

Bricks Without Straw

Challenge your marketing department to produce leads without spending money. The results will surprise you.

Home improvement companies come and go. Most, in fact, go within five years. Typically, for two reasons: They run their businesses on cash deposits instead of installed work that's been paid for, and they fail to budget for service, not understanding that the more work you install, the more service calls you're going to make.

So, say you operate on a cash rather than an accrual basis and you fail to budget for service. Then you hit a patch when sales level off and service obligations multiply. One down year and you're gone.

How do you avoid these pitfalls? Learn to operate on an accrual rather than a cash basis and, by all means, budget for service. But, just as importantly, owners need to know when things are off financially and how to make a course correction when that happens.

BLOWN BUDGETS

Advertising is a good example. What happens to most guys who try to go big in this business is that they overspend on advertising. When they start their companies and begin advertising, the company grows. Then at some point their advertising stops working, but they just keep rolling the dice, hoping it gets better.

By doing monthly financials and reading weekly flash reports, you'll quickly see when your advertising expense is increasing. Then what? Say my company budgets its marketing expense at 9%, and I determine in June that we're actually spending 14%. Unless something changes, it will be 15% or 16% by year end, and with that go all the profits.

Having recognized the problem, there are two ways to deal with it: a) Do a little tweaking here and there and hope it straightens itself out in a month or two; b) Go to the marketing department and tell them that for the next four weeks they're required to produce the 700 leads needed without spending the \$60,000 that would normally take. In other words, they'll need to make bricks without straw.

It can be done. In the course of the year, marketing produces thousands of inquiries about our product. Thousands of names are archived in the phone room. If you've been in business awhile, chances are good that those resources exist for you, too. True, it's harder to work than the fresh stuff, but the marketing manager needs to develop an organized plan to go back into that material — potential referrals, previous customers — and rework it.

SYSTEM SHOCK

The first time you do this it's a shock to the phone room and marketing department. But you'll find that they rise to the occasion.

What's crucial is that the general manager take ownership of the program. Don't just throw it at marketing and say: Figure it out. Direct them to the 10,000 inquiries on file, including those

who responded to an ad but never set an appointment. Get your salesforce involved by having them revisit these customers when they're not on scheduled appointments.

Leads are expensive and hard to get. Treat every one like gold.

REALITY CHECK

Once you've established a program and marketing understands that it has to get its job done on-budget — making bricks without straw — you'll be surprised at how much more efficient marketing becomes. By having the marketing department generate leads without a budget for a month, you buy yourself the time to fix the problem by changing your advertising and marketing strategy. Believe me, it won't fix itself. The owner must make a decision to get back on track. It's wishful thinking versus action. Which do you want to bet on? —*Charles Smith is CEO of True Home Value, in Louisville, Ky.*



You'll be surprised at how much more efficient marketing becomes.



Does your company have a business practice or installation technique to share with the industry? Call Jim Cory at 215.923.9810 or e-mail jcory@hanleywood.com.

Replacement Contractor (ISSN 1549-1986, USPS 022-819) is published eight times per year (January, February, March/April, May, June, July/August, September/October, November/December) by Hanley Wood, LLC, One Thomas Circle, N.W., Suite 600, Washington, DC 20005. Volume 7, Number 4, © 2008 by Hanley Wood LLC. All rights reserved. Opinions expressed are those of the authors or persons quoted. Reproduction in whole or in part is prohibited without written authorization. Replacement Contractor is sent free of charge to qualified readers involved in the exterior replacement contracting industry. Publisher reserves the right to determine qualification. Annual subscription rates for non-qualified readers are: US and possessions, \$29.95; Canada, \$39.95 (US funds); all other countries, \$49.95 (US funds). Single copy price: \$8.00. For subscription information, write to: Circulation, Replacement Contractor, PO Box 3494, Northbrook, IL 60065-3494. Periodicals postage paid at Washington, DC, and at additional mailing offices. Postmaster: send address changes to Replacement Contractor, PO Box 3494, Northbrook, IL 60065-3494. Member: BPA Worldwide (BPAWW) and American Business Media (ABM).

