



PROFESSIONAL REMODELERS ORGANIZATION

Sound of Silence

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Source: REMODELING Magazine
Publication date: January 1, 2008

That sound you hear is home prices falling. The causes are complex and difficult for anyone to explain, least of all me, but it's the effects that count, and those are pretty clear. Even in places where prices are holding or still rising, homeowners are acting as if they were falling.

Many financial commentators say that lower home values make people feel poorer; I don't presume to know that much about the inner life of homeowners, but I do know that many of them are less willing to spend money on their home than they were a year or two ago. And many are also less able than they were to borrow against their home's value. This turns out to be true no matter how fast and how far a home's value climbed during the recent boom. And it's true no matter how far a home's value would have to fall to restore historical levels (nationally, that's about 30%).

You may not be able to change the root causes of the downturn, but you can do something about how it affects your business. A big first step is to recognize that we've been here before. Some aspects of this crisis are new, such as the "collateralized debt obligations" or CDOs that so many banks have made bad bets on.

But it's also important to recognize that this is the downside of remodeling, an industry that has always been cyclical. It's just that the last upturn lasted so long that companies in business less than 15 years don't know what a downturn, like the one we weathered in 1991, looks like. And some old-timers either forgot that a downturn could happen or got tired of waiting for it.

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Now that it's here, there are things you must do right now to give yourself a better chance of coming through the downturn in decent shape.

Cut costs. Reduce or eliminate as much overhead as you can. It sounds so obvious, but most company owners reading this haven't ever had to take a hard look at how they spend company money.

For small companies, tightening up usually means that the owner gets more involved in day-to-day operations — including putting the toolbelt back on. Most contractors try to avoid cutting staff, even though it makes the biggest difference, but you need all A-players in tough times. Cutting your least-productive employees might be a matter of your company's survival. One alternative to layoffs is to reduce everyone's hours a little.

Home-team advantage. Consider doing more work with your own employees. That includes framing, roofing, and siding, but also insulating or hanging and (heaven help you) taping drywall.

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It stretches the schedule a bit, but it keeps everyone busy and the cash flowing. Nothing is out of bounds.

In extreme cases, I've known remodelers to excavate a small footing or deck piers by hand rather than hire a machine to do the work. If the math works and the schedule will allow it, why not?

Stay flexible. When the housing economy was booming, remodelers called the shots. The tide has turned and you may need to break a few rules. Meet with people when it's convenient for them, even if it inconveniences you. Learn to love smaller projects — they're probably all you're going to get for a while. But don't cut prices to make these jobs pay; instead, plan this work more carefully and find ways to be more efficient.

INTENSIVE CARE

None of the above is optional; these are emergency measures that just might keep the patient alive on the way to the intensive care unit.

Once there, the real recovery process begins, and it begins with marketing. If you don't do anything to generate new work and new customers, then surviving this crisis won't matter much. Start with something simple, like calling — or better yet, visiting — past customers. It doesn't cost you anything, and you'll be surprised at what you will shake loose. Next, figure out how much work you want to be doing in June and work backward to design a marketing campaign that gets you there.

You say you don't believe in marketing. Then listen. That sound you hear is the phone not ringing.

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