GRAB LIFE BY THE HORNS







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Troublesome issues that aren't in your contract

HEN A CONTRACT arrives in the mail for you to sign, you read it, and take out your pen and start marking it up. Most contractors know bad language for them when they see it, and if they don't know exactly how to word alternative language, they can contact their attorneys for suggestions.

But just as importantly, and more dangerous because it's so easy to overlook, is what is missing from the contract. Some perennially troublesome issues that could be avoided by specific language in contracts are:

Interest on unpaid funds. If none is stated, a contractor can end up financing construction work because it is cheaper for the owner to stall the contractor than borrow money. The rate should be high enough to compensate the contractor for its borrowing and administrative costs in the event that

payment from the owner is delayed.

Right to verify that the customer has funds to pay the bills. Some (but still just a few) form contracts give the contractor the right to demand evidence at the start of the job that the customer has money in the bank or

funds will be released upon "completion," or similar terms, but don't go on to say how that determination is made. Will it be up to the customer? A thirdparty inspector? Or decided jointly by the contractor and the customer? Contractors end up spending many,

The more that these events can be quantified, the fewer problems later.

arranged to borrow the full amount of the contract, and to receive similar information later if the contractor has reason to worry (such as slow pay or increasing scope through change orders).

Who decides when the work is done? Many contracts provide that

many hours trying to meet unreasonable demands of their customers in order to get their retainage released.

Partial occupancy. It is now pretty typical for an owner to want access to at least part of the work before the rest is substantially complete, and some contracts even provide for partial occupancy (generally, to state that it doesn't constitute acceptance). But if this happens, how is responsibility for insurance, security, cleanup, access, utilities and other issues handled? Often, the owner does not intend to assume these responsibilities and even if it is willing to do so, some of them are not easy to segregate: If both the contractor and the customer have access to the same space, who's responsible for insuring that space? (See "Think through partial substantial completion," November, pg. 48).

Where will disputes be resolved? If you are an Ohio contractor doing tenant finish work in Alabama for a retail chain out of Montana, where will you have to go to collect your last \$1,000? If it's Montana, you'll probably not spend the money to collect. Generally, the most acceptable middle ground is to provide that disputes will be resolved in the city where the project was built.

What insurance will the contractor provide? Although many owners have unrealistic ideas of what levels of insurance and types of coverage a contractor typically carries, just as often a contractor wants to provide less than is reasonable for an owner. Obviously, increasing coverage will affect the bottom line, so the time to work this out is before the pricing is finalized.

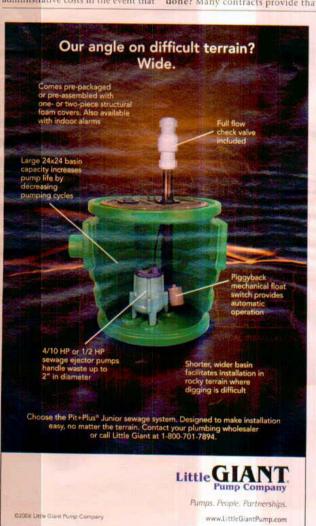
What constitutes an "acceptable" lien waiver, insurance certificate, surety bond, etc.? Many contracts require all these kinds of documents but don't say what will be acceptable. Not only can significant time be wasted going back and forth, but it is possible that the unclear requirements are ones that the contractor can't meet.

What constitutes a "force majeure?" It's easy enough to say that performance will be excused by events that are out of your control, but when they really occur, parties can have very different ideas about their severity or what to do about them. Is a price increase really something that a contractor shouldn't have to anticipate? How much does the price need to increase before it's an extra cost? How unusually severe is snow in April? The more that these events can be articulated and quantified, the fewer problems later.

What's incorporated by reference? Any contractor who agrees to be bound by terms that he hasn't seen should be ... I wanted to say "shot" but will settle for "sent to his room without dinner." This includes the frontend sections of a project manual (00700, 00800) as well as all those codes and other documents. These can add a lot of additional requirements to the work, which the contractor frequently only learns about when someone feels that they weren't met.

These are just a sampling of the many items that are frequently not addressed in a written contract. In some cases, a statute may provide a "default" position, such as the rate of interest on unpaid funds (the "statutory rate") or how disputes will be resolved (in court). Every state has different laws, however, and you can't assume what it will be. It is always in your interest to get agreements pinned down as much as possible, to avoid unpleasant surprises and wastes of time later on.

Susan McGreevy is a partner at Husch & Eppenberger, Kansas City, Mo., 816/421-4800, e-mail to susan, mcgreevy@ husch.com.



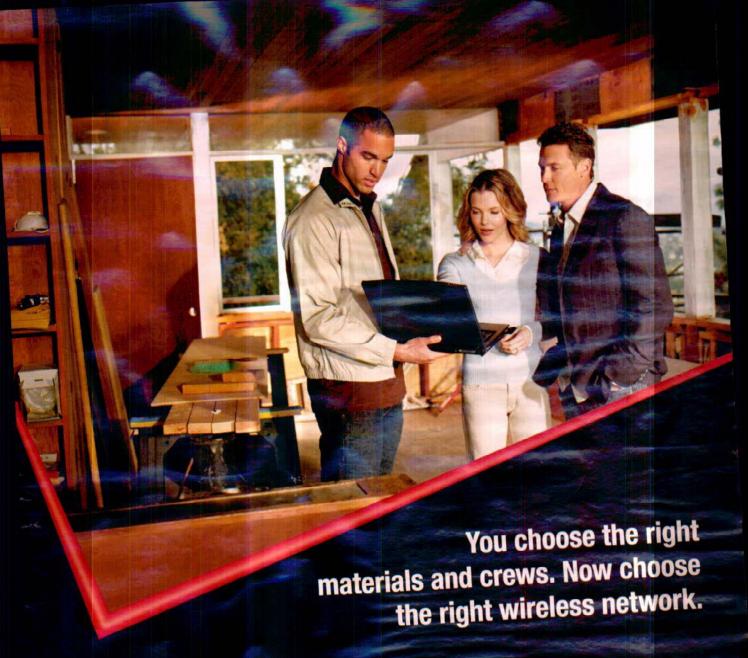
For information circle 220

Haberberger wins project award

ST. LOUIS — Mechanical contractor Haberberger Inc.has won a mechanical installation award by the Mechanical Contractors Association of Eastern Missouri. The company received the award for its outstanding process piping installation work on the Cold

Room A & B project at Sigma Aldrich, Haberberger won in the \$1.5 to \$5 million category for HVAC piping.

