



I'm a graduate of the Rochester Institute of Technology (1994), with a degree in mechanical engineering. I served in management roles for Xerox, Pratt & Whitney, Kodak, and the Lawrence Livermore National Laboratory before becoming president and CEO of Tiger Claw, Inc. five years ago.

My passion for helping companies identify new revenue streams and increase profitability stems from my past and current management positions. I'm a frequent instructor for contractor and retailer groups, and recently taught a course entitled, "Increasing Profits in Your Business" at DeckExpo in Memphis.

Under my leadership, my company's sales have grown by 1000 percent per year for the past four years. Tiger Claw, Inc. has also published a booklet entitled, How to Profit in the Deck Building Business, which is the first of a series of construction profitability guides.

In my spare time, I enjoy boating and camping in the Adirondack mountains.

David Hartmann
President, Tiger Claw, Inc.



Voice of Experience

David Hartmann, President, Tiger Claw, Inc.

Remember Profit?

Do you think you can make more money spending twice as much time on a job-site? Do you think you can make more money when your materials cost twice as much as they did on the last job? Most people respond the same way to these questions. The quick response is "no, the way to make more money is to save time and spend less on materials."

There is another way to look at business that can show exactly the opposite is true. If the goal is to make more profit, then focus on that. Profit is simply income minus costs (Profit = Income - Costs). Therefore, the goal should be increasing income and lowering costs, not necessarily saving time. Builders are constantly learning new techniques that save time, and buying materials and tools that make the same claims. Also, once you start a project, you know that you get paid when you are finished; moving quickly and saving time always seem like the most important things to do. The problem is that this starts to become a business mentality that can seriously get in the way of making money.

Income

Let's look at a few ways to increase income.

Charge More

Charge more for the same work. This may not seem like rocket science, but often builders don't do it. Look at the number of times you or a builder you know raised a bid because of really not wanting the job, only to end up winning the bid. Assuming that you are doing quality work, customers are not buying on price alone. Other things can be far more important to the customer, such as timing, quality, reputation, comfort, or trust. These things can be of great value. Don't be unreasonable, but if you do quality work and your customers value your reputation, make sure you are getting paid for these attributes.

Perceived Value

Perceived value is what customers think you are worth. Would you pay a little more to be able to use the same

Materials	Materials	VARIABLE COSTS
Labor	Labor	
Prints & Permits	Prints & Permits	FIXED COSTS
Request Quotes	Request Quotes	
Research & Bid	Research & Bid	
Visit Customer	Visit Customer	
Advertising	Advertising	
\$3,000 Deck	\$6,000 Deck	

Table 1. Choosing the right customers and upselling can increase your variable costs, which are where profit comes from. Fixed costs stay the same from job to job, and are incurred each time you start a new project. The impact of these jobs can be reduced by working on large, expensive projects that will require more time on the jobsite.

mechanic as the president? Why? Well, we perceive that the mechanic must be good. There is no clear reason for us to come to this conclusion, but people make this type of assumption every day. The saying, “perception is reality” means that if the customer believes you are worth a lot, then you are, at least in the customer’s eyes. This is how the big home centers and large department stores are able to get so much money for construction projects they sell, like windows, siding, and decks. These stores use local crews, some good and some not so good, yet the customer always pays the same high price for the work. The reason is that the customer perceives a high value in the store brand name. Your perceived value is based on what people think of your work; it’s your reputation. If you are known to take a long time to complete small, low-end projects with low-cost materials, then your perceived value is very low and it will be difficult to get a good price for your work, even when it is for higher-end projects. Your perceived value is your reputation or your brand.

Brand Yourself

If you were asked what you are known for, what would you say? Your name or the name of your company is your brand. Ideally, as soon as a potential customer hears your name (or brand), they should know something about you. Are you known for quality, large decks, lakefront work, speed, etc? Your name should bring to mind attributes the customer is willing to pay for. It can’t be done overnight, but if you decide what you want to be known for, and consistently pursue and choose work that supports the goals of your brand, soon you will have the reputation you want.

