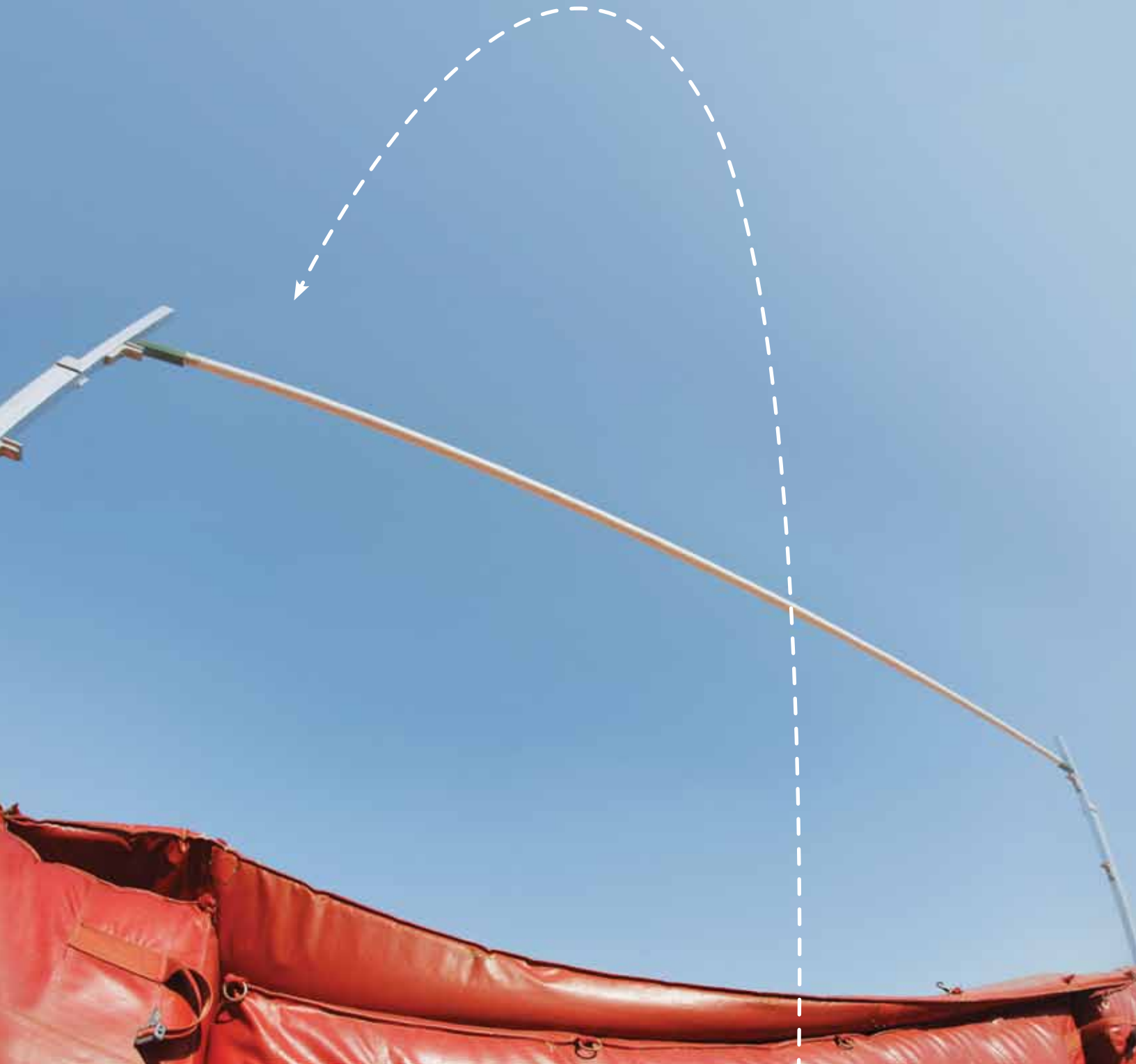


RAISE THE BAR

*The Get it
in Writing!
Handbook*

Canadian
Home Builders'
Association



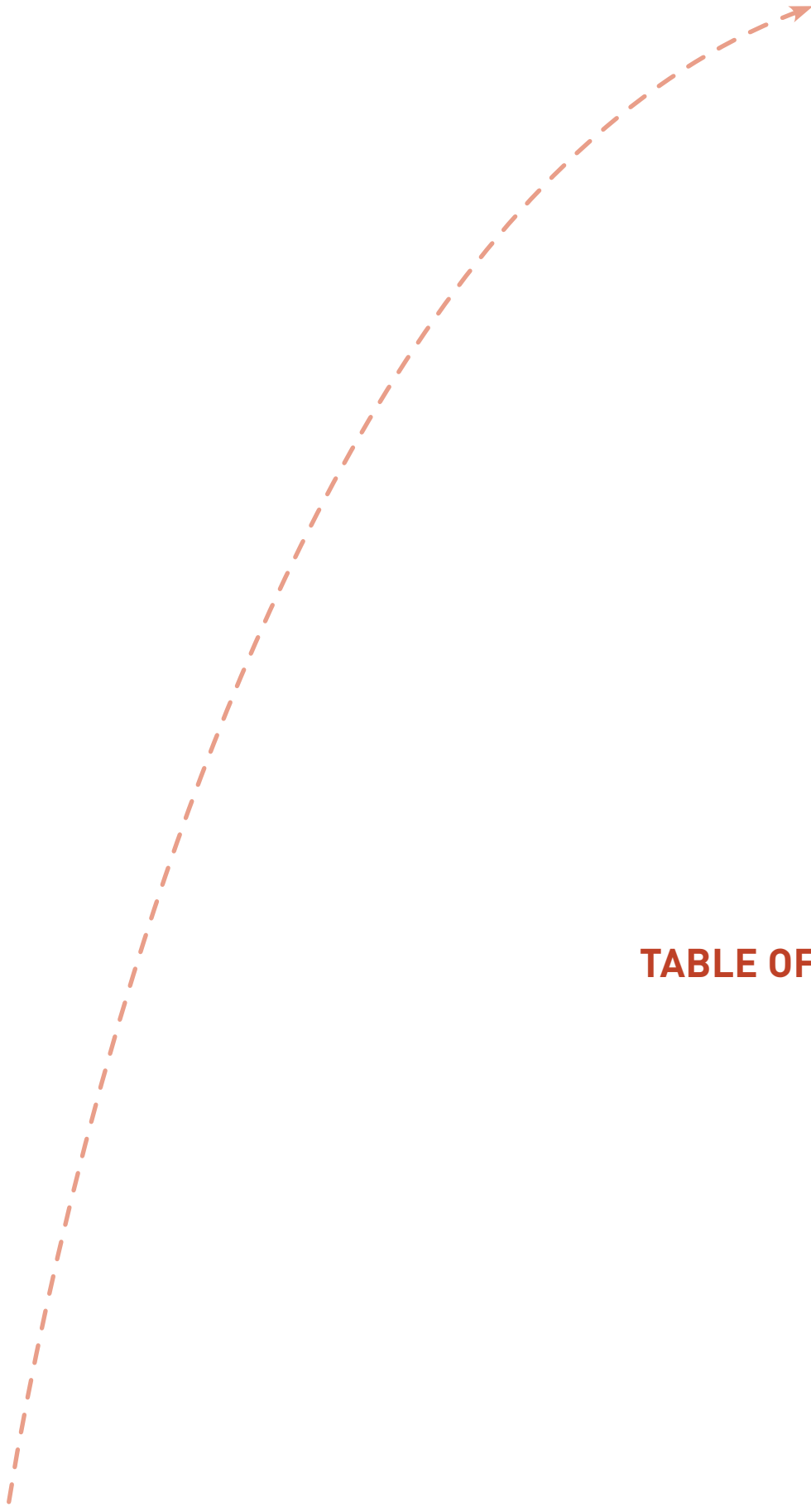


TABLE OF CONTENTS



2	Introduction
4	Sizing up the Underground
10	The Basic Concept
12	About Risk
16	Understanding Consumers
18	Presenting Yourself as a Professional
28	What If...?
32	Summary: Do's and Don'ts