Haberberger was responsible for the installation of new storage tanks and high-purity polypropylene piping at Sigma Aldrich, a life sciences company.



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'Retirement plan rescue' saves a ton of taxes

a "substantial amount" in a qualified retirement plan such as an IRA, 401(k), profit-sharing plan or the like. For our purposes, "substantial amount" means \$300,000 or more.

This is a bad-news/good-news

First, the bad news, in the form of an example: Joe has \$1 million in his 401(k). Two taxes destroy Joe's \$1 million plan wealth. When Joe takes out just \$1, the income tax (state and federal) grabs 40% (40 cents), leaving 60 cents. At Joe's death (using 2011 rates) the estate tax steals 55% (33 cents) of the 60 cents. What's the result? The family gets only 27 cents out of every \$1; the tax collector gets 73 cents. If Joe dies with funds still in his 401(k), the tax collector still double taxes the balance (as described above).

So, dead or alive, the tax collector will get \$730,000 of Joe's \$1 million in his 401(k), the family only \$270,000.

To make matters worse the IRS has, without warning, refused to favorably rule (as it did in the past) on a strategy called the "subtrust." The use of this

AISE YOUR HAND if you have strategy (subtrust) allowed us depending on the client's marital status, age and health - to turn that \$270,000 (as in Joe's example) into a range between \$2 million and \$6 million, all taxes paid in full.

The subtrust really only had one

shift from a highly taxed environment (a qualified plan) into a tax-free environment (life insurance). Sorry, but if you are uninsurable or highly rated (have serious health issues), an RPR won't work for you. Have a healthy spouse? She or he will probably

normally 80% of his marital assets or \$4 million. Joe can use his HAS to sell his insurance capacity for about 3% netting him \$120,000 (3% of \$4 million). The \$120,000 is taxed as ordinary income.

Who owns the policy on Joe's life? Investors, who pay all premiums and will receive 100% of the death benefits.

Joe is typical of millions of seniors. He does not need or want life insurance. Or if Joe has \$1 million in life insurance, he still has insurance capacity of \$3 million, allowing him to use a HAS to receive about \$90,000.

If you are 65 years or older, have insurance capacity and are insurable (or if not, your spouse is insurable) you can get in on the fun and profit.

In order to qualify, you must be between the ages of 72 and 86, have assets (including your spouse) of at least \$2.5 million and be insurable.

A side (but important) note: Many senior readers of this column don't need or want life insurance. And sometimes these readers want life insurance, but, in spite of their wealth, can't afford life insurance because they don't have the necessary spendable cash flow. Finally, HAS is a way to help these senior readers.

The real question for each and every senior reader is, "How will a HAS work for me?" Here's the information you should fax (847/674-5299) to me: your name, address and phone numbers (business, home and cell); your birthday (same for your spouse); and your net worth (including your spouse).

Irving Blackman is a partner in Blackman Kallick Bartelstein, 10 S. Riverside Plaza, Suite 900, Chicago, IL 60606; telephone 312/207-1040, or via e-mail at wealthy@blackmankallick.com.

The IRS has refused to favorably rule on a strategy called the 'subtrust.

trick. It allowed you to use qualified save the day and put an RPR in your plan funds to buy life insurance, and the death benefit was free of the income tax and the estate tax.

So, it was back to the drawing board for my network of experts and me.

And now the good news: We have come up with a new strategy (really a variation of strategies we have been using for decades) that gives the same results as a subtrust. We named the strategy the "Retirement Plan Rescue."

The core concept behind an RPR is to

requires a great deal of expertise. In addition, each RPR (because of the many variables) is different and must be looked at on a case-by-case basis. Finally, the big questions for readers

The implementation of an RPR

planning picture.

are, "How will an RPR work for me and my family? What will my taxsavings be? How much tax-free wealth can I create?" Here's the information you should fax (847/674-5299) to me: your name, address and phone numbers (business, home and cell); total amount in all qualified plans combined (if married, same for your spouse); and your birthday (also your spouse's).

Hidden asset strategy

Does \$120,000, \$200,000 or more paid to you in cash sound interesting? Without any investment, risk or work? We call it the "Hidden Asset Strategy."

What is your hidden asset? It is your unused insurance capacity. For example, Joe (age 73) has total assets of \$5 wife, Mary). Joe's insurance capacity is

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million (counting the assets of his

Software makes PDFs

Continued from page 28

ule, which visually emulates paperwork orders on the tablets, features drop-down boxes for data entry, automatic conversion of handwriting to text, and online access to equipment history, notes and specifications. Information entered in the field is available in real time across the whole system.

When deployed on Pocket PCs and tablets, TechAnywhere utilizes "store and forward" synchronization when out of network range. Technicians using a tablet PC can attach scanned documents or images to work orders and generate and print invoices for completed work orders while onsite.

Escalation Manager technology uses pre-defined "escalation profiles" that enable the system to automatically e-mail, fax or page the service manager if a work order is not fulfilled in a timely fashion.

The Web-enabled CRM Anywhere module, which supports a Web-client interface, gives customers instant access information on work orders, approve quotes and review reports over the Internet.

Bill and Patti Feldman are freetance writers for magazines, building product manufacturers and other companies on a broad range of topics. They can be reached at productpad@yahoo.com.



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CRAIG ON MANAGEMENT

BY H. KENT CRAIG



The \$1-a-minute man

F I OFFERED YOU \$50,000 a year salary, guaranteed by a cash bond, to do nothing but come over to my house and daily clean up my dog's droppings from my backyard, would you accept my offer? You wouldn't be able to sub the work out; it would have to be you and you alone. Except for every other weekend and major holidays off, your sole job would be to be clean up after my dog in my yard. Fifty thou' a year would buy a lot of beer for a job that couldn't be easier.

So, would you take it? No? What about \$75,000, \$100,000 or \$150,000? Still no? What about a cool \$250,000 to become the highest paid dog pooperscooper on the planet? Am I starting to hear a "yes" or at least a very strong.

My point is, unless we're independently wealthy and we're in this profesyour company's accounts receivable or you're not pulling your weight.

For those who are not math majors, that's \$124,800 per year, or \$1 times 60 minutes times 40 hours times 52 weeks equals a cool \$125,000 a year that you need to generate to make your \$60K, \$80K or thereabouts. Then you have to cipher in all your company benefits, employer's share of taxes, FICA, Medicare, medical benefits and your share of the company's overhead to keep you in that truck with your laptop and a Nextel on your

You'd be surprised at the number of puzzled looks I've gotten when I've presented my brethren with this dollara-minute concept, colleagues who obviously know math and business since they administer and manage contracts all day long.

