

Commentary **Mark Richardson**

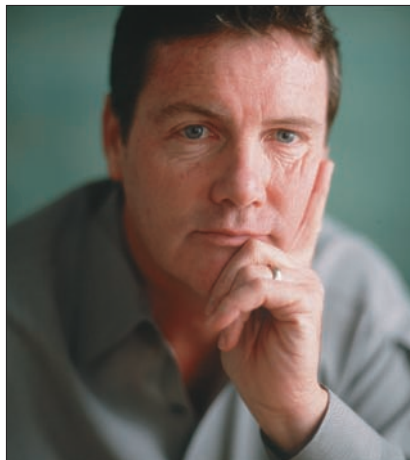
Type Casting

Knowing whether your business is client-based or project-based is an important step toward truly filling the needs of your customers.

Asked about the size of their client base, most remodelers aren't sure how to answer. Some take a guess based on the size of their mailing list or the number of holiday cards they send out each year. Others are prompted to question who qualifies as a client. Many would not call every prospect a client, but they would include a past customer for whom they are not likely to do another project for five or 10 years. Are these people really future clients or are they just good references?

KNOW YOUR TYPE

Why all the confusion? I think it's because most remodeling businesses are "project-based," not "client-based." In other words, they are businesses with processes and systems designed for executing projects of a certain type and scale that also preclude them from effectively and profitably doing projects of a much different type and scale.



For example, if your sales process and staff structure are tailored to the demands of completing \$150,000 additions, you will not be as effective doing \$1 million whole-house renovation projects that require an on-site foreman and possibly a different contract and billing structure. At the other end of the spectrum, you may unnecessarily delay a modest \$10,000 bath remodel by getting three or four subs involved when the whole thing could be handled efficiently by a single craftsman with multiple skills.

Because most remodeling companies are project-based businesses, they are not set up in a way that responds to the differing needs of the client. This is at odds with the popular strategy of marketing to past clients for additional work. Of course we

all approach each client with the hope of doing another project with them. When you objectively analyze this, however, you may find the frequency is five to 10 years. More important, a second project for a past client will probably be quite different from the first. A client for whom you have just completed a major addition is unlikely to need another major addition any time soon, unless they move into a different house.

CLIENTS FIRST

Those clients are, however, likely to have other types of projects — probably smaller ones — that need tending to. That's where a client-based business excels, because it is dynamic and responds to market changes. A client-based business is always looking to provide solutions to the clients' challenges. It is a business that is primarily interested in owning the client, not the project. The focus of a client-based business should be on maintaining the relationship at all costs.

What are the characteristics of a client-based business? Project scale tends to be smaller, but more important is the ability to adapt existing systems to projects of varying sizes. Because client-based companies are well diversified, they tend not to ride the wave of the economy. Instead of trying to find projects to suit the company, client-based remodelers find ways to perform projects and services that suit their clients.

One could argue that successful remodelers are both project- and client-based. But the dominant philosophy is what gives direction to your day-to-day business decisions. For example, asking for referrals, getting projects published, and having a great portfolio are especially important for a project-based business. In contrast, the client-based business is focused on communication through newsletters, warranty visits, and the occasional check-in call.

It's not critical to be one or the other, but it is important to know which you are. When you look in the mirror, what do you see? —*Mark Richardson is president of Case Design/Remodeling, Bethesda, Md., and the author of 30 Day Remodeling Fitness Program. He can be reached at (301) 229-4600 or mrichardson@casedesign.com.*