



More Money; More Fun

Introduction

Contractors and suppliers to contractors tell me they want 2 things from their businesses:

- Make more money and have more fun.

Virtually every business person can do that. What is holding us back is a combination of a lack of control and a lack of knowledge.

There are three key points I would like to share with you today that I hope will provide you with the knowledge and thus give you the control you need.

#1: Money and profit – Am I making as much money as I could?

Most people go to extraordinary lengths to build ordinary businesses

- 25% of you make lots of money – more than 10% pre tax profit on sales
- 25% of you make between 5% and 10% profit
- 25% of you make between breakeven and 5%
- 25% of you lose money.

There is no reason why we can't all make at least 10% profit on sales every year.

Overhead: Work to maximize your overhead. Beware of adding overhead.

Sales person @ \$80K per year requires 8 times that in sales at a 25% overhead (33% mark up)

$80 \times 8 = \$640$ @ 25% = \$160 less salary of \$80 = \$80k for overhead and profit.

#2: The Business Model - what do successful contractors do?

Have you bought yourself a job or do you own a business?

The successful contracting business is focused

It can clearly identify the type of work in which it makes good money – 60% from one type of work. This is more critical in the early years. Once a business has been established it may develop a broader base of work. A new CHBA member should focus on one key area

- Renovations between \$X and \$Y
- Bathroom and Kitchen renovations
- Design build renovations
- Custom homes
- Spec homes
- Multi family

These are examples that you should build your brand around.



If you are in a smaller community then your brand should be around a particular type of customer. Your profile should be customer based rather than product based.

Here's a potentially embarrassing question:

- *Can you give me 3 reasons why I should deal with you?*

Would your competitors say something similar? If so, you need to revisit this statement.

#3: The leadership structure – What should I be doing?

Do you own your business or does your business own you?

- What do you do in the business?
- How many hours do you spend away from the daily activities?
- What is your passion?
- Why did you go into business? – are you getting what you expected?
- Fire yourself
- You can find trades people, estimators and project managers, the next level is general management and the important level is the strategic level – that's where the leaders are; that's where the wise business people are.

You can only manage what you can measure

And one more thing.....

What's the difference between clever and wise?

Your mission should you decide to accept it is to

Make 10% pre-tax profit and have more fun

February 9, 2011

CANADIAN HOME BUILDERS' ASSOCIATION OF THE FRASER VALLEY