We must earn for our employers at least as much as we cost them.

sion just for the love of it and for no other reasons, then we all have our price. That doesn't mean we don't or can't enjoy our jobs. It just means we need to work to live since most of us In this crazy profession of ours live to work. With that fact comes the hard realization sometimes that we must earn for our employers at least as much as we cost them or we don't have a job:

How much do we need to earn for our bosses in order to keep our jobs? I like metrics to measure both real and intangible processes, so let me offer this new metric:

As long as your salary is typical of the national average, generally above \$50,000 but less than \$100,000, you need to earn for your employer \$1 per minute of your business day or they're losing money on you.

One dollar, one buck, one greenback it's not worth what it used to be but it's still a definable unit of compensation, especially when you think about the fact that every minute of every business day, you need to put \$1 into

You'd also be surprised at how many click on this concept and their first reaction is to go and ask for a raise immediately. My quick advice on that is don't do it.

If anything, you need to concentrate on increasing your own productivity to be able to do more jobs over a calendar year and put more net revenue in your company's coffers to further enhance your job security. Don't worry about your percentage of gross or take-home pay as it relates to current or future billings. The more contracts you execute and the more money you bring home to your bosses, the better your chances become for your own future financial security.

Yes, this is just common sense, but it's common sense that's metric-based on a concept we all can "get our heads around" and of which at least some of us needed to be reminded of from time to time

Most of us have at least some bonus package that's based on net job profits over a certain percentage. It's also im-

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Marketing lessons lived, learned, leaned upon

pencils and a sheet of paper. It's time for a pop quiz.'

First, why did it always have to be a No. 2 pencil? What was wrong with the other numbers? Secondly, who came up with the "pop quiz"? Those two words struck fear into me, almost as much as did "See me" written atop the quiz result. Argh! Signs of a misspent youth.

So now I'm returning the favor by giving you a pop quiz. Well better than that actually, I'm giving you the study notes. You see, all year long, CONTRACTOR has been nutty kind enough to let me guide you down a better marketing path.

You've gotten thousands in free consulting, largely a result of expensive testing by others. Or in the case of the "Marketing Makeover" contest and feature story earlier this year, from campaigns you didn't have to conceptualize, initiate, pay for or - the fun part -- "wait" for the tweaking to boost response. You just happened onto a page and read it, just like that.

The hard part is the one that separates successful contractors from everybody else. And that is applying what you've learned. Today's column is your review. All I ask is that you pick out one lesson you can focus upon, make it a goal for 2007 and send me an e-mail with your results.

If you'll do that, you're already ahead of 90% of your competition. Why? For that group, "it's too much

K, CLASS. Take out your No. 2 trouble," yet, inexplicably, it's never do: Install an active "Customer Retentoo much trouble to complain about business woes. For you, it can be your grasp of the next rung you desperately seek, starting with this.

Lesson 1: Marketing in a fishbowl. Too many plumbers think their entire city is their market. They think every home, business or any region that might have water in pipes is their "market." Baloney. Your market is people, and those people have characteris-

tion Program." Most contractors focus on the "getting" and forget about the "keeping," But wise marketers cluster customers together with a marketing program aimed solely at them. Very, very smart move.

You have to establish a Customer Retention Program that makes you their contractor and not just "some guy from some company I can't remember, who came and fixed my house."

Choose a Message that is uniquely YOU.

tics (demographics, if you want to impress) within fairly narrow brackets.

Your marketing needs to "touch" those people. Sure, it's easier to broadly mail a dumb service postcard with a toilet pictured plus a "15% off drain cleaning" coupon, just like everybody else. But hear me on this: You cannot get all customers at once, so don't try to market as if you can.

If you read the "Marketing Makeover" stories, you saw that specific targeting worked better, one group at a time. You earn clusters of customers largely through direct-response ads and repeated exposure, and then join them together. (More on this in a moment.)

Once earned, you do the one thing that 89% of your competitors do not

Great ways to do that: Thank you notes following service calls; newsletters for active customers; holiday cards; and seasonal "bumps."

Lesson 2: "Has anyone seen my marketing plan?"

I've said it hundreds of times, plus I originally stole it from someone else, but in case you missed it: Fail to plan: plan to fail. It's that simple.

Don't say you "don't know where to start" because you do. Look over your shoulder at previous sales. What months do most people call about clogged drains or have disposal problems? November and December. Great. Frozen pipes? January. What about sump pump sales? Think April showers. Many products and services have "likely" months; many don't. You are part way there if you can "loft" your message at the time that it's entering most people's minds.

Now, did you make any money on the above? What was your top seller? Top three? What's your easiest inhome upsell? Top three? To whom? In what areas? What do these clients have in common? Sorry to pepper you with questions, but we're almost done here.

Last, what are your projected sales for 2007? Great, take 6%-8% of that and answer the following: If I want to maximize my marketing investment, what would I promote? Oops, you already answered it in the previous paragraph. Now, when would you promote it? Oops again, already answered. Now, to whom will you aim your message? Once again, you've determined that through your clusters and clients. See how easy?

Oh, shoot, I left out one little detail. What ad message are you going to send? Back to square one and that's why about 80% of our plumbing clients are stuck.

Lesson 3: A mindless message muddies memories.

Sure, alliteration helps the memory. So do uniqueness, repetition, consistency and striking visuals that accompany the message. It's at work everywhere. Think Jesus and you see the man, you think of calm, forgiving, love. Think UPS and you see brown and gold, friendly package delivery. Think McDonald's and you see arches, fast food and little clowns building roadblocks in your arteries out of fat. Maybe that's just me.

Now, think Your Company, Drawing a blank? Like most plumbing contractors, the memorable factors named above aren't being used. An ad here. A postcard there. A coupon over here. And you wonder why your message is missed in the overcrowded marketplace?

Choose a message that is uniquely you, An image that you want, (You're going to get an image whether you want one or not, so it's better for you to determine what it is.) Hammer it into the minds of your target market, consistently over time. It doesn't cost you a dime more to do good marketing. create a good image or become known in your town. We do it all the time within the same budget parameters. It's a system, not guessing. The only difference is the result.

