

## Cash Flow, Cash Flow, Cash Flow



*Cash flow concerns are the common denominator of most contractors. Regardless of the company's size, we all experience cash flow problems at one time or another.*

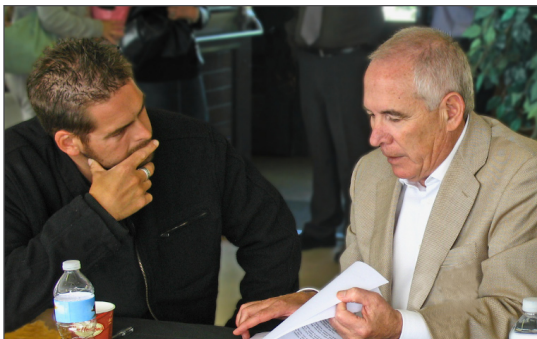
Companies facing chronic cash flow issues have a reason to be worried. Cash infusion, more sales or more activity are not the answer. They just deal with the symptoms. The problem will only persist unless the cause is dealt with.

The primary cause of cash flow problems is profitability. By that we mean Gross, not Net profit. Digging deeper (excavators, excuse the pun), the lack of profitability is due to a bad estimating process, poor control of field costs and change orders, or the inability to lock in profits ahead of the project.

A bad choice of a progress billing method is another major cause. The two most common methods are: A. Milestones and B. Progress billing based on costs. While the first method inevitably leads to feast or famine, the latter ensures more consistency.

The following example will illustrate method A: Let's say one of your milestones is for excavation and foundations work. The excavation was completed before the end of the month but the milestone wasn't completed until the middle of the next month.

To keep your excavator happy, you agreed to pay him upon completion of his job. The problem is, YOU are not going to be paid for another month. *(Continued on page 4...)*



*An intense session: Amos Avitan discusses the nuts and bolts of Cash Flow with a client.*

★★★★★ 5 STAR Leadership Series



This workshop is ideal for owners, bosses, supervisors and foremen. **SIGN UP TODAY** to get the tools to train and manage others with less stress and more success. For a sneak preview, go to page 2!

Free to current and past AVITAN clients. The cost for non-clients is \$1250.00 per person. For details and to register, please visit [www.AVITAN.ws](http://www.AVITAN.ws).

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## Marketing Is a Business Fundamental



*It is not optional—marketing is about bringing in customers. Without customers, a business dies, plain and simple. Marketing is the process of bridging the gap between your goods and services and your customer's needs and desires. The result is your profits and continued business growth.*

During slow times, marketing and advertising is the first thing many companies cut out. But marketing your business is the best thing you can do and there is research to back that up.

A study by McGraw-Hill of 600 businesses found that those who maintained or stepped up their marketing during recession experienced a 256 per cent increase in sales, compared to companies that reduced their budgets. Another study showed that businesses advertising in slow economies saw their market share increase 2.5 times.

And if you still think skipping on marketing is the way to go, read this: a third study revealed that 80 percent of businesses that waited for the recession to end saw zero increase in their market share. Don't be one of them—**invest now and reap the benefits later by beating out your competition.**

## Control vs. Power

Managing  
**PEOPLE**  
Specialty  
Workshop



*We may use them as synonyms but there is a very large practical difference between Power and Control.*

Power is defined by a capability to do something or accomplish something. In contrast, control is defined by the ability to exercise restraint or command.

Think about that for a moment. Your power gives you the resources to make your plans and work towards your goals. Your control is used to put limits on other people's power.

Often control is a response to fear. "If I'm not on top of it, it won't get done properly and the client will be unhappy." Such thoughts may lead to an owner taking over a task of an employee instead of working on what he or she should be doing. This leads to an under-utilized, demoralized employee and an owner who is never home before 8pm.

The only things you truly have control of are your own attitude, and the ability to choose your response to whatever happens in your life. Any other time you try to exercise control you are attempting to place a restraint on somebody else.

Exercise your power often and let your employees do the same. The results will benefit everyone, especially your company.

