

Remodeling

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Woman's Work

Remodeling companies are learning to value the insights and skills that women like **Ruth Ewing** can bring to their teams.

—page 114

Generation X

Forget baby boomers. Gen-X clients are your company's future—page 90

Tract Teachers

What remodelers can learn from new-home builders—page 107

Know *thy* Market

A step-by-step crash course in market analysis.

HAYDEN ALFANO ASSISTANT EDITOR

You're supposed to have done this already. Conventional wisdom suggests that you should do a market analysis before you open up for business, to get a sense of the demand for your services in your area. But if you're anything like Seattle remodeler Gary Potter — and there's a good chance that you are — you didn't. "Market analysis?" Potter says with a laugh. "I didn't know those two words when I started [in 1979]."

But Potter is finding that a market analysis can be useful to a company as established as his. In fact, Enrique Brito, an investment banker who doubles as a seminar leader for the Small Business Administration's Service Corps of Retired Executives (SCORE), suggests that small companies do some kind of market research a minimum of every three years. "If you don't do it, you're missing important business opportunities," Brito says.

It's not something you have to take on by yourself. You can get a local consultant to help you with it, at a minimum cost of around \$2,000, though the price tag can climb significantly higher depending on how extensively you decide to redo your marketing materials. But if you're short on monetary resources and have the time,

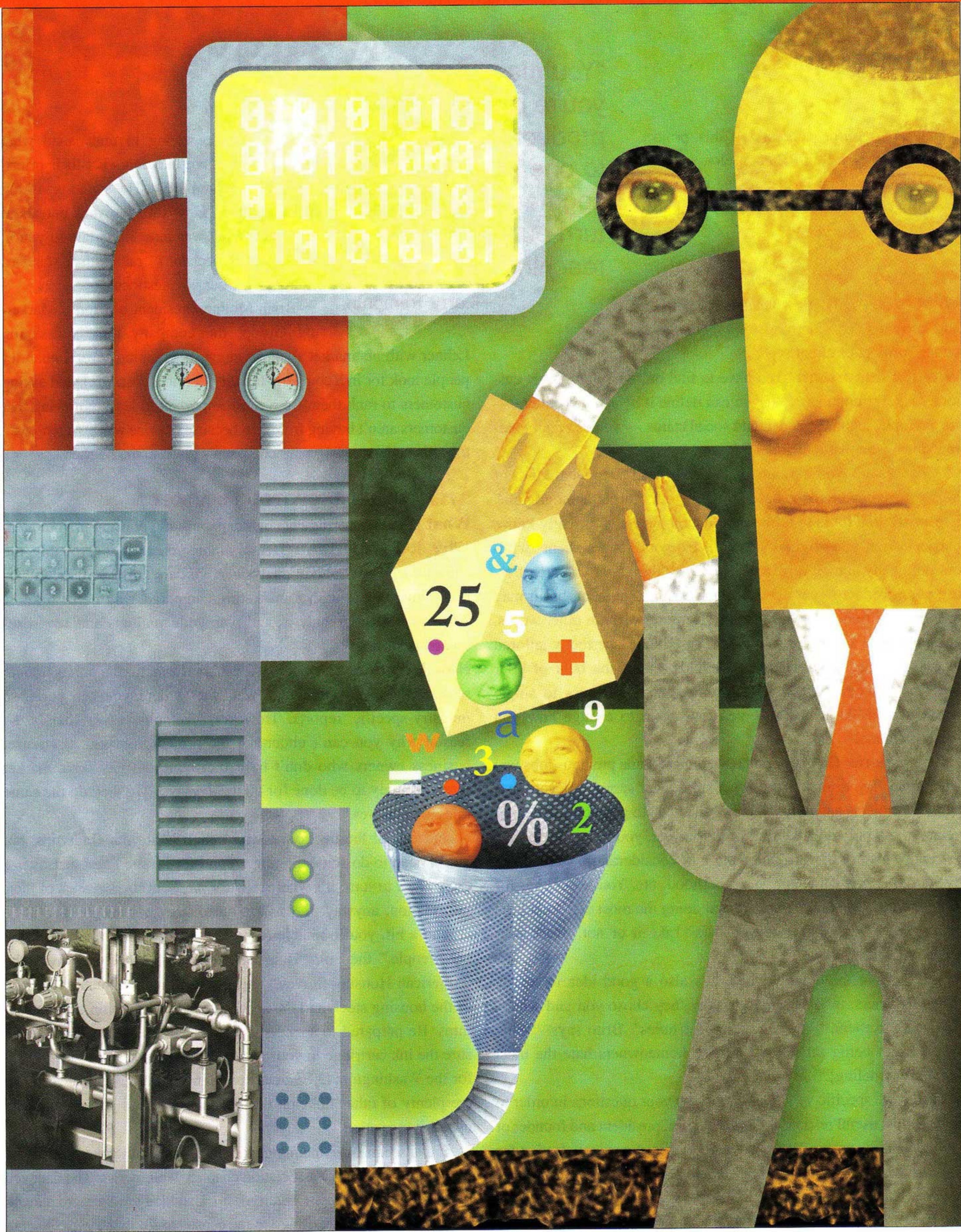
you can do most of it on your own. So welcome to Market Analysis 101. What follows are the five steps to a better position in your marketplace.