INTRODUCTION

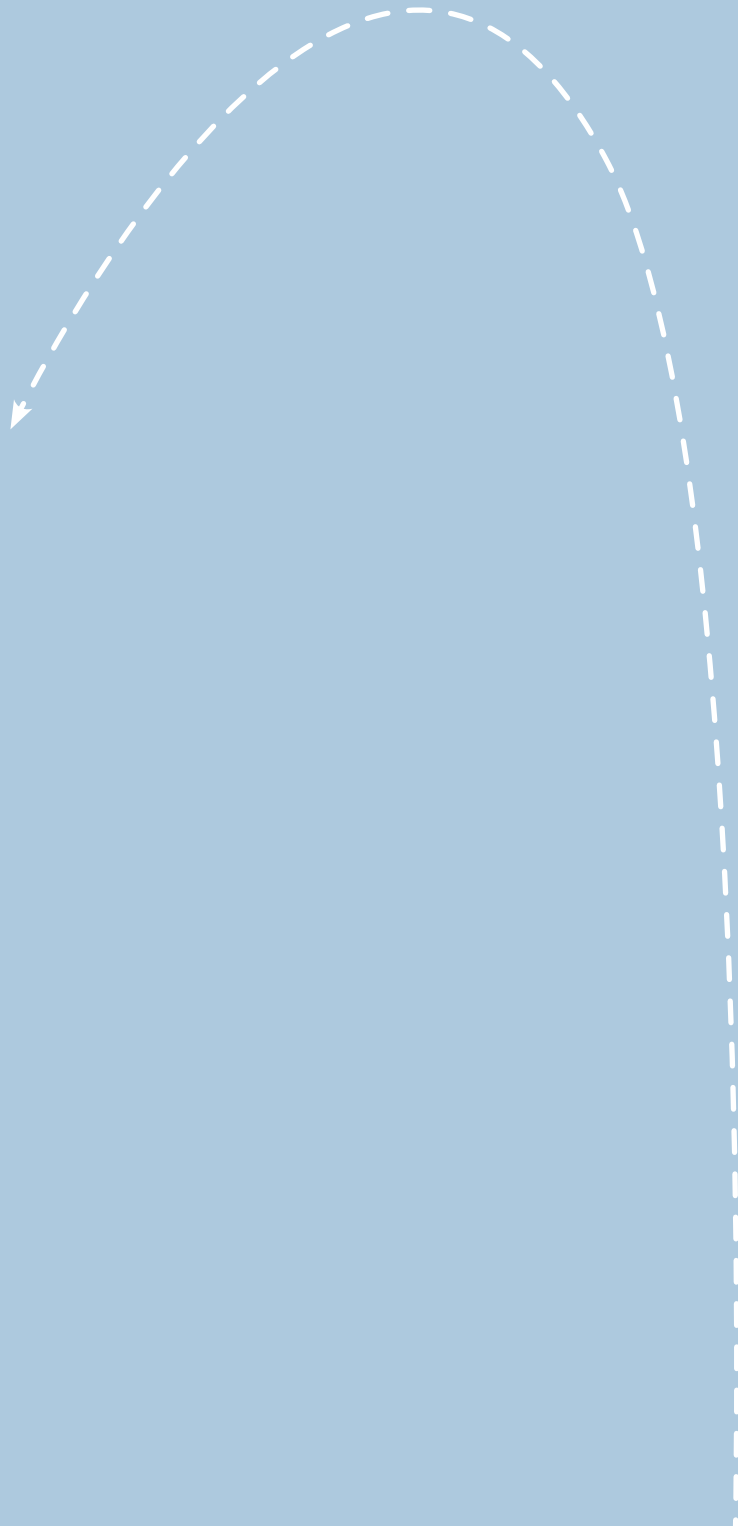
The underground economy poses a big challenge for professional contractors who are doing business the right way. Every day, legitimate new home builders, renovators and trade contractors lose jobs to fly-by-nighters, cash operators and others who work under the table.

It's a problem that hurts your business and puts your livelihood at risk. And it undermines everyone's efforts to promote professionalism and build consumer confidence in our industry.

This handbook was written for companies like yours—professional contractors—to assist you in your business and help you to overcome the challenges presented by the underground cash economy.

The handbook is part of *Get it in Writing!*, the consumer information campaign developed by the Canadian Home Builders' Association (CHBA) and Canada Revenue Agency (CRA) with the participation of Canada Mortgage and Housing Corporation (CMHC), to fight the underground cash economy and promote the professional residential construction industry.





SIZING UP THE UNDERGROUND

Just how large is the underground cash business in residential construction?

Nobody knows the actual value of the underground cash economy in residential construction, or how many people are engaged in it. By its very nature, this illegal activity evades direct measuring, but both industry and government attempt regularly to estimate the underground, and all indications are that the numbers are staggering—billions of dollars each year.





Impact of the Underground Cash Economy

Underground cash activity has far-reaching impacts, not only on the industry but on society as a whole, including:

- **Unreported income and tax evasion.**

When people don't play by the rules and pay their taxes (GST/HST and income taxes), it hurts everyone—the industry, consumers and society at large. But not paying taxes is only the beginning for cash operators.

- **Non-compliance with other regulations,**

such as employment insurance and workers' compensation. The modus operandi of the underground cash operators is to avoid creating a paper trail of any kind because their activity is illegal. This leaves fewer people to share the costs of doing business, hurting both legitimate contractors and their clients.

- **Placing homeowners at risk.**

Cash operators may not have the experience or proper technical skills required for a project. The quality of their work may be poor and could possibly jeopardize people's homes and health. And even if they do have knowledge, their illegal activity displays their lack of integrity and complete disregard for the risks they create for homeowners and their homes.

WHAT'S BEING DONE ABO

- **Damaging the reputation of the industry.**

When consumers are shortchanged by a cash operator's shoddy work and practices, everyone's reputation suffers.

- **Challenges to the ongoing professionalization of the residential construction industry, and in particular the renovation sector.**

When just about anyone can put on a tool belt and make a living by working "cash only", there is much less impetus for people to participate in the legitimate industry. This has wide-ranging implications for the future of the industry in terms of labour shortages, apprenticeship programs and skills development, for instance.

- **Criminal activity.**

The underground cash activity supports criminal activity. In addition to seeking out those homeowners actively looking to evade sales taxes and other costs, cash operators are known to prey on vulnerable groups in society, particularly those who are predisposed to trust others, such as the elderly.



Further, underground cash activity provides a venue for money laundering.

UT IT?

The CHBA at all levels has battled the underground cash economy for a long time. The Association has been involved in ongoing discussions and representations to government for decades, urging it to attack underground cash activity and promote a proper business environment for professionals.

At the same time, the CHBA has focused much of its consumer information on promoting professional contractors, with such key messages as: "DO IT RIGHT" and "GO WITH A PRO!"