Lesson 4: Love your work, the rest

Doesn't sound like a marketing les-Turn to Marketing lessons, page 49

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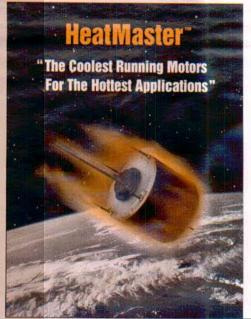
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Never lie to a customer

OW DO YOU HANDLE callbacks, go-backs, return calls or whatever your company calls them when you didn't fix a job right the first time? Maybe it's a product failure? Maybe it's poor workmanship? Or maybe it's technician error? How do you handle these situations?

I had an unusual experience on a recent flight. We were coming in for the landing. The plane was dropping altitude fast. The pilot kept making abrupt throttle changes. I glanced out the window and discovered the plane was over the runway and we were still four stories above the ground. The landing gear was down. The flaps were down and we were set to land. Suddenly, the nose of the plane lifts, the engines roared to life and we climbed fast.

This was a small plane with only 20 seats. Everyone in the plane had a full view of the flight attendant as he is sat in the jump seat facing us. When we started climbing, the flight attendant looked out the window to verify we were climbing away from the airport. He turned toward us and made eye contact with me. A

puzzled look was on his face.

Just then, the flight attendant took a call on the phone next to him. It could only be the captain. After speaking with the pilot he bowed his head and

any of the passengers for the bonus landing experience. What irritated the other passengers and me was when the pilot made an excuse instead of admitting his mistake. Rule No. 12 in Dale

Always speak the truth, no matter how hard it is.

gestured the sign of the cross. The captain then announced himself over the plane's speaker system. He told us a plane was on the runway, and he doesn't like to land a plane when one was already there.

The flight attendant gave us his most convincing look as though he was in agreement with the pilot. I could tell from the chatter around me that passengers were not buying the captain's excuse. The flight attendant's sign of the cross confirmed it. Clearly the pilot botched the approach.

Is this customer service? The pilot made a mistake and corrected it. Netther the airline nor the pilot charged

gestured the sign of the cross. The captain then announced himself over the plane's speaker system. He over the plane's speaker system. He

The pilot corrected his mistake but lied to us about what really happened.

Let's say you install a part that's defective. It's easy to explain to the customer that the part was bad and replace it. Or is it? What if the customer wants to know why you didn't test the part before leaving the first time?

There are no simple callbacks. With every callback you run the risk of losing a customer. He most likely was upset when he first called you. Often he is more upset now because it wasn't fixed the first time.

Let me explain why it is so important to win back the customer's confidence on a callback. Countless studies have shown that an unhappy customer is going to tell 10 of your prospects about his experience. If a friend of yours had a bad experience with Service Company A and you need the same service, are you going to call Service Company A if your friend told you about his bad experience? Or are you going to call Service Company B, about whom you know nothing?

To make matters worse, one of those prospects who was told about the bad experience will tell an additional 10 be reached at 888/609-more prospects for a total of 20 tainted www.nexstametwork.com.

prospects. How many prospects can you afford to lose?

Your job with every callback is to make the customer happy even if it means taking a loss. You should send the same technician, even if you have to send another tech to perform the work or speak with the customer.

Does this mean you should stretch the truth to make your company or yourself look better? No, absolutely not! Always speak the truth, no matter how hard it is.

If you make a mistake, admit it. Everyone makes mistakes. Once you admit it, take action to correct it and keep the customer for life. Does this mean that you may have to give a complete refund? Yes, you may have to. Fix the problem first, even if it means replacing more than the original job called for. Remember, you messed up, not the customer, now 'fess up and take action. Once everything works, check in with the customer. Is he still unhappy? If he is, then give him back the amount of money that he tells you will make him happy.

Remember that you are not dealing with just one customer. At least 20 potential customers respect the advice from your problem customer. With the high cost of advertising, you can't afford to let any customer leave your company.

Never lie to your customer and keep the customers you have for a lifetime of service. Your customer base is one of your company's greatest assets.

Steve Schneider is a business coach for best practices group Nexstar. A former plumbing contractor and certified public accountant, he has more than 20 years' experience in the service industry. He can be reached at 888/609-5490 or visit warm psystametwork com.

Money Masters session to visit Gene Love Plumbing

WHITE BEAR LAKE, MINN. — Best practices group Nexstar has scheduled another edition of its Money Masters seminar on the fundamentals of running a service business, combined with a tour of a successful service shop. The next seminar, open to owners of independent plumbing, HVAC or electrical businesses, will be Jan. 26-27, 2007, at Gene Love Plumbing & Electrical Service in Columbia, S.C.

The combination of seminar and tour is intended to help owners better understand how and why good business systems lead to happier employ-

ees, loyal customers and healthier profits. Owners who attend Money Masters will have an opportunity to explore membership in Nexstar, a 15-year-old professional training and development organization that provides business practices in management, operations, marketing and finance.

Several members and owners of their own service businesses will be on hand to answer questions about business operations and the opportunities of becoming a member. The program will present Nexstar's methods for imple-

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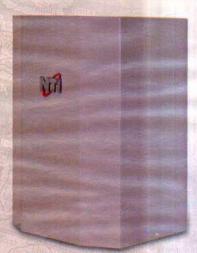
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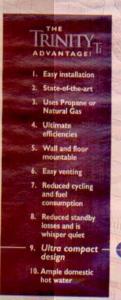
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For information circle 230

COLUMNISTS

The \$1-a-minute man

Continued from page 36

portant to tie in total productivity per job minute, hour or day with net job revenues (buyout price minus selling price) to see how actual job time relates to bonus check revenue, depending on the kind of jobs you normally manage.

Generally, the larger the job, the worse productivity scale you'll have and, frequently, the smaller your bonus. This is because larger jobs have more potential pitfalls that are out of your personal control. Smaller jobs that turn more quickly with hypothetically less labor cost and higher, less-risky equipment costs will show more revenue per labor-minute and a higher net profit, which will affect both your bonus and, just as important, the perception that you're churning the bucks efficiently.

Whatever your actual salary and benefits, and bonus plan you may have, in this day and age our profession changes rapidly, so it's important to keep your eye on the ultimate prize — your career success and longeyity.

My thanks to a now-forgotten salesman who stopped by my office long ago and taught me this concept that I've just told you about. If he's still in the industry and will identify himself publicly, I'll make sure proper credit is

H. Kent Craig is a second-generation mechanical contractor and project manager with unlimited Master's licenses in boilers, air conditioning, heating and plumbing. He can be reached by calling 919/291-0878, or via e-mail at hkcraig@yahoo.com. His Website is www.hkentcraig.com.