STEP ONE: KNOW YOUR GOALS

What it is: Establishing what you want the end-product of the market analysis to be.

Why it's important: Goal-setting will help you focus what can be a very broad task. Potter undertook his market analysis because he wanted a new logo, and previous attempts at one were, in his words, "different, but not better." The development of a new logo led to new marketing materials, with different designs and updated written copy.

How it's done: Ask yourself what you think the weaknesses of your company are. What keeps you awake at night? Bob Lehner, owner of Lehner Brunton Remodelers in Warrenville, Ill., felt that his marketing campaign wasn't sufficient. "Doing a blanket marketing campaign is not feasible," he says. "[What works] changes from community to community." As a solution to that problem, Lehner set out to do a market analysis with the hopes of finding his company's "key client." Indeed, that's a



Know *thy* Market

popular reason for undertaking this project. Larry Tremonti, a SCORE counselor, says that most of the existing businesses he deals with “don’t have a target customer. They think they want to sell to everybody.”

STEP TWO: KNOW YOURSELF

What it is: Analyzing your database of past and current jobs, searching for a “bread and butter” project or client type.

Why it’s important: “You have to find out who your target customer is,” Tremonti says. “If you can define it by a set of criteria — for example, income, gender, and social status — you can really narrow down who that individual is.”

Chances are, you have an idea in your head as to what kinds of jobs your company does best, or what your “target demographic” is. But without looking at the hard data, how can you really know, particularly if you originally established your “target client” without doing any market research? “You may think that you are offering your product or services to one customer segment, but it may turn out you’re not reaching them,” Tremonti says. In other words, you may have a marketing plan that you think is perfectly tailored to two-income, professional households, but if the bulk of your business has come from selling replacement windows to single mothers or decks to retirees, you may want to change how you present yourself.

How it’s done: Go back and take a look at some previous jobs you have done. Try to make sure it’s a significant sample: If you do a hundred projects annually, you may just need to go back a couple of years; if you only do a handful of jobs a year, you may need to take the entire history of your company into consideration. Chart them by job type, client income, neighborhood, etc. You’re looking for trends. What kind of projects are you doing the most of? What kind of clients are responding to your ads? Like it or not, that’s your bread and butter.

Aside from the demographics, it’s also a good idea to survey your customers, to get an idea of why they chose you and what’s important to them. “You’re looking for holes,” Brito says. “What needs aren’t being satisfied? What do homeowners hate the most [about remodeling]?”

There are specific ways you can frame your questions in order to get the most useful response. Geoff Graham, president and founder of GuildQuality (a national firm that measures customer satisfaction for builders and remodelers), points out that there is a big difference between the customer satisfaction surveys you might give clients at the end of the job and the marketing surveys you would use for an

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analysis. “You’re trying to understand what your customers are like and what their priorities are,” Graham says. He suggests asking questions like “How did you find out about us?” and “What was most important to you in making your decision?” rather than standard “rate-us-on-a-scale” questions.

Brian Moline, president of Modus Marketing Group, the company that is assisting

Lehner with his market analysis, suggests grouping several qualities people look for in a company (quality, service, cost, etc.), and asking customers to rank them from most important to least. Knowing that customers aren’t buying from you because of price will go a long way towards understanding your company’s place in the market.

STEP THREE: KNOW YOUR MARKET

What it is: Gathering data on the people and housing in your area.

Why it’s important: Demographic research is probably the central piece of a market analysis. If you are going to target a certain demographic with a marketing campaign, you need to know where that demographic is, and plan your mailings and advertisements accordingly.

How it’s done: You can pay for this information; a quick Google search will reveal plenty of Web sites where you can purchase industry-specific reports. However, Tremonti says, there’s no reason why you can’t undertake the project yourself. “I counsel business owners who don’t have the money to pay for a market research study to be done for them,” he says. “So they do the same thing themselves.”