The Association is also working closely with government to get the right messages out to consumers. At the national level, the CHBA developed the *Get it in Writing!* campaign, with the support of Canada Revenue Agency and Canada Mortgage and Housing Corporation. Provincial and local HBAs are actively addressing the issue in their own jurisdictions, through the *Get it in Writing!* campaign, Renovation Month activities and the RenoMark™ initiative, for instance.

Association members wanting more information about the underground, and what is going on in their own communities, should contact their local HBA.

Closer to Home

The most immediate impact of the underground cash economy is felt by individual professional contractors—people like you who run a legitimate business—in a number of ways:

- **Direct competition.**

You may be going head to head with the underground whenever you are asked to take a look at a possible project. You may not always know who you are bidding against, but in many cases it is wise to assume that your competitors include cash operators. You have to be prepared to tackle the underground at every business opportunity!

- **Loss of business and customers.**

You may be losing work to the underground—in fact, you probably have already. You may not get the opportunity to bid on a project because the homeowners know someone who will do it for a “real good price” if paid in cash. You may be underbid by cash operators who can do the work for much less than you can, because they cut out sales taxes, insurance, workers’ compensation, and other business costs. Homeowners may eliminate your bid because they do not understand the difference between you and the underground operator, other than “the other guy is cheaper”.

- **Effect on your work force.**

Assembling a crew for a particular job may be more difficult if sub-contractors and labourers in your community prefer to work in the underground. It can even be a challenge to keep staff, as they may be able to make more money working for themselves “under the radar”—no deductions, more cash in their pocket.

- **People’s perceptions of industry professionals are undermined.**

This can affect how they see you. While there are indications that many consumers are beginning to appreciate the value of working with professionals, the underground still hurts the reputation of the industry. This affects legitimate contractors who are working hard to establish a professional reputation and maintain a viable business.

On a daily basis, as a business facing the challenges of the underground, you have to tackle it as you would any other business problem—with a good, solid plan of attack that puts you on top and weakens the underground.

The rest of this handbook offers thoughts and ideas for how to put together a plan that will work for you and your company in your marketplace.



MAKE IT PART OF YOUR COMPANY’S GOALS TO CHANGE PUBLIC ATTITUDES OF “WHAT’S THE BIG DEAL”, AND TO FIGHT THE ABILITY OF THE UNDERGROUND TO TAKE AWAY WORK FROM LEGITIMATE BUSINESSES. IT’S YOUR WORK, YOUR CREDIBILITY AND YOUR LIVELIHOOD!

THE BASIC CONCEPT

So how do you best fight off the underground cash operators and convince people to hire a professional contractor—namely YOU.

The best approach is straightforward and, according to experienced, successful renovators, it works.

FOCUS ON YOUR OWN PROFESSIONALISM!

Don't try to beat the underground on their terms—you can't. Instead, put your energies into being the best possible professional contractor you can, and getting that message across to potential clients.

Give consumers a real alternative to the underground—one that they can understand, evaluate AND value.



Consider:

1. The *Get it in Writing!* campaign is all about changing the way customers look at hiring a contractor. By far, the best way you can do this is by showing customers what YOU offer, rather than telling them what others do NOT.
2. The biggest competitive advantage offered by the underground operator is **price**, because people believe that they will save money when they pay cash under the table. The challenge is to convince consumers that a cash bid can come with a significantly higher final price tag, once everything is counted up. With nothing in writing, costs can spiral out of control, timelines and other promises can fall by the wayside, or the project may not be completed at all. And there are a whole lot of important things that people are NOT getting when they hire someone from the underground, including protection in case of accidents and a warranty on the work.
3. You know that in a competitive situation you cannot beat cash operators on price. BUT by demonstrating what professionalism is, and what it means for homeowners, you have an opportunity to set the standard by which homeowners will measure others, including underground operators.
4. This is best done in a professional manner, without bringing attention to the underground economy, getting involved in discussions about “the bad guys”, or being negative about someone else’s values and motives.
5. That does not mean that you are not actively working against the cash operators. You know their weak spots and can challenge their claim to a price advantage, without actually having to talk about them.

You won't win them all!

It's important to be pragmatic and have realistic expectations. If a customer's only, or primary, concern is to save as much money on a project as possible, you may not be able to persuade him or her to see things in a different light. No matter what you do or say, they will go for what they believe is the lowest price, which may mean choosing the underground cash deal.

How do you get the message across?

Whenever you talk with potential customers, you have an opportunity to educate and inform them—to confirm what they may already know, and tell them about the things they should also know.

First and foremost, it's a chance to help them understand that there are other crucial aspects of a project beyond the cost of

materials and labour that affect the price, and show them that your company offers it all.

The key is to establish trust and confidence with your prospective customers.

The *Get it in Writing!* campaign has long promoted the idea that homeowners should expect, and ask for, a comprehensive written contract. This, together with a list of specific points

that homeowners need to know about, is a great starting point for legitimate companies in putting together their professional presentation.



ABOUT RISK

The core of the *Get it in Writing!* campaign is risk management: helping consumers to understand that when they deal with underground cash operators, they put themselves at risk.

Choosing a cash deal from someone who flies under the radar means sacrificing a range of benefits, such as being protected if something goes wrong.

That's why consumers are being encouraged to insist on "getting it in writing", so they will know what a contractor is and is not offering, and what's included in the price and what's not.

Just as crucial, with a written contract, they will have recourse if something goes wrong—without one, there is little they can do.

The campaign has had a positive impact on the marketplace. The number of homeowners who ask about a written contract, insurance, workers' compensation, and other business items has grown over the past years. Contractors also note that more homeowners will nod during a conversation and say: *"Oh, I was going to ask you about that (e.g. insurance). I am glad you brought it up."*

However, there is still a long way to go.

HOMEOWNERS WHO HAVE ENTERED INTO A VERBAL AGREEMENT WITH A CASH OPERATOR WILL GET LESS SYMPATHY IN COURT, AS THE JUDGE MAY FIND THAT THE HOMEOWNER CONSPIRED WITH THE CONTRACTOR ON TAX EVASION. NOT ALL CONSUMERS ARE AWARE OF THIS.

What customers worry about.

Consumers generally understand that there are some risks involved when they hire a contractor. They have heard enough stories from friends and families, and through the media, to know that things can go wrong.

The top of the list of things they worry about when hiring someone includes:

- The work is not completed on time, or at all.
- The final price is higher than agreed to.
- The quality of the work is poor.
- The site is messy during the work and not cleaned up properly at the end.
- The contractor will not come back to fix something that was done poorly.
- The contractor is using or substituting poor quality materials.