Christmas gifts

Continued from page 2

the static water pressure. Remember, they're on a new water system. For every 2.21-ft. of elevation above the relief valve, you'll see a 1-PSI pressure increase. That hill is about 200-ft. higher than the town, so I'm expecting we'll see about 130-PSI on my test gauge. Grab a 3/4-in. PRV (pressure reducing valve) and two copper-by-male adaptors. What else kid?"

"A thermal expansion tank," Mike blurted out.

Red smiled, "OK, why smart guy?"

"Because water expands when heated and the backflow preventer traps it inside the house. And the water heater is overheating, which makes the relief valve pop-off."

"That's it?" Red nudged him further.
"Think about that T&P relief valve, pal.
Then think about the upper thermostat
on that water heater. A relief valve
opens for two reasons: it senses 210"F
temperature and/or 150-PSI of pressure. The thermal snap-disc on the water heater's upper thermostat is supposed to trip at, or near, 160"F."

"OK, I think I have it," Mike answered. "We'll test incoming static water pressure, the delivery temperature, electric voltage and amp-draw for each element — before we make any changes. Then we can talk with the customer and make recommendations about what's needed to resolve the issues. We'll likely be installing a PRV, thermal expansion tank, and — if this is an older water heater — new thermostats, elements and new relief valve?"

"I'm going to have to quit calling e-mail at behler@blazenet.net.

you kid!" Red grinned. "You're getting close, Mike, but there's more. You'll need to make a judgment-call on the water heater repairs. Down and back is a one-hour drive. Callbacks cost money and kill our profits, which affects how much you can earn. We track all warranty calls by employee. If we sell the customer new parts for a 20-year-old water heater and it dies shortly afterwards; they'll expect a full refund. You'll need to decide if repairs are a good investment for the customer or if a new water heater makes sense. The office can't do that over the phone. The responsibility is ours whenever we're in a customer's home. That's also why we change-out both thermostats, elements and the relief valve as a package deal - a complete rebuild. While the tank is drained and with both elements removed, you can eyeball the dip-tube and anode rod too.

They arrived at the site and emerged from the truck as one well-oiled team. Mike looked like a well-seasoned veteran to the homeowners, who watched him like a hawk because he looked so young. Together, he and Red tackled the issues with each one knowing what to do without speaking.

Red had given Mike a gift that would last a career lifetime. Passing skills along to the next generation — as timeless a tradition as Christmas itself.

Merry Christmas, Kwanzaa, Hanukkah to you all!

Dave Yates owns F.W. Behler, a contracting company in York, Pa. He can be reached by phone at 717/843-4920 or by e-mail at behler@blazenet.net

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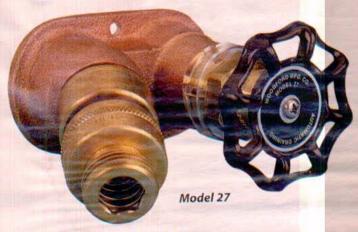


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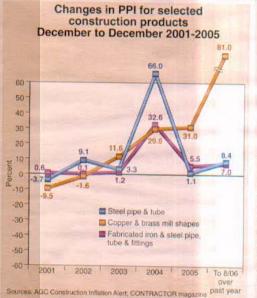
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Construction material prices to rise 6%-8%

Continued from page 1

struction materials and components

2005 to October 2006 the PPI showed double-digit increases for copper and slipped 0.2% for the month but had brass mill shapes, up 64%; asphalt



a year-over-year increase of 6.5%.

"The 12-month increase for most construction inputs was milder than in recent months, thanks to easy comparisons to the immediate post-hurricane period and to fast-shrinking demand from home builders."

Aside from wood products and diesel fuel, however, most construction prices still show hefty year-over-year increases. For example, from October

paving mixtures and blocks, 30%; steel mill prod-

ucts, 21%: gypsum products. 15.5%: and aluminum mill shapes. 12.5%

"For projects under way, the cost of materials was even greater and was not anticipated by contractors or owners," he said. "Owners should expect future bids will reflect the risk of further sudden price spikes."

Commenting on the BLS report a month earlier, he noted that the PPI for construction materials and components rose 0.3% in September, the same as in August, and had a year-overyear increase of 8.1%, nine times as much as the overall index.

"The 12-month increase for most construction inputs was milder than in the August report but still hard for contractors to either absorb or pass

on," Simonson said. "For instance, the PPI for copper and brass mill shapes soared 75% from September 2005 to September 2006. Other large gains included asphalt paving mixtures and blocks, 33%; steel mill products, 23%; gypsum and plastic construction products, 19% each; aluminum mill shapes, 14%; and concrete products, 9.3%.

As of mid-September, diesel fuel prices had retreated about 35 cents per gal, from their highs in August. Crude oil prices were down roughly the same amount. Moreover, diesel prices set an all-time high in October 2005, following shutdowns and damage to oil platforms and refineries caused by Hurricanes Katrina and Rita. Because similarly catastrophic damage did not occur this fall, diesel prices should stay below year-earlier levels for the next few months.

Copper futures prices more than doubled from the beginning of January to mid-May. Since then, they have retreated slightly. But worldwide demand for copper remains high for consumer, industrial and infrastructure uses. Meanwhile, few large mines are supplying copper ore, and labor or political unrest has beset several of these mines and has kept supply from expanding. Therefore, copper pipe, wire and sheets and brass fixtures are likely to remain much costlier than a year ago.

Thefts of copper from inventories, equipment and structures will remain a headache. The soaring price of copper has encouraged

thieves to take copper out of worksites and even completed projects.

Plastics prices should drop, barring conditions such as those following the 2005 hurricanes. In late 2005, PVC prices were pushed even higher by a plant shutdown at one of the major suppliers of vinyl chloride resin. With weaker demand from residential markets, prices and supply for construction plastics should be favorable for the next few months.

As of mid-September, the futures price for natural gas was 20% to 40% lower than a year ago and more than 70% below the post-Rita record. Large inventories of natural gas in storage will also hold down prices, unless unusually cold winter weather depletes stocks.

Simonson explained that two factors make future construction cost explosions likely.

"First, the industry must generally use a fixed quantity of materials, unlike manufacturers that can make products smaller and lighter, or service businesses that use few materials," he said, "These materials are often in high demand worldwide, with limited supplies. A current example is the nickel used to make stainless steel,

"Second, materials must be physically delivered, making them subject to high freight and fuel costs, as well as transportation bottlenecks."

Construction materials costs over the next year should rise at least 6% to 8% vs. 2% to 4% for the overall economy, Simonson said.





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Tankless for Professionals

Few contractors plan for business growth

Continued from page 7

to change. Small businesses are good at internal management, such as how they manage labor or the accounting department, but they're myopic when it comes to external forces. Growing companies have to balance both.

