of our great speakers and we have put together a partial list of some of the topics we can cover for your event; from Sales & Marketing to Production and Business Management, we cover it all.

OUR SPEAKERS



Victoria Downing
President



Mark Harari
Vice President



Tim Faller
Production "Guru"



Doug Howard
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