*We will cover this and many other topics related to "Managing People" in our workshop. Go to page 1 for more information.*

## Construction News

### Numbers Looking Good For Home Builders

Reported by Canada Mortgage and Housing Corp., home construction numbers increased more than expected this past September. Led by multiple-units activity, the seasonally-adjusted annual rate of urban starts rose by 8 percent. "The housing market continues to hold up well in Canada, helped by extremely low interest rates and a solid, though cooling, labour market," says economist Robert Kavcic of BMO Capital Markets.

### Need To Schedule a Building Inspection? There's an App For That!

On October 17, the City of Surrey officially launched a new smartphone and mobile application for building inspections, becoming the first city in Canada to introduce such technology.

In an effort to reduce red tape and increase efficiencies, the new web application will be available for BlackBerry, iPhone, and iPad. "It allows us to improve communication and prevent trades people from wasting time by having to wait around on work sites," says Mayor Dianne Watts. Contractors can now schedule building inspections using their smartphones instead of having to call City Hall.

The City plans to roll out the program for plumbing, electrical, tree and landscape inspections in 2012. For more information, go to <http://www.surrey.ca/city-services/9363.aspx>.

## What To Do After You Get a No From a Prospect



Every contractor knows this scenario: You just submitted a proposal to a promising prospect. You invested a lot of time and effort in preparing it, so when the potential client decides not to hire you, the rejection can be tough. It is, however, the best time to show how important customer satisfaction is for your company.

Just because you lost this job, it shouldn't go forgotten. Use this opportunity to gather valuable information.

Follow up with a survey letter to the homeowner or a company who turned you down, and ask for feedback. What was their reason for not hiring you? Was their project

awarded to another contractor or was it put on hold? What can you do differently to win their business in the future?

There is more than one benefit to doing this. The prospects are more likely to honestly express their perceived issues with your company in writing rather than face-to-face.

Your sales person can use that information to improve his or her performance. And at best, your survey letter may inspire the lost prospect to give you a call for their next project.



# Determining Your Target Market



*The first thing you have to do is determine exactly what it is your business does best. By this, we mean what type of things you do that consistently bring in the most money. Figure out your best moneymaking skills and services, your specialties, and stick to those.*



If you are like most contractors, you do one thing really well and two or three additional things profitably. After that, your services decline in profitability in direct proportion to how many things you try to cram in.

Make a list of what you do and **figure out what your specialties are**. Listing 25 'specialties' means you're all over the map, wasting energy and bleeding money. **Pick the top three or four** and drop the rest—those top picks are your company's specialties and what you need to focus on.

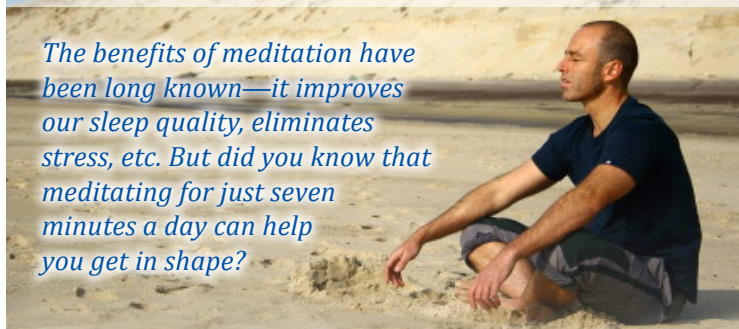
Once you've figured out your specialty, then you can take a good hard look at **who actually needs what you have to offer**. Where do your perfect customers live? Do they live in a single family home? Do they own rental units? How much money do they make? Longtime homeowners, or just bought in? How old is their house? Retirees, new families, "married no kids?"

Don't slack off on this important step—take the time to drill down into the demographics of who needs what you have, because **that is your target market**, the people who will gladly give you money.

**The more you understand** about the people who need what you have, the more effectively your advertising and promotional message can reach them on a personal level. The more effectively you reach them, **the easier it is** to influence their buying patterns into buying from YOU.

## Want To Lose a Pound or Eight? Meditate!

*The benefits of meditation have been long known—it improves our sleep quality, eliminates stress, etc. But did you know that meditating for just seven minutes a day can help you get in shape?*



With regular meditation, you'll not only experience fewer food cravings—your will power to resist those cravings will also become stronger.