Growing companies have effective growth planning, which may be the best predictor of whether they will have sustainable growth, Little said. According to INC. magazine, only 12% of small businesses do growth planning. On the other hand, 82% of companies listed in the INC, 500 perform growth planning.

The business owner doesn't have to do it all. In fact, Little said the employees should have a major role. He noted that Ted Turner launched CNN in the 1980s and had his employees do most of the planning for the fledgling network while he was out sailing in the America's Cup.

Next, growing companies have customer-driven processes. They put the needs of the customers before the needs of the organization. Most companies have, in many little ways, put the needs of the company first in processes such as how they invoice

the customers or the terms they offer.

No. 5 in Little's book of small-business rules is the power of technology. How we use tools defines us, he said, and how we put the tools of our time to work matters even more in the service business. We live in an information age and a service economy, he

them stupid," he said.

A vanilla milkshake is not in the computer, so therefore they don't know how to charge for one. The computer manages to prevent them from combining milk, vanilla ice cream and a blender, all of which they already have in the kitchen

Little's next rule is to hire

expected, he said, forces of change, such as high fuel costs, shouldn't come as much of a surprise.

Little presented a laundry list of significant trends. One is population shifts. In 1900, only 12% of the population lived in cities. By 2025, twothirds will.

The population is graving.

"Being environmentally conscious will make you money," he said. "Be greener than the next guy

China is huge. It's experiencing the greatest wealth creation in history

Biotech will affect everyone. For example, orb weaver spiders make the strongest silk on the planet, but they can't be farmed because they eat each other, he explained. So the spider DNA was put into Nigerian dwarf goats. The goats are milked, the protein for the silk is separated out and the thread is used to make products such as bulletproof. vests. Contractors must pay attention to blotech.

The world is turning brown, he said. Learn Spanish, Little told the contractors, because Hispanics will soon be 25% of the U.S. population. North Carolina ranks No. 1 in the growth of the Hispanic population. The same demographic shift is happening in the world at large, he said. By 2050 only a tiny minority of the world's population will look like today's mechanical contractors, i.e., middle-aged white males.

Employee retention equals customer retention.

said, and contractors have to the best and the brightest, be great at use of technology.

Little expanded on the use of technology when he explained his Milkshake Rule to the contractors.

He travels a lot, so a great many annovances and inconveniences can occur in the process. To get himself through, he pictures a vanilla milkshake, his favorite treat. When he checks into a hotel, if a vanilla milkshake is not on the room-service menu, he orders one as a test. The test works with any food item not on the room-service menu, he noted, and 80% of the time the food-service staff gets it wrong, Why?

"Their systems makes

which he noted might be the most important of the seven rules. The main job of a business growth leader is to make himself an expert on employee retention. Employee retention equals customer retention and the two become a reinforcing loop that leads to growth, he said.

"This is your job," he said, adding that the biggest impediment to growth in the future will be finding more employees, not more customers.

The final rule for growth is seeing the future more clearly. While one can't expect the unAn average female can live to 100 today. While 55 used to be old, now it's a time of peak performance. He would hire 55-year-olds and let big corporations spend money training young people. He noted that 70% of discretionary spending is done by people in their 50s.

The U.S. population is decentralizing. People are moving out of California and New York to places such as Montana and North Carolina. Little said the small city to watch boom over the next 20 years is Rogers, Ark. Land is cheap and the weather is good, he said.

Green is gold, Little noted.

Contractors to see urban infill

availability of significant amenities as options. "They have disposable in-

Continued from page 5

come and want to make a statement with high-end kitchens, etc.," Ellis said.

People ages 25 to 35, on the other hand, are more interested in affordability of housing prices, despite their higher incomes. They and upwardly mobile ethnic populations likely will be more interested in attached townhouses vs. a single-family house.

"Attached units will increase 5% to 25% of builder production in the next five years," Ellis said, "All the top 20 builders do some sort of urban building today."

Also driving the urban-infill trend is the availability of space to build, Ellis said. By 2030, the United States will need 427 billion sq. ft. of built space to accommodate projected population growth estimates. Half this space will be constructed between 2000 and 2030.

"Most of this space will be needed for housing," he said. "Meeting and sustaining this growth involves building in central city locations and downtown areas with mixeduse developments. This is a trend that will continue simply because builders can't

Among the challenges facing builders will be managing larger and more sophisticated subcontractors, said FMI consultant John Doherty, who joined Ellis in the presentation.

"In some areas, builders who are used to dealing with nonunion contractors in the suburbs will be dealing with unionized trades," he said. "They need to skill up or bring in people who have those skills."

Builders of urban-infill projects will experience much more interaction with local governments and may have to source unfamiliar materials to comply with building codes. for mid- and high-rise buildings, Doherty said. Safely installing these different products as well as packaging, delivering and storing them on jobsites are other issues.

Plumbing manufacturers, he said, should recognize that these projects frequently are a hybrid of commercial and residential jobs. They can partner with builders as they are moving into the urban-infill market as well as proactively work with existing trade contractors to assist their move into urban projects and build relationships with commercial contractors.



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Aim for Profit in 2007

WITH 2007 LESS than a month away, plumbing and difficult calls and suggest alternative ways to handle HVACR contractors are looking ahead for what they hope will be a profitable year.

What are the secrets to a successful, moneymaking year? The Plumbing-Heating-Cooling Contractors - National Association interviewed some award-winning contractors to find out what their best recommendations are.



David Jones, Dave Jones Plumbing & Heating, Inc., Madison, Wis., 2006 Delta Plumbing Contractor of the Year

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sion to make our crews efficient. For instance, our crew leaders are provided with a company vehicle that they are allowed to drive home at the end of the workday. This allows them to drive directly to our job sites, and eliminates the amount of unproductive time spent in our shop. We also minimize material handling by having our material dropped off at the site before our crews arrive, and the material is picked up after they leave. We also have expanded our prefabrication shop to improve efficiency.



Patrick Nugent, President of John Nugent & Sons, Inc., McLean, Va., 2006 PHCC/TRANE HVAC Contractor of the Year 2nd Runner-up

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to keep our technicians up to date with all new developments. In addition, our service manager works with all technicians daily to review difficult situations. At the same time, technician needs in the field are actively discussed with office staff to help everyone work together to give our customers the best customer service we can offer.