Choose Your Customer

Think of the projects you really enjoyed. Think about which ones were most profitable. Which jobs are you proudest of? Which customers did you really like working for? Once the ideal projects and customers are defined, change the way you think of them. If “Mr. Smith” was the perfect customer, find out who he was. Was he a retired person who really liked the convenience of having

someone else taking care of all the details? Is the perfect customer the young dual-income family on the right side of town? Were the most profitable projects all in the neighborhood with five-year-old homes and owners now in a position to build their high-end outdoor living space? In other words, it’s not Mr. Smith you want to work for, it’s people like Mr. Smith. It’s not a particular house that was perfect for your high-end project, it’s houses like the one you enjoyed. Identify those jobs and then advertise or promote yourself to those people or those neighborhoods.

Know Your Customer

When visiting potential customers, listen to them with your eyes and ears. Is there a Lincoln in the garage? Is the yard perfectly landscaped? While talking about decking options at the kitchen table, what do you see? Does the customer have high-end appliances? Do you see hardwood floors and top-quality furnishings in the living room? Ask a variety of questions. Comment on the landscaping and how difficult it must

be to maintain. The customer might respond with information that helps you understand if they might value low-maintenance materials.

Ask why they are building a deck. Is it to increase the value of the home before they sell it? Is the deck being rebuilt because it has finally become an eyesore? Did they just retire and now want to make the most of their home life? Do they entertain often? Is there a special occasion coming up? A big summer party? Are they going to be celebrating a daughter's engagement? All of this information can be very important when you follow up with your quote and sales presentation. It also shows the customer that you want to understand what they are looking for.

Upsell

When returning to the customer to go over the proposal, upsell them on some of the extras that should interest them. If you listened well, you should be able to offer some options they will value. If you saw high-end railings on the neighbor's house, you can offer similar or better railings. Mention that they will be like the neighbor's, but will look especially nice on the deck you're going to build for them. In the deck building business the upgrades are extensive: hidden fasteners, composite or hardwood decking, decorative railing, structural improvements, under-deck water management, design changes, etc. Use all the information

known about the customer and about building materials to offer appropriate upsells. Don't offer copper post caps, stereo speakers, and built-in rail lighting to customers who are simply resurfacing a deck before selling the house. If upselling is overdone, it will appear that you did not listen. If done correctly, the builder can show that he's looking out for the customer's interests.


Quote Competitively

After learning everything you need to know about the customer, jobsite, and deck, make sure that your quote is competitive. Give the customer a quote that is easy to compare to others and still shows that you are the best choice. After outlining the costs for basic materials and labor on the quote, list the options that you recommend separately. This way, when the customer compares your quote to one from a builder for a basic deck, your quote will be competitive. Because you are competitive on the basics, the customer will assume that you are also competitive on the upgrades the competitor did not list. On a job where you are confident the customer is going to select several upgrades, you can have your quote on the basics be a little low. On jobs where you know the customer is not going to choose any options, make sure you make a little more on the basics, and be willing to lose this job to the next builder.

Reduce Costs

Continue to look into those tools and products that save you time. The trick is to make sure that saving time is secondary to increasing average sale price. The bar graph (Table 1) illustrates how fixed costs are the same for every job. Variable costs are those that relate to each individual job, such as materials and labor. Each job, whether it is a \$3,000 project or a \$30,000 project, requires the same tasks, such as pulling a building permit or setting up your equipment. In other words, your fixed costs will not go down for the individual project, but you make those costs lower as a percentage of your business. If you have to build two \$3,000 decks, then you incur your fixed costs twice. If you compare those two projects to a single \$6,000 deck, you will have half the fixed costs on the \$6,000 deck. So, you can reduce your costs by trying to increase the average price of each project.

Builders understand this very well, but are often so focused on saving time and reducing costs, they make the mistake of focusing on these goals all the time. The real goal is to increase profits, so that means that until the job is sold, the builder should focus on increasing the sale price and ways to spend more time and money on each jobsite.

As your average deck price increases, you will be perceived as a builder who does better work. As this happens, you will get more referrals for decks that cost more and earn you more money. 

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