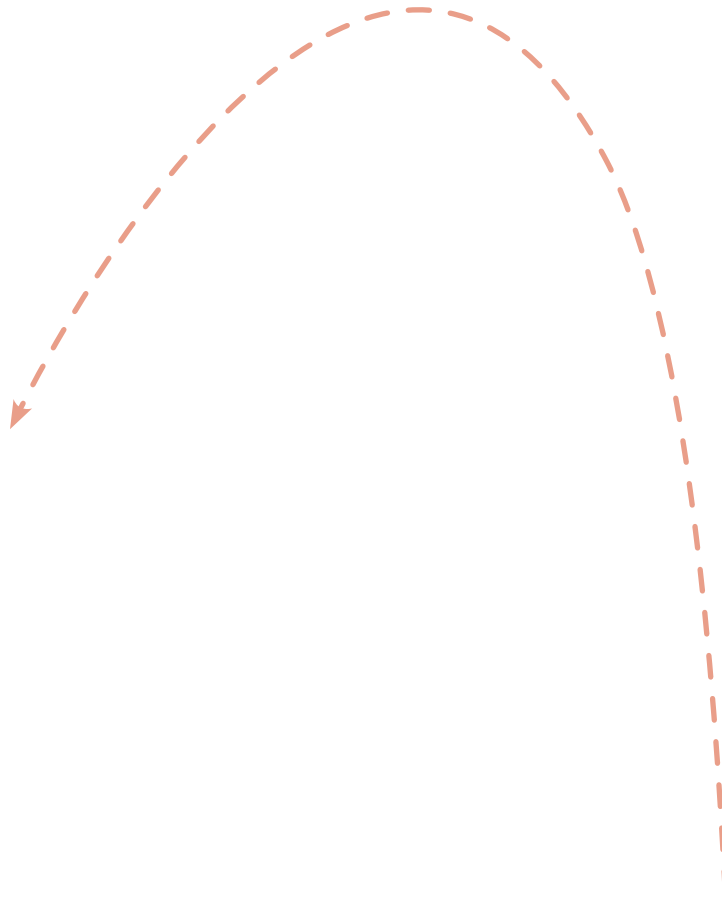




They may also be concerned about other aspects of the project. Thanks in large part to the *Get it in Writing!* campaign, more homeowners are beginning to realize the full scope of the risks involved in doing work on their homes, such as:

- Accidents harming people—workers, the occupant, neighbours.
- Damage as a result of the work—to the owner’s home or neighbouring properties.
- Work permits are not obtained where required, resulting in a project that is not approved by the municipality, leaving the owner vulnerable to repercussions.
- Required municipal inspections of the work are skipped.
- On-site theft of materials and product, and no insurance to cover the losses.
- No warranty and follow-up—if something doesn’t work properly, homeowners are on their own.
- The contractor does not pay suppliers and trades who may then place a lien on the house, even if the homeowner paid the contractor in full.
- Possessions may go missing.
- Having no legal recourse if any problems arise, because the arrangements with the cash operator were undocumented.

ALWAYS KEEP THESE CONCERNS IN MIND. THEY ARE YOUR CUES FOR WHAT TO STRESS WHEN COMMUNICATING WITH POTENTIAL CUSTOMERS.





Limitations on consumers' understanding of risk.

Much of homeowners' knowledge is superficial. Many people don't REALLY understand the risks of working with the underground cash operators. They may *think* they do, but underestimate what it *could* cost them.

- Homeowners may think that cash operators are simply not paying GST/HST, and not realize that they are also NOT paying for the things that protect them, the homeowners, if something goes wrong, such as workers' compensation and insurance.

- It may not occur to them that someone who is prepared to break the law and play loose and fast with some of the rules may also do so with other aspects of the job—permits and code compliance, the quality of the work, product selection, timelines, follow-up service, for instance.
- Sometimes consumers are willing to take a gamble, because they don't understand what's really at stake and how bad it can get. Even if they know there are risks, they might believe "it won't happen to me".
- They may also not think to verify a claim made by a cash operator, "*Sure, I have insurance*", by asking to see the certificate, or inquiring about coverage, amounts or who is the insurer.
- In many cases, consumers make the wrong decision because they don't have the right information, or enough information.

AS A PROFESSIONAL CONTRACTOR, YOU HAVE AN OPPORTUNITY, AND A RESPONSIBILITY, TO GIVE CUSTOMERS ALL THE INFORMATION THEY NEED, SO THEY CAN MAKE THE RIGHT DECISIONS. THAT INCLUDES WHO TO HIRE AND WHY.

The bigger the project, the less the willingness to take chances.

For most consumers, their perception of risk is closely linked to the size of the job and what they see as being at stake. Not surprisingly, people become more risk-averse as the cost and complexity of their project increases. This can be an advantage for professionals bidding on larger projects.



The industry estimates that many or maybe even the majority of small renovation jobs are being done by underground cash operators—projects below \$10,000. As projects get larger and more expensive, more homeowners turn to reputable, professional companies, rather than hiring from the underground. But, cash projects occur at all price levels. Even high-end clients will ask for a cash deal.

Your challenge.

In general, marketing and presentation is all about giving customers a reason to choose a specific company's products or services. BUT when competing with the underground, your challenge is also to give homeowners a reason to reject operators who are flying under the radar.

As a professional, you need to differentiate yourself in areas where the cash operator is the most vulnerable and poses real risks to the customer.

This means providing information about your own company's practices that sets the standard for how things should be done, and changes their perception of risk.

You want people to draw conclusions, such as, *"Compared with this company's approach to my project and to me as a customer, the cash guy with the lower price could hang me out to dry, and there would be nothing I could do about it."*

At the very least, you wish to sow the seeds of doubt. *"Perhaps the cash deal offered by the other person is not quite as good as I thought. What if...?"*

In discussions with a potential client, draw attention to various risk areas, along with your company's solutions. However, instead of focusing on risks and possible disasters, you may wish to talk about "our company's policies", or "our practices of responsibility to our customers".



UNDERSTANDING CONSUMERS

The more you understand about prospective customers, the better equipped you are to turn them into clients and satisfied homeowners who will happily recommend you to friends and family.

Good communication is critical—before, during and after a project. When thinking about how to get your messages about professionalism across, it is helpful to consider some general observations about consumers.

What are some of the opinions and values that people hold and why? How can this guide you when developing your presentations and information materials?

- **Many people don't see cheating on taxes as a big deal.**

It takes two parties to agree (verbally) to a cash deal. The underground cash economy flourishes because both consumers and under-the-table operators look for a “break”, without adequate concern or understanding of the consequences. And as noted earlier, consumers do not recognize that the cash operators cheat on a lot more than simply taxes, but also avoid paying for workers' compensation, insurance and other business costs that protect them.

- **Our consumer culture encourages “low” or “special” pricing.**

Getting the best deal possible is a sport for some. In a time of constant sales, discount prices and special promotions (e.g. “Beat the HST”, “We pay the GST”), paying full price can be the last resort. If people want to bargain

or push to see if you are willing to give them a break on taxes, it may not always indicate that they want you to cheat—it may simply reflect their lack of understanding of what is legal, and what is not. Have a professional response ready, explaining why the answer is “no”. And be prepared to walk away if the homeowner clearly wants you to break the law.

- **Consumers lack knowledge of the renovation industry.**

Homeowners usually don't know much about the industry. They may not even know what questions to ask: the kind of renovator they need, the experience and skills required for their project, the hallmarks of a professional company, how to assess if someone is good or not, and so on. Make sure you tell them about **your** training, experience and knowledge as it relates

to their project. That way, they may feel compelled to look into **others'** background and abilities.

- **Similarly, they lack knowledge of home construction.**

True, homeowners do more homework and research than ever, but even so they may not understand how a home is constructed, and what it takes to fix or build something. Yes, they may know a great deal about kitchen cabinets, including options for handles and lazy susans, but they may not be familiar with plumbing, wiring and wall repairs. And it is very unlikely that they understand the consequences of someone's uninformed decisions, e.g. wrong techniques or incompatible materials. When you take the time to describe some of the “behind-the-walls” work (without too many technical details), they will begin to have a

better understanding of the real scope of work involved in their project. They may also be more skeptical and wonder why someone else doesn't mention it at all, and start quizzing others about their approach.

- **In the same vein, they may know little about the actual costs involved.**

The attraction of the cash deal is that the price is lower than what's offered by a legitimate contractor. Or so consumers believe! In reality, they may have only a faint idea of what something should cost.