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Alton Shannon, Shannon's Inc., International Falls, Minn., 2006 PHCC/TRANE **HVAC** Contractor of the Year Winner

Profitability all starts with a plan, as well as a mind set, for profitability. It is said, "If you think you can or if you

think you can't, you're right." Management must start with the premise that the company is going to be profitable and make adjustments on both the cost side and the revenue side to achieve that goal. One of the most significant steps toward achieving profitable jobs is to pre-plan your projects. Determine from the estimate how many man-hours you have to do segments of the project and set up a plan on how this is going to be accomplished. The plan allows you to properly man the project, to make sure they have the information needed for the installation, to have the right tools and equipment ready for them, and to have the materials onsite at the right time.



Tom Warner, Utility Service Express LLC, Reston, Va., 2006 PHCC/TRANE **HVAC** Contractor of the Year 1st Runner-up

Defining your service standards is one area that I think is very important. Quality service means

different things to different people. Often the customer and mechanic do not have a meeting of the minds on service quality.

We define "good quality service" in our employee handbook and company culture. I feel the consistent delivery of a fixed quality level of service must occur for our company to be successful. At the same time, it provides technicians with opportunities for success by following a single clear path to follow in the direction the company has mapped out.



Kenny Young, Young Plumbing & Heating, Inc., Bethlehem, Pa., 2006 Delta Plumbing Contractor of the Year 1st Runner-up

The one area I would suggest to improve profitability is pre-planning of work. You can eliminate loss of time by

having a back-up schedule (having other jobs lined up) in case something falls through or scheduled materials don't arrive on time.

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ARI sets plumbing, HVACR instructor workshop

ARLINGTON, VA -The HVACR & Plumbing Instructor Workshop will be held Mar. 28-30, 2007, at the National Conference Center in Lansdowne, Va.

Building upon the success of the 2006 workshop, nine organizations across the plumbing and HVACR industry spectrum are joining forces once again to provide an educationally packed learning experience for plumbing and HVACR instructors and other industry professionals across the country.

The workshop is developed with input from a strong cadre of instructors and industry professionals. It is an excellent opportunity for HVACR and plumbing program instructors, along with other industry professionals, to learn about the latest industry issues and instructional techniques. The workshop also offers instructors extensive networking opportunities and access to industry experts.

Plumbing and HVACR instructors have been instrumental in identifying

topics and speakers they believe would benefit their professional development. The educational session lineup for 2007 includes topics such as:

- Troubleshooting well and storm pumps
- Psychrometrics and comfort
- Right-sizing hydronics
- Refrigeration fundamentals
- Building sciences
- EPA Section 608 Certification update: R-22 phase-out
- New joining processes for copper and copper alloys
 - Digital electric motor theory
- Computer technology
- Teaching the fundamentals of electricity

The workshop is for all plumbing and HVACR instructors, administrators and counselors, as well as apprentice program instructors and administrators.

The cost of registration including lodging is \$166 plus tax per night for a single room. This fee includes all

educational sessions, meals and refreshment breaks.

To register for the 2007 HVACR &

Plumbing Instructor Workshop, contact ARI at 703/524-8800 or online at www.ari.org/education/workshop/.

Make my (Christmas) Day

Continued from page 26

They're contemplating a radical change in how they must approach designs for economy and comfort. Where they're tossing out double-pane windows for quadruple-pane windows, tenants in my area continue to use single-pane, double-hung zone valves for balancing older steam systems.

We can choose to be proactive. While our fossil-fuel costs don't yet mimic Soren's, there's much we can do. While moderation in all things is often touted as prudent behavior, modulation in all things heating and cooling is the right thing for us to promote and install. If we're going to utilize true modulation, then air-based heating comfort is much more limited than hydronics — especially radiant hydronics.

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Although we're not dealing with Dirty Harry's bank robber, we are dealing with efficiency robbers that deplete customers' bank accounts. Let's make their day by promoting and installing equipment that will give them the gift of fuel conservation.

meet any given moment's load demand.

Dave Yates owns F.W. Behler, a contracting company in York. He can be reached by phone at 717/843-4920 or by e-mail at behler@blazenet.net.

Money Masters session

Continued from page 40

menting fiscal management techniques and conducting effective changes in a company.

At Gene Love Plumbing & Electrical, contractors will have an opportunity to see how this shop can afford to pay its technicians \$60,000 a year plus full benefits of paid family health insurance, vacations and continuous training. This company retired its founder this year on an annual salary of \$300,000.

This company strives to make each customer a "raving fan," and a recent survey of its customers showed that 95% would use them again. Attendees will have the opportunity to meet and question the owner, technicians, staff and managers of the company.

The registration fee of \$299 per person includes two days of instruction, course materials, meeting facilities, Friday night accommodations at the host hotel in the Columbia area, food, entertainment, and transportation to and from the shop visit, Registration fees will be credited in full to attendees choosing to join Nexstar at the event. This seminar is intended for owners, CEOs and company leaders only. Seating is limited to the first 25 companies. Deadline for registration is Jan. 12.

More information is available by contacting Lisa Schardt or Rich Piepenburg at 888/609-5490 or at www.nexstarnetwork.com, by clicking on Visitors, then Prospective Members, then following the Money Masters link.

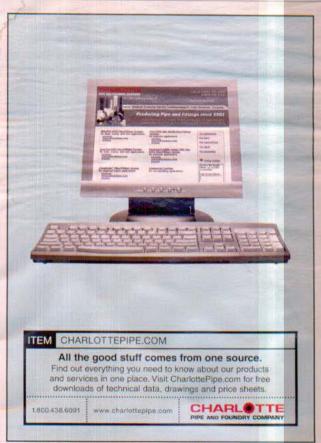
Marketing lessons

Continued from page 38

son to you? It's the biggest of all. You won't do a good job at any of the lessons if you don't love it. Love watching your business grow. Why? Serves more people. Love watching your staff rejoice in good work. Why? Encourages others by example. Love installing management systems that run your business instead of the other way around. Why? Gives you more time with your family, less time stressing out and possibly just more time.

Pick a lesson. Follow it fully. I hope to report on the success you become.

Adams Hudson is president of Hudson, Ink, a creative marketing firm for contractors. Readers can get a free 2006-2007 12-month marketing strategy calendar by faxing their letterhead with the request to 334/262-1115. You can also call Hudson, Ink at 800/489-9099 for help or visit www.hudsonink.com for other free marketing articles and reports. All who respond will get a free newsletter, "Sales & Marketing Insider" e-mailed or faxed every other week.



