


# Remodeling

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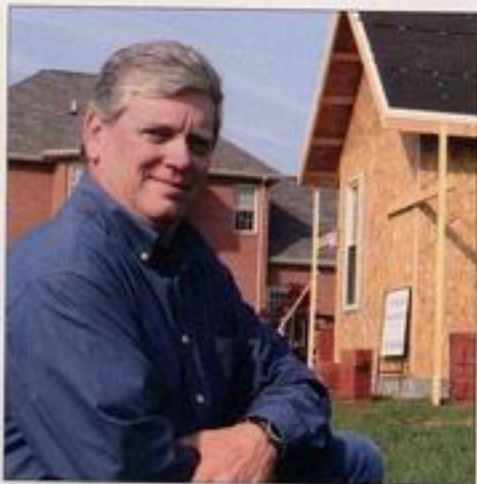


## Battle of the Bids

to finish, he says, so they have to start another job to bring in money to finish the first one. "If they had time to stop and review their company, they would understand that they are losing money right and left," Feig-Sandoval says.

Tim Cross recently lost a job that both he and another contractor had priced at \$400,000. The winning bid was \$250,000. "You can save some money by physically doing the work, but not that much. If a bid is that far off, all I can say to the homeowners is: 'There is too big a discrepancy. I think you're making a mistake,'" says the owner of Merrick Builders, in Little Silver, N.J.

Some contractors just starting in the business price bids lower to win projects and establish themselves in the market, or to maintain a foothold in a downturn. "If you drop your price



by 10%, how many jobs do you have to do to make up that amount of profit? It does not make sense to do it," Cross says.

Homeowners who have been burned by uneducated or inefficient contractors are hard on the next contractor they hire, a situation

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—Rick Livingood, owner,  
Livingood Construction

Livingood finds frustrating. "If more remodelers understood markups and margins, it would give us all a better playing field," he says.

Bill Peterson, president of Add-More Construction, in North Brookfield, Mass., says that even reputable contractors may

## Us and Them

Here are some other ways to set your company apart from low-bidding contractors.

**Use your Web site to educate clients.** Danny Feig-Sandoval of Small Carpenters at Large, in Atlanta, uses his company's Web site as an educational tool. "We steer clients to our Web site, where we explain some of the issues they can face if they choose a lower bid." He includes links to industry associations, such as the National Association of the Remodeling Industry, as well as to the Atlanta Better Business Bureau.

Lauten Construction's Web site is part of a larger marketing program that includes truck and jobsite signs, and is meant to educate the community about the firm's professional services. "People who have seen our Web site know how we operate. We do not get clients who randomly choose us out of a phone book," says Robert Lauten, president.

Spooner, Wis., remodeler Craig Tice uses his company Web site and other types of technology to woo clients, most of whom live several hours away from the vacation area in which he works. Clients use Tice Construction's Web site to review their project schedule and in-progress photos. "Most local guys

do not even have computers," Tice says.

**Ask potential clients to do their homework.** Ed Choffin at Advanced Kitchens, Marietta, Ga., tells clients to look for certified, licensed contractors who are members of industry associations. Brian Goulet of Inland Bath & Shower, Richland, Wash., tells customers to ask for and call at least three references. "That is the number-one factor to determine if a contractor is for real. We keep a current list of at least 25 people," he says. He also tells customers to question any contractor who can begin a job right away, and to call the supplier they work with for insight.

Darrell Thompson of Mr. D's Construction, in Lake Tapps, Wash., directs all his clients to the permit and licensing Web site for Washington state where they can look up claims, insurance, and license status for his company, as well as that of his competitors. "I know my record is clean so it can't hurt me, but maybe it can hurt [my competitors], especially if there is no record of them at all," he says. Thompson also warns clients that they have no recourse if they use an uninsured contractor.

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## Battle of the Bids

Return all phone calls the same day; arrive at all appointments about 10 minutes early; deliver the estimate when and how you said you would; complete the project within the time frame discussed; have motivated team members and ensure that they have everything necessary to complete projects professionally and on time; respond quickly to all warranty and service issues; and conduct a follow-up call thanking clients for their business.

Goulet encourages potential clients to visit his showrooms, but irrespective of whether the first meeting is at the showroom or at the client's home, he uses the time to build rapport. "We take the opportunity to build trust and determine if the client will be a good match for the services we provide," Goulet says.

Ed Cholfin at Advanced Kitchens, in Marietta, Ga., says that when visitors walk into his showroom and state that they can't afford him, he uses the time to educate them. "Are you willing to do a project and settle for lesser-quality materials and workmanship versus spending the right amount of money to get the right job for you?" he asks.

Craig Tice of Tice Construction, in Spooner, Wis., says that male clients tend to make decisions based purely on price. However, he adds, if a woman is involved in the project, she is more concerned about shifty contractors, lack of service, and poor communication. "Men do not ask for the same handholding that women want when going through the process," Tice says.

Like many design/build firms, Lauten uses design to differentiate his company. "We start with the homeowners talking about what they want to do, and we create a program," he says. He also charges for this design proposal.

Tice explains the advantages of the design/build process. "Once we get the homeowners in and get them signed up to draw plans, as long as our ballpark is within their budget, they will not go anywhere else. If we are way



over our original ballpark, then we get bid out," he says.

Goulet uses his showroom to set his company apart. He says it helps to have a place for homeowners to see and touch the products. "Most contractors in our area do not have a showroom," he points out.

### NO MORE BIDS

To avoid battling low bids, some remodelers remove themselves from the bidding wars. Lauten says the "competitive" bid process is often not useful for a homeowner who wants the best value. "Even with a complete set of plans and specifications, there will be differing assumptions made in quality levels and variations in service delivery between bidders. When lowest cost is the deciding factor, the conscientious bidder who includes better materials and plans a better-managed job will lose out to one who does not. We prefer a cooperative approach, such as the negotiated contract," he says.

At the first meeting with clients, Sinn tells them that if they choose to bid the project, the Sinn Design Build price will be higher. She explains why by talking about the company's design/build process, which begins with a design assessment. "I show them the type of plans we will have produced by our architect, [and that] we will keep them on

**"We have distinguished ourselves from the pack by simply doing the right thing and not making any promises we can't keep."**

—Brian Goulet, owner,  
Inland Bath & Shower

track and on budget," Sinn explains.

She also talks about how pricing can affect product selection. Her staff continually prices throughout the process so clients can make choices. "This makes clients feel more in control," she says.

Sinn says that clients hire her for her expertise, and if they argue over costs, she will not work with them. "If I get resistance, it is not a good fit," she says.

Cholfin assesses a client's qualifications in the early stages. "We are trying different processes to pre-qualify and make sure they are a customer that fits our profile, so we do not waste their time and they do not waste ours," he says.

Then, he works diligently to get them to commit to a budget amount. Unfortunately, he says, many clients make the assumption that the project will consume their whole budget. "We assure them our goal is to give them the project that is going to satisfy as many of their requirements as possible, at a number they are willing to spend," Cholfin says.

Feig-Sandoval says having an established 30-year-old company with a lot of repeat and referral business helps him compete with lowballers. He has also begun to market his firm to the upper-end market where clients are less likely to choose a contractor based solely on price. **R**