- **They have heard the horror stories.**

Many people believe that hiring a contractor for a building or renovation project could turn into a bad experience. They fear making mistakes, getting taken and being left in the lurch. You have to work to win their confidence and build their trust, and show how you are different.

- **The cash operator's price advantage is often overrated.**

Price matters, yes. There is no doubt about it, but not always as much as commonly thought. Other factors, such as trust, reputation and quality of service also influence people's decisions, sometimes more than price.

However, price has one virtue—it's easy to understand for customers who are just looking at the bottom line. This means that if other factors are not properly communicated to prospective customers, price can end up being the deciding factor when they compare project proposals. If you are competing with underground operators, make sure this doesn't happen.

- **The pride of homeownership is strong.**

For most people, their home is the fruit of their own labours. People dream about homeownership, plan for it and work for it, and they are careful not to jeopardize their investment in their home. The idea that a well-done project adds to the enjoyment and value of their home, and that a poorly done project can have the opposite effect, can be a compelling argument for hiring a professional, if presented well.



PRESENTING YOURSELF AS A PROFESSIONAL



What is a professional contractor? There are various definitions of the term “professional”, but some of the key words and phrases are:

- Competent, skilful, assured.
- A person following a profession, especially a learned profession.
- A skilled practitioner, an expert.
- A person with a high degree of knowledge or skill in a particular field.

Those words describe some of the attributes of your company that help you stand out from the underground cash operators. Other phrases that can be added include “doing business the right way” or “taking pride in our professional ethics”.

This handbook does not attempt to tell you how to operate your business or lay out processes for managing your customers from A to Z. Every company determines through practice, trial and error what works best in their own marketplace.

Instead, this section offers some thoughts and ideas on how to incorporate your professional messages into your practices and materials, with the firm objective of countering and beating the cash operators.

1. Look at Your Professional Assets.

Whether you have just started out in business for yourself or have operated your business for several decades, it is a good idea to take stock and evaluate what you are bringing to the marketplace.

Ask yourself: What are the things about me and my company that make me professional? What sets me apart from the underground cash operators? Do I do a good job of putting this in front of prospective customers, to show the

difference between me and “the other guys”, gain their trust and win their business?

Without doubt, you will end up with a long list of assets or credentials, including:

- Personal/company attributes: experience, training, education and skills upgrading, special expertise, awards, and so on.
- Professional/industry/business memberships and affiliations: the CHBA, RenoMark™, Chamber of Commerce, Better Business Bureau, and other organizations.
- Business tools: written contract, insurance, registration with workers’



WHAT IF I AM JUST STARTING OUT?

Even a brand-new company has a range of tools at their disposal to create a professional presence.

compensation and other organizations, as required.

- Warranty.
- Past projects list, references, and testimonials from previous clients.
- Well-established business practices: project management, client communication, and so on.
- Consumer information materials.
- And more....

Remember the things that people worry about? (See page 12.) Clearly, your list of professional assets shows that your company can provide the solutions to their concerns.

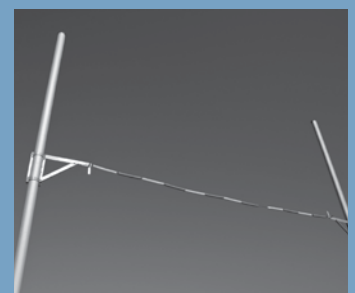
Think about it! An underground cash operator cannot produce a similar list. And even if they could, they certainly would not

document it. After all, they do not want to leave a “paper trail” of any sort. Your advantage is that you can document everything, without fear.

GET BUSY:

- Make a list of professional assets, credentials and achievements for yourself, your staff and your company.
- Make a list and review your tools and practices for professional content and messaging – for instance, website, customer information kits and advertisements. Are you putting out the right information, using a professional tone, and so on?
- Identify gaps in your tools and practices.
- Identify responsibility and timelines for developing the missing elements and closing the gaps.

- The CHBA member logo on your own materials, symbolizing your membership.
- RenoMark™ logo and Code of Conduct.
- CHBA and RenoMark™ marketing and information materials (add your company name).
- Membership/affiliation with local business organizations (e.g. Chamber of Commerce).
- Company materials—business cards, brochures, etc. (can be self-produced).
- A company website (small is OK), with links to other sites that are helpful and interesting to your clients (e.g. your local and provincial HBA, CHBA national and CMHC).
- Company listing on local and provincial HBA websites, as appropriate, as well as the CHBA national website, with a link to your own site.
- Training, workshops, courses, ongoing professional development.
- Previous work experience.
- Completed projects, if any.



2. Make Yourself Visible in the Community.

Underground cash operators succeed by flying under the radar of the authorities. They are not registered, licensed or certified for fear of drawing attention to themselves and getting caught for tax evasion, for instance.

But, in spite of the fact that they are engaged in illegal activity, they don't necessarily keep a low profile in the community. They may have business cards, paint their name on their trucks and advertise their company and services openly.

That's why it is so important for a professional renovator operating a legitimate business to be visible in the community. You need to:

- Create awareness of your company.
- Build name recognition.
- Put your "credentials" out in the community.
- Market your company, make the phone ring and create business opportunities.
- Make it easy for potential customers to find you.
- Position yourself in the marketplace and differentiate yourself from other companies, including cash operators.

Creating visibility is an investment in your future. Committing the time and resources as necessary will help you to get to where you want to be.

Association opportunities

Membership in the CHBA offers companies great opportunities for participating in cooperative events that can bring a lot of exposure and recognition, such as:

- Home shows, where members take turns staffing an Association booth, interacting with show visitors and collecting leads for follow-up.
- Consumer seminars, with a panel of experts and displays by members.
- Renovation Month and New Homes Month.
- Parades or tours of new homes or renovations.
- Association charity new construction or renovation projects with participation of members.
- Participation in award programs at the local, provincial and national levels.
- And more...

Individual company efforts

Large or small, new or well established, there is a whole range of activities that your company can undertake to create visibility and establish a professional presence in the community. Here are a few suggestions:

- Put the Association logo on your vehicles along with your company name and/or logo (print T-shirts, golf shirts or other apparel with the same logos).
- Add the RenoMark™ logo, as appropriate.
- Set up a company website.
- Use social media—Facebook, Twitter, blogs and more to reach out to potential customers with helpful information, updates, interesting facts, and so on.
- Participate in local business/industry/service organizations.
- Advertise as your budget allows (from flyers that you create and distribute yourself, to a multi-faceted print and electronic media blitz).

Being seen as a professional company in your community generates respect, confidence and trust. These are powerful attributes when you go toe-to-toe with the underground!

3. When The Phone Rings (Or The Very First Contact).

No matter how people find your company, chances are that the initial contact with customers usually happens on the telephone. This is your first opportunity to take charge and begin to establish your professionalism.

Even if you are eager for work, take the time to ask a series of questions to get a better sense of the project and what the caller is looking for. The more you find out now, the better you can prepare for the first meeting.



Ask about:

1 The nature of the project, in some detail.
This allows you to think the project through and gather useful information for your meeting. Photos and descriptions of similar projects you have done for other clients will demonstrate your ability to do the work, and can trigger discussions about what may be needed for the proposed project. (If possible, do a drive-by before the meeting to get a better idea of the house and neighbourhood. Or to save time, use Google Street View to take a look.)

2 How long have they been thinking about the project?
Where in the planning process are they? If they are just beginning, they may need to define and design the project. If they have been planning for a long time already, what is the reason for the delay? Are they ready to get going now? Or are they perhaps looking for a “special deal” that they haven’t found yet?