Indeed, all the necessary information is at your fingertips, but you’ll need to do some digging around for it. The latest census is a great place to start; it’s where the “for pay” outfits get much of their information, anyway. If you log on to www.census.gov and poke around a bit, you’ll be able to find a wealth of information. Click on “People,” then on “Housing,” to access local data from the “American Housing Survey,” and find information such as the age of the housing stock and the specific conditions within those structures. Be prepared to spend some time with this report, and make sure the ink cartridge in your printer is fresh; the most recent report for the Washington, D.C., area, for example, runs 315 pages. There are plenty of other links on the site that will lead you to similarly useful information.

If that seems overwhelming, you might start with your Chamber of Commerce or industry association chapter, Moline says. The data you find there could be more localized. It’s also likely to be more narrow. If it’s too specific, you can go to the census to fill in the gaps.

Know *thy* Market

STEP FOUR: KNOW YOUR ENEMY

What it is: Thoroughly researching your competition.

Why it's important: Can you name a successful national fast-food burger chain that's opened during the last few years? When you go to a restaurant, are you able to order a cola that isn't Coke or Pepsi?

The answer to both these questions is no, and the reason why is also the reason why it's important to gain as much information about your competition as you can. No one is opening a burger chain because McDonald's, Burger King, and Wendy's already have a stranglehold on the market. If your market is already teeming with companies that sell replacement siding, you may want to eliminate those projects from your repertoire, or at least limit that type of work to past or current clients. Furthermore, if you can find something that no one is offering — Owens Corning's basement finishing system is a good example on the national level — you'll be able to carve out a nice little business for yourself as the sole purveyor of that product or service.

How it's done: This can be a bit tricky if you're not working with an outside agency. In Step Two, we talked about how you can learn about your own company by surveying your past clients. The same principles apply to your competition, but you don't have easy access to their clients.

If you're paying someone to do the market analysis for you, they might do some "mystery shopping," in which they pose as potential customers to get a feel for the competition's sales pitch, proposal process, pricing, etc. If you're known to your competitors, this obviously isn't an option. However, you should be able to find homeowners who can provide you with information. Take a look at your list of past clients. In addition to asking them why they chose you to do their project (as outlined in Step Two), ask them why they didn't choose your competitors. Some may be uncomfortable answering, but most will be specific enough to get a real sense of the other businesses out there.

Similarly, go over the list of potential customers who eventually didn't buy from you. Graham calls these "lost opportunity" surveys, and says you should ask not only "why they didn't choose you, but also what they liked or didn't like about whichever competitor they might have chosen."

In addition to being a valuable piece of your market analysis, this method has the added benefit of keeping you in their minds should they be dissatisfied with their current remodeler and/or need additional work done. Take care, however, to frame the questioning in such a way that makes it clear that you are simply interested in learning more about their

"You're looking for holes. What needs aren't being satisfied? What do homeowners hate the most [about remodeling]?"

—Enrique Brito

motivations. You don't want your competitors to think you are trying to steal their customers.

Trade contractors can be a valuable resource in this aspect of a market analysis. Subs are probably the only people you'll have access to who are familiar with both you and your competition. Get as much information as you can from them about other remodelers in your area.

If you bid competitively and are searching for information on how you measure up, price-wise, against the competition, make it a condition of the bid that you get to see at least the final bids of the other contractors, win or lose. If not, try looking at the job costs submitted with building permit applications, although these numbers are typically less reliable.

STEP FIVE: PUTTING IT ALTOGETHER

What it is: Taking all the information you got out of your market analysis and implementing it in such a way that it meets the goals you set in Step One.

Why it's important: Without this step, all the resources you spent on the market analysis are wasted.

How it's done: "I think most people will need help with this step," Moline says. "They'll know the industry and market pretty well, and they'll know where they should target, but they don't have a clear idea about marketing."

Moline, whose company has done several market analyses for remodelers and whose focus is on integrated marketing, says that the key to successful implementation of a marketing plan is to find a clear, focused message, and to make sure it pervades the entire campaign.

If you want to give it a go yourself, then take that demographic research you did and establish your target market. Then, Moline says, "determine what message suits them best." This is where the importance of surveying comes in. By quizzing your clients on why they chose you, you've learned the aspects of your company that are most appealing. If your customer base rated service as the most important thing to them, tailor your message accordingly.

Similarly, if you discover that homeowners are choosing your competitors mainly because they are less expensive, keep your marketing and selling focused on *value*. You probably aren't going to be able to compete on price (nor should you want to), so make the customer aware of the level of service and the quality of work they'll receive for the money they do pay.

In other words, be a businessperson. Doing a market analysis is all about gathering the information you need to make smart, informed business decisions. Once you have that crucial data, it's a matter of using your business sense to implement it. **R**