The technique that seems to be working really well is called mindfulness meditation. Make yourself comfortable in a quiet place and, with your eyes closed, breathe in and out at your natural pace. Other thoughts and sensations may sneak into your mind, but after acknowledging them, shift your attention back to your breathing. After about seven minutes, open your eyes slowly and enjoy feeling refreshed.

Staying focused on your breathing and blocking out the thoughts of hectic life will get easier each time you do it. How do we know? A few minutes of meditation daily boost your ability to focus and brush off distractions. How is that for a bonus?

## Influencing Buying Behavior And Thought Patterns



*To influence a customer's buying and thought patterns, that is, how he perceives his needs and how he seeks to meet them, your services must first fall within the context of that need.*

In English: to make a customer want what you're selling, what you are selling has to be presented as close to what he thinks he needs as you can get.

For example, it's pointless to try to influence the buying habits of an individual high-rise condo owner when what you are selling is your in-ground swimming pool construction service. The condo owner is up on the 14th floor, he just doesn't need what you offer.

However, the condo association might be a different story—they might very much need a swimming pool for all their members to use and that adds value to their community property, making it more attractive for new members to buy in.

For your advertising and promotion to be effective, you have to figure out who the real target market is. In this example, the target market is the condo association, not the individual condo owner.



## Spotlight on Clients



Thumbs up to John Vis, the president of **Tasa Construction** in Burnaby, BC—he has been asked by the BCIT Advisory Committee to be an advisor for their Carpentry Program. And there's more exciting news: Tasa's Marketing Manager Shane Vis was one of the mainstage speakers at last month's West Coast Women's Show, while exhibiting Tasa's services. It must feel great to get such recognition. Way to go John and Shane!

Congratulations to **Jomi Construction** in Chilliwack, BC, for being one of the top three nominees in the Business of the Year category of Business Excellence Awards! How exciting for owner Chris Klaassen and the entire team at Jomi. The nomination is much deserved and we are keeping our fingers crossed!



Chris Klaassen, owner of Jomi Construction

**Heidelberg Landscaping** in Abbotsford, BC, have recently launched their brand new website. Created by Avitan, the website truly showcases the beautiful landscaping work the company is known for. You can visit Heidelberg's new website at [www.heidelberglandscaping.com](http://www.heidelberglandscaping.com).

### Your input is always welcome!

Got good news? Heard a great joke? Know of a topic you'd like to see in our newsletter? Please share with us!

Contact: Hana Bilikova [hana@avitan.ws](mailto:hana@avitan.ws)

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*(...continued from page 1)*

"I see that happening over and over with contractors, where their average collection time is 45 – 60 days but their payables settlement time is averaging anywhere between 5 – 24 days...leaving them with a cash flow shortfall for a full month," says Amos Avitan, the President of AVITAN Business Resources.

Method B is the preferred billing route you should opt for to maintain consistency.

One basic rule of thumb that contractors are not following is the working capital requirement of 10 to 1. That is—for every \$1 of working capital the company has, it should do no more than \$10 worth of business. In other words, if the company has \$100,000 in working capital (not cash in the bank), it can comfortably do \$1,000,000 worth of business without cash flow issues.

In summary: 1. Improve your estimating techniques. 2. Progress bill based on costs. 3. Stay within the 10 to 1 rule of thumb ratio.

*All of the above and more is what our clients learn in the AVITAN Cash Flow Module.*



**WE REMEMBER...**

- NOVEMBER 11 -

## Coffee Break

*If you're not familiar with the work of Steven Wright—he's the famous erudite scientist whose mind tends to see things a bit differently. Here are some of his gems, both entertaining and thought-provoking—enjoy!*

1. The early bird may get the worm, but the second mouse gets the cheese.
2. Borrow money from pessimists—they don't expect it back.
3. A clear conscience is usually the sign of a bad memory.
4. Experience is something you don't get until just after you need it.
5. When everything is coming your way, you're in the wrong lane.
6. To steal ideas from one person is plagiarism; to steal from many is research.
7. Everyone has a photographic memory; some just don't have film.
8. If everything seems to be going well, you have obviously overlooked something.
9. The hardness of the butter is proportional to the softness of the bread.
10. If your car could travel at the speed of light, would your headlights work?