3 What’s their budget?
How much have they budgeted for the project? Knowing upfront if their budget is adequate for their vision is important—do they have realistic expectations? A misfit between budget and plans can be an indication that the homeowners might consider a lower cash bid in order to get it all.

Some people may be reluctant to reveal financial information at this early stage, often for fear that your bid will be exactly the amount they mentioned—they want to know what you have to say about cost. One way of getting around this is to explain that your company will work with them to design the project that is right for them and their budget, resulting in a detailed plan and cost estimate. Knowing what they plan to spend is key to the process.

4 What other contractors are they talking with?
It is OK to ask who else the homeowners are interviewing. If they are willing to tell you, the answer may reveal if they are looking for a deal or if you might be going up against cash operators. A long list of contractors or companies you have never heard of before, or names of people that you know work for cash, should raise a red flag. You then have to decide if you wish to go ahead and explore the opportunity further, or drop it. Don’t offer a negative opinion about other contractors, particularly those you know to be cash operators—a brief “I see” or “Yes, I have heard about them” is sufficient.

4. Face-to-Face Meeting.

The main objective in the initial meeting(s) with potential clients is to sell yourself and your services, and to outperform any competition, including underground cash operators, so the homeowners will decide to work with you.

Certainly, you are there to talk about the project and to learn from the homeowners what they are looking for.

But, just as importantly, they need to learn about you and your company. Only then will they be able to make an informed decision about who to hire, that is based on a lot more than price.

How and when you go about this is up to you. Some contractors prefer to take time at the beginning of the first meeting: “Before we start talking about your project, let me tell you a little bit about us.” Others wait until they have a better sense of the project and the homeowners. Others may do it over several visits or conversations.

Whatever your approach, formal or informal, it should be carefully thought through and based on a list of key items. Rehearsing your presentation, preferably with others, will help you to determine the salient points and find the right level of detail. You don’t want to drown customers in information.

Essentially, you are building a business case, point by point, FOR you and AGAINST the cash operator. The next pages offer suggestions for how this may be done.



“PUT IT ALL IN WRITING”

The *Get it in Writing!* campaign emphasizes the written contract between the customer and the contractor. But a professional contractor knows the value of having EVERYTHING IN WRITING—from company brochures to step-by-step descriptions of your processes, to forms and checklists. Use your written materials for show and tell, to explain and impress, to support verbal presentations and to create knowledge and trust. Leave the information with customers, so they can read it, refer to it and use it as a “litmus test” with other companies they may be considering: “Do you offer...? Are you...? What about...? How do you...?”

You may choose to print most or all of your materials and prepare a customer kit every time you meet with someone. Or post some of it on your website. Or use some other approach to “putting it in writing”—that’s up to you. Just don’t shortchange yourself or potential clients; invest the necessary time and resources to develop your written tools—they are just as important as the tools you use on the jobsite.

Your company “Let me tell you a little about us. We have been in business for ___ years **(stability)**, we are members of the local Home Builders’ Association **(professionalism, credibility)**, and also of _____ (e.g. the Chamber of Commerce) **(professionalism, credibility)**. As association members, we can keep on improving our skills and knowledge, and continually learn about the latest products, building code changes, and new environmental legislation, for instance **(up-to-date knowledge, ability and skills)**. We also have fun, mind you, last year the Renovation Council that I am a member of **(professionalism, involvement)** renovated the local boys and girls camp **(community care)**.”

“My own background is...**(training, education, certification, professional development, special expertise)**.”

“Our staff/team consists of...(training, education, certification, professional development, special expertise).”

“We are proud of... awards, customer feedback **(pride, ability, commitment)**.”

Underlying message: A contractor must be able to talk about their company openly and with pride. If they don’t or won’t, the homeowner needs to be concerned. Even a brand new company has lots to offer: experiences before starting the company, expertise, references, and so on.

RenoMark™ “We are a RenoMark™ renovator. You may be familiar with RenoMark™ or have seen the logo elsewhere. The most important thing you need to know about RenoMark™ is that we have to adhere to a special Code of Conduct (provide details and/or RenoMark™ brochure).”

Our work “Our projects range from _____ to _____ **(capacity, technical/design ability)**.”

“I have brought along... (brochure, photographs, etc.) to show you a few of the projects we have done for other people **(showcasing your experience, abilities, quality of design/construction)**.”

“Here are a few examples of what our clients say about us (letters/testimonials) **(third-party endorsement of your company)**.”

Underlying message: A professional contractor is able to show examples of their previous work and discuss it, not simply explain verbally what they do, or just say, “*sure thing, we can do that.*”

Note: Ideally, some of the examples should relate to the proposed work—you have the experience needed for the particular project, a point that you want to make to the homeowners.

Also, if appropriate, mention if some of the projects were particularly demanding technically, required complex permits and inspections, and so on. BUT keep it brief; don’t drown your potential customers in details.

Point out any projects that were award winners, featured in the media, or outstanding in any other way.

If relevant, tell the customers that your website has more examples of your work.

In contrast, driven by their need to be invisible, underground cash operators cannot do a “show and tell” of previous projects; nor will they have a website.

References “I will also be happy to give you references to other clients that we have done work for, similar to yours. And please, do give them a call, I assure you that they won’t mind.”

Underlying message: A professional contractor doesn’t hesitate to provide references; underground operators may. References provide yet another paper trail which is what the cash operator needs to avoid.

Rules and Regulations “Of course, in case you wonder, we comply with all the regulations for our industry. We have a business license (where required) as well as a business number, meaning that we are registered for the GST/HST. We carry insurance and workers’ compensation to protect you and the people working for us, in the unlikely event something unfortunate should happen. And the work is covered by our warranty. For us, this is simply part of doing business, and it is all set out in our contract form. However, you need to know about it upfront so you don’t have to worry about it **(customer protection/peace of mind).**”

Underlying message: It should be a given that every contractor complies with the rules and regulations for their business. And yes, people should worry whether their contractor has everything in place.

Our Process “I want to give you a quick overview of how our company works and the kind of process we follow, so you will know what to expect from us **(organized, orderly, thoughtful).**”

“Today, we will take a look at your project, and talk about your ideas, timeframes, budget and anything else that will be helpful to moving your project ahead **(take-charge approach, do-it attitude).**”

“After the meeting, I will...(prepare an estimate, a preliminary plan, and so on, as appropriate). I will get this to you by _____. Here is an example (*blank*) of what you will get.”

or

“The first step is to develop a design and plan for your project, before we can determine an accurate price. As a design/build company, we can...(describe your services and approach).”

“The next step is....”

“Then....”

“The final step is to write up the contract. And then we will be good to go.”

“Before the work begins, we will sit down with you and go through in detail how we will manage your project once it gets underway, from start-up to completion. Our process is designed to get the job done well and effectively, and to make it a pleasant and stress-free experience for you. For instance, ... (our site manager is your key contact, we work around your schedule, we will keep you updated throughout, we are always ready to answer your questions, and so on...).”

Underlying message: A professional contractor’s customers are in good hands. They will know what is going on, what to expect and what everyone’s role is—their risks of a bad experience are greatly reduced. Knowing that there is a well-thought-out process in place from beginning to end helps build trust and boost their confidence. It may also help them understand why you don’t have the lowest price.

CONTRACT REVIEW

Encourage people to read through your blank contract form, and invite them to submit it to their legal advisor for review. It may result in a few queries, but that can eliminate questions and concerns later, and it will help to familiarize people with the details of a legal agreement between themselves and a contractor.

Alternatively allow a grace period for legal review before the customers sign a contract you have prepared for their approval.