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9:00 am	Keynote Address
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10:45 am	General Session #1
11:45 am	Break
12:00 pm	Lunch
12:30 pm	Open Forum Exhibit Interaction
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editor's choice

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CIRCLE 129 ON INQUIRY CARD

THE FLY-TRAP CLIP has an

adjustable grip that speeds the installation of conduit or pipe. Attached to the wall surface with the company's C3-ST tool, the pipe or conduit is positioned between two more more clips, that are then snapped shut. It is offered in sizes %" to 1%", %" to %" and %" to %"

Powers Fasteners CIRCLE 122 ON INQUIRY CARD



▼ REUSABLE VALVE WRAPS are

designed for use with pipe insulation to prevent condensation-related mildew and mold problems. The removable wraps install quickly and can be used indoor or outdoor on domestic water. chilled water, dual temperature, hot water and other piping systems in commercial and industrial applications.

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JETTERS is now available with models to suit almost any drain- or sewercleaning application. There are eight models to choose from, including two electric units and six gas-powered units, available in 1,000 to 4,000 psi up to 5 GPM. Features include electric start engines, removable hose reels and geardriven triplex pumps.

Electric Eel

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A THE CYCLE GUARD PUMP **CONTROL VALVE** automatically

adjusts to provide constant pressure at different flows. The single-chamber, pilot-operated valve works with any pump. A field-adjustable external bypass provides full control of the tank fill rate for adjustable run time of the pump. It is sized from 11/1" to 8" and is available

Danfoss



THE HOT SHOT 400 PIPE THAWING MACHINE is capable of

thawing pipes in minutes, eliminating the need to tear up floors, break down walls, or dig for pipes in frozen ground. It has a dual-level output. At 400 amps of thawing power it can clear frozen lines up to 175' long in 1½" diameter lines. If only a 15 amp breaker is available, it can be switched down to 320 amps, and pull just 14 amps.

General Pipe Cleaners

CIRCLE 125 ON INQUIRY CARD



▲ THE PIT + PLUS JR. PACKAGE SYSTEM BASIN is designed for areas where soil conditions make digging difficult. The 24" X 24" basin can hold up to 44 gal. It is available pre-packaged or pre-assembled with one- or two-piece

Little Giant

structural foam covers.

CIRCLE 128 ON INQUIRY CARD

THE EF SERIES LINE OF HIGH EFFICIENCY WATER HEATERS now

includes a 100-gal, capacity model with 399,999 Btu output. It offers 518 gal. first hour delivery and a fullycondensing design recovering at 93% thermal efficiency. The line allows installers to vent unbalanced the equivalent of up to 120' using 3" ABS, PVC or CPVC piping, or 170' using 4"

Bradford White

CIRCLE 130 ON INQUIRY CARD



THE FLO-THRU Z880 TRENCH

10 stabilized high-density polyethylene. The 48" long, 3" deep modular linear drain comes standard with HDPE grate; bronze or stainless steel decorative grates are available upon request. It comes complete with bedding feet.

CIRCLE 131 ON INQUIRY CARD



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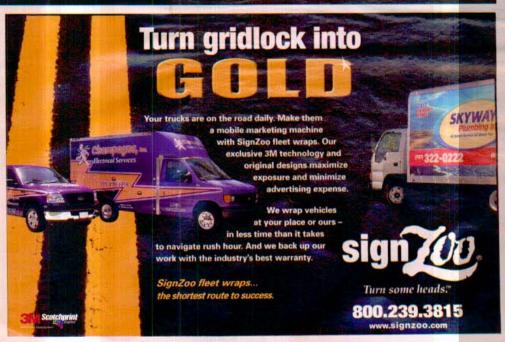
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New Year's Resolution: Plan for 2007

plumbing and HVAC contractors in business today, less than 10% do any planning, consultant John LaPlant told us a couple months ago.

This month, consultant Steven Little says that these contractors aren't alone. He says that only 12% of small businesses do any planning to grow their companies.

Since this is the time of year that we make our New Year's Resolutions, we encourage you to add this one to your list. Along with quitting cigarettes, starting an exercise program and flossing your teeth, create a business plan in 2007 and implement it.

This resolution applies whether your company does primarily residential or nonresidential work, mostly service or new construction. Benefits should include fewer surprises, more growth and improved profits.

We'll publish our annual industry forecast next month. From what we've been hearing and reporting so far, however, 2007 appears to be an exceptional year for which to start planning, if you haven't done so already.

Many mechanical contractors got caught short a few years ago when prices for metals and other construc-

THE 90,000 to 100,000 tion materials spiked dramatically. A leading economist for the construction industry tells us this month that future cost explosions for materials are likely.

> Associated General Contractors' Ken Simonson points out that the construction industry is different from much of the rest of the economy because it usually is required to use a fixed quantity

of inflation for the rest of the country. He sees prices rising 6% to 8% vs. 2% to 4% for the U.S. economy.

Uncertainty in the housing market also makes 2007 a great year to create a business plan, especially if your company focuses on residential work. While Simonson says he expects private nonresidential construction - dethe National Association of Realtors reported the sharpest year-over-year drop on record for the median price of existing homes.

Keep in mind, however, that the record high median price for a new home was just posted in April. And, not everyone has dire predictions for the residential market. Former Federal Reserve Chairman Alan Greenspan told a conference in October that "most of the negatives in housing are probably behind us" and that the outlook for housing is reasonably good.

Higher material costs and a softer housing market do not mean that the sky will be falling in 2007. They are among the excellent reasons, however, that you should create a business plan for your company. Consultant Little points out that small companies usually are myopic when it comes to managing external forces. While no one can predict the future, higher fuel and material costs should catch no one by surprise, he says.

And, as consultant LaPlant notes, an effective business plan allows you to run your business, rather than the other way around.

We wish you all a happy, productive and prosperous 2007. And, that you plan accordingly.

Many contractors got caught short when material prices spiked dramatically.

of materials, many of which are in limited supply due to worldwide demand. Manufacturers, on the other hand, often can make products smaller and lighter, and many service businesses use few materials at all.

Another factor that will contribute to higher construction costs next year, he says, is that materials must be delivered to jobsites. That makes them subject to high freight and fuel costs, as well as transportation bottlenecks.

Overall, Simonson says, construction material costs over the next year should increase at about twice the rate

spite the higher material costs - to maintain its strong pace, he has a different view for residential contractors.

He sees private residential construction as a mix of increasing rental projects and sharply falling single-family and condo construction. Higher material costs could hamper the plans of public housing agencies that may have to defer or redesign projects as a result.

One sign of a cooling housing market came in September when new home prices experienced their biggest decline in more than 35 years, according to government figures. In October,

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