Your contract form needs to stand up to legal scrutiny. CHBA's *A Guide to Residential Renovation Contracts*, and CMHC's *Sample Renovation Contract* are both good starting points for developing or updating your own contract form. But before using a new contract with clients, make sure it has been reviewed by a legal expert.



5. Explaining the Contract.

The contract is the focus of the *Get it in Writing!* campaign. The written agreement is the most tangible difference between the underground and the professionals. As cash operators avoid it, the contract becomes a powerful tool for professional renovators to demonstrate what the difference really is. BUT it

only works if you take the time to talk about it and explain what it really does for the customer.

Again, you know best how to work a discussion about the contract into your presentations to customers. Some contractors add a blank contract form to their customer information package for the initial meeting and go through it briefly then. Others will discuss it in detail later.

Whatever your approach, the key to beating the underground competition is to cover the important points sooner rather than later. You want the customer to make decisions about who to hire based on all relevant information. Here are a few suggestions for what to cover in a review with customers, just to get you started on creating your own presentation.

Introduction “I would like to talk a little bit about the contract. We consider it a very important document because it sets out the agreement between you and our company for the project in writing—not only what’s to be done and the cost, but also how, when, what if, and many other aspects of the project. Let me highlight a few areas.”

Identification “As in any other contract, the two parties are identified in detail. That includes our address, mailing address if different, business or GST number, and other registration numbers where required.”

The Work “Our contract describes the work in great detail—what’s to be done, by whom, and maybe how, depending on the project. We also include a very detailed list of all the materials, down to brand name, product numbers, colours and so on. That way, we are in complete agreement, and there will be no substitutions unless discussed and agreed to in a signed Change Order.”

Dates “There may or may not be firm start-up, milestone and completion dates, all depending. But in the contract we will both agree to an approach that works.”

Price/Cost “The contract will also clearly describe how the cost of the project will be calculated, for instance, cost-plus or a firm price, as well as payment terms. Costs will be itemized as much as possible. Deviations (i.e. unexpected expenses, cost overruns) must be discussed and agreed to by both parties. Hold-backs as required by provincial legislation will be explained and detailed.”

Permits “The responsibility for securing permits, where required by law, and arranging for inspections is clarified.”

Insurance “If something happens on the work site that’s our fault, even if it is an accident, the contract makes sure that we are liable, not you. Our contract also includes clauses related to insurance and workers’ compensation.” (Provide a few details, e.g. amounts and proof of insurance, and how workers’ compensation works.)

Warranty “Last but not least, I want to mention our warranty. Our company offers a __-year warranty on our work. That means that if for any reason, something needs attention during that time, after the work is completed, you give us a call, and we will deal with it. We are proud of our work, and of our reputation, and we want our clients to be happy with us, and our work.”

THE IMPORTANCE OF GOO

Elaborate on the details or abbreviate them as appropriate, and add any other items that customers would benefit from knowing about at the time. This could include specific provincial or municipal regulations that may affect the project or the budget in any way, for instance, waste disposal or other environmental issues.

If true, you may also want to note that you have worked on your contract over time (with legal advice) to make it user-friendly, and that you are proud of it. Other clients have found it very helpful, because it covers the things that can make people nervous about getting into a project.

The underlying message is clear. Not only does a contract have to be in writing, it also has to be detailed enough so it includes the items that protect the clients. A written contract without this information is not acceptable.



D RELATIONSHIPS

Professional contractors know the importance of a good relationship with customers. Relationships don't just happen, they grow over time, as you meet repeatedly with clients, talk with them on the phone and exchange emails. But from the very beginning, from the very first contact, you have an opportunity to make the right impression and give them the message that you are the right "fit" for their project. No tricks or special tools are required to build relationships. Most of all, it simply takes good communication skills. For instance:

- The willingness to listen to customers, and then showing them that you understand what they say.
- The ability to give them good advice, based on their wants and dreams.
- Sharing their excitement about the project.
- Eliminating their fears and stresses by offering calm, professional input and processes.
- Being available, being punctual, being prepared.

In short time, you will build up their confidence and have their trust—the foundation for a good relationship that will help you get the job and end up with a happy customer.

WHAT IF...?

In your conversations and presentations, you have given the homeowners a lot to think about when it comes to choosing who will be doing their project.

Without ever mentioning the underground, or cash operators, you have given them a checklist of points that they can use when comparing companies.

You have shown them what a professional contractor brings to the table, which is so much more than simply saying: *"Yes, we can do the job you want, here is our price."*

You have made them uneasy about forgoing the protection that a professional offers. Everyone, including homeowners, knows the old adage: *"You get what you pay for, and if you don't want to pay what a job is really worth, you may not like what you get."*

You have made them aware of the value of doing it right—all the way.



BUT WHAT IF homeowners still want to push to see if you are willing to cut them a deal?

- *“Will you take cash?” is a typical question, to which you may want to answer, “Yes, we accept payment in cash or by cheque, but prefer cheques (as I don’t like carry a lot of cash on me).” Both you and the homeowner know the real meaning of the question, but by refusing to deal with it on their terms, you have clearly signaled that you are not a cash operator, and you prefer not to offend the homeowner.*

- Many homeowners will back off right there, but some may pursue it. *“If I pay cash, will you give me a better price?”* Your answer can take different forms, but basically the message is this: *“We always give our customers the best price upfront. No matter how you pay us, the cost of your job remains the same. So the answer is ‘no’.”* Note that your company prepares a detailed project budget, so clients can see clearly how their money is being allocated. If you have already presented the budget, suggest that you go through it again together, to make sure that you have explained everything adequately.

- If the customer tells you that your bid/price is much higher than anyone else’s, ask whom you are bidding against. If the names tell you that you are competing against the underground, you may wish to acknowledge that you know these operators and say no more about them—silence can sometimes speak volumes.

Recommend that the homeowners compare not just the price, but everything else as well, and particularly how other companies are doing business. Do others offer a warranty? Do they have insurance? Do they provide a detailed written contract? And so on. Also, suggest the homeowners look at the proposed materials

THE DEVIL IS IN THE DETAILS

You know what it takes and what it costs—customers don’t.

Break your bid down and provide detailed costing that captures ALL related expenses, including waste disposal fees, permit fees, and so on. Then when it’s all added up, the bottom line makes sense!

and products (are they reputable brands backed by a warranty, for instance?) and timelines (do they seem realistic?).

If customers do not wish to give you the names of your competitors, you can still suggest that they review all project bids carefully to make sure that they understand what each one does and does not include.

- If the customers seem genuinely concerned about your price and not just after a “break”, probe a little: Is the price higher than they can afford? Were they perhaps too optimistic when telling you the size of their budget?

Determine if it is possible to reduce the cost by scaling back the project. If yes, suggest that you and they go through the plans together again, to find the changes and savings that allow them to go ahead with their project at a price they are more comfortable with.

On the other hand, you also have to be prepared to walk away, if you cannot find a workable solution. If you simply reduce the price, you will compromise on your costs—and that may cost you a lot more, both on this project and down the road, in terms of profit, cash flow and expectations of future customers.



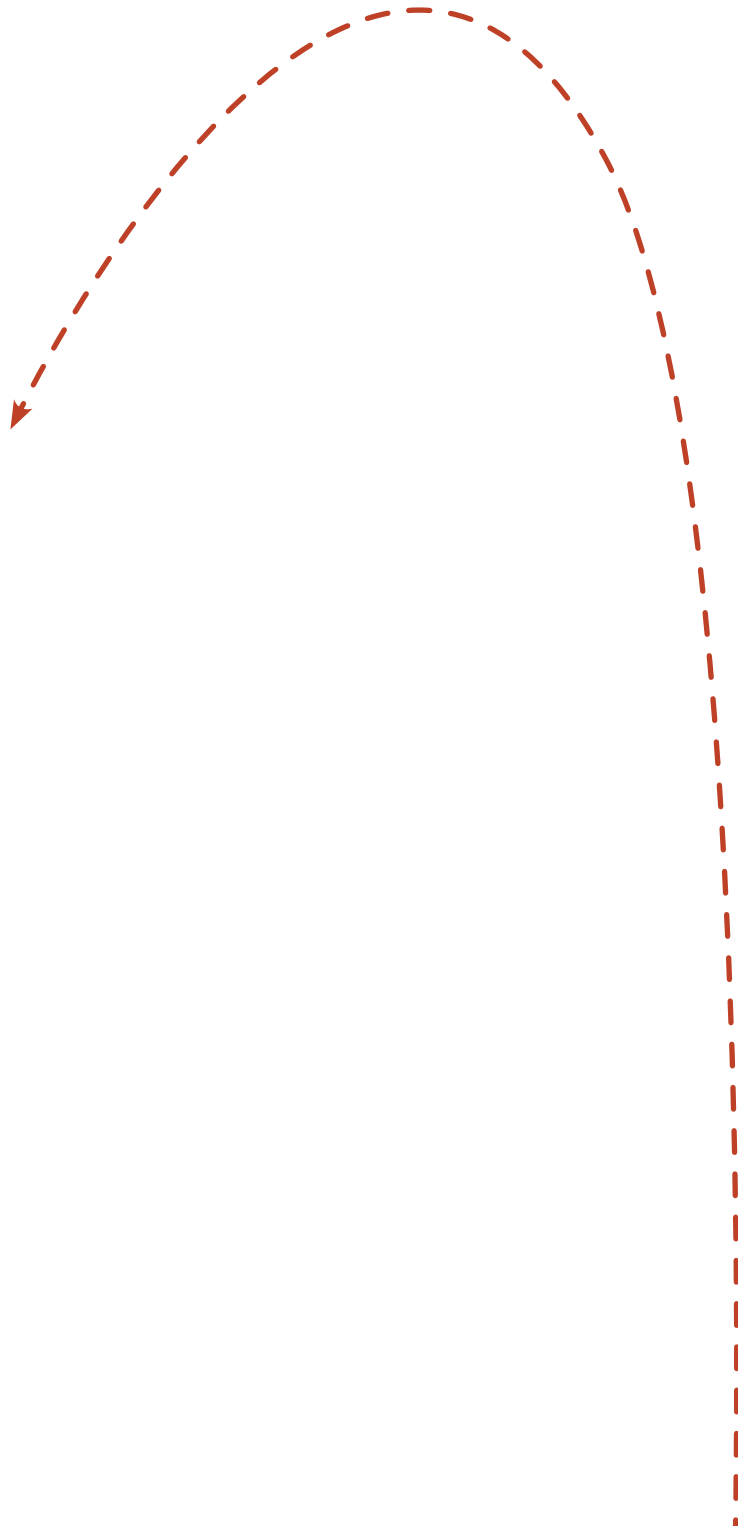
SUMMARY: DO'S AND DON'TS

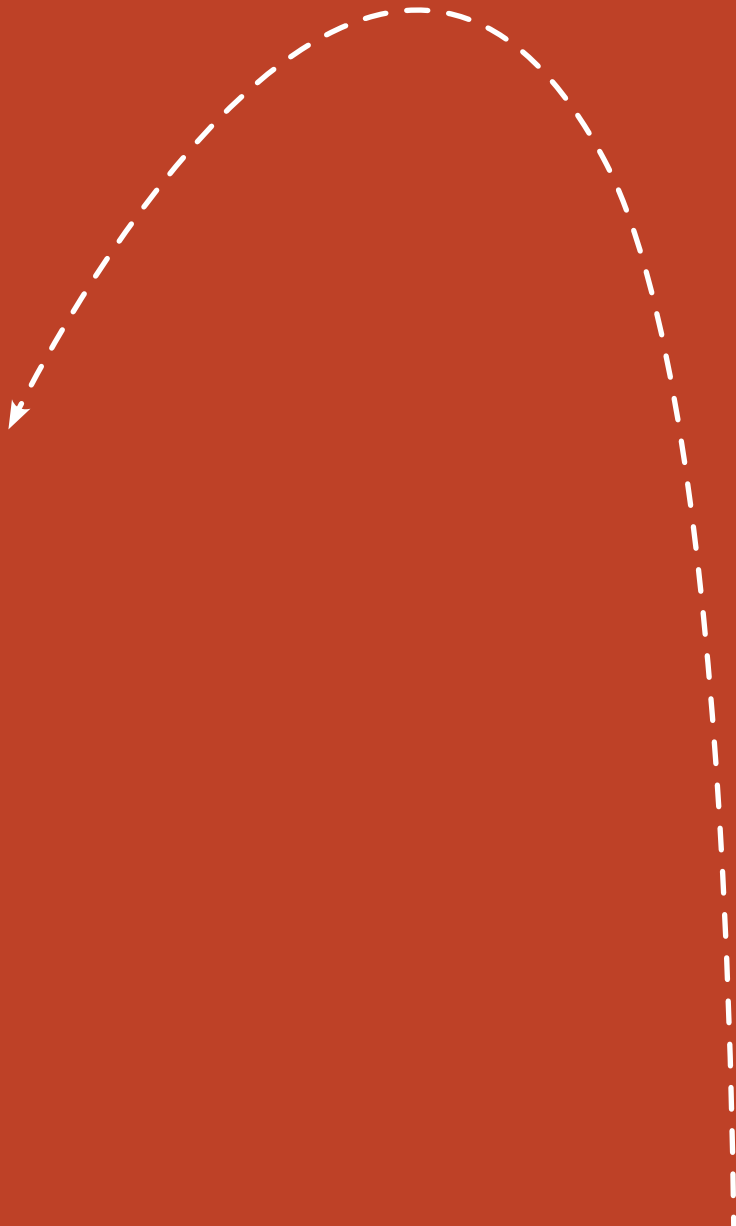
DO'S

- Be professional. If you could use one word only to describe your performance and presentation, this is it!
- Take your time to get to know your customers, understand them and build a relationship.
- Provide the information they need to make the right decisions.
- Make it easy for them to say “no” to a cash deal under the table.
- Make it easy for them to understand why they should work with a professional contractor.
- Make it easy for them to choose you!

DON'TS

- Be emotional about the underground operators, hard as it may be. This is business.
- Express anger at those that do not play by the rules.
- Use scare tactics. Refrain from telling detailed stories about horrible things that befell people who didn't hire a professional. People may not believe you, even if you tell them the truth. And they will resent your attempts at frightening them into doing business with you.
- Be moralistic. Don't preach about right and wrong. People dislike having their values questioned.
- Make it personal. Never talk about how much the underground is costing you personally. And don't brag about having bailed out homeowners who were not wise enough to hire a professional renovator the first time around.
- Be too “educational”. Don't try to explain everything about your contract the first time or all the details of insurance, workers' compensation, and so on. Just give them the gist of what they need to know in order to understand how important it is.





Canadian
Home Builders'
Association

150 Laurier Avenue West, Suite 500
Ottawa, Ontario K1P 5J4

Tel: (613) 230-3060
Fax: (613) 232-8214

Website: www.chba.ca
Fall 2011