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Does Size Matter?

Finding the best size for your business



By Scott Burt

Another winter is on the books. I don't entirely believe that everyone falls into a seasonal pattern of bare-bones winters and out of control summer schedules, with rarely the right balance of manpower to workload. By attending a couple of large paint and construction industry events so far this year, I have had the opportunity to speak face-to-face with thousands of paint and remodeling contractors. I've learned that there are many commonalities across our trade, even if the route taken is very different. The key is finding the route that is best for your life.

In the end, the life-line for a paint contracting business is the customer base, which is what produces the workload. Whatever form of marketing you may choose – lead generating services, online marketing, word-of-mouth referral – if there are no customers, not much more will happen. Most contractors want to be out of the circus of competitive bidding and confused consumers. Contractors seem to be looking for better balance in life as we become an aging workforce.

What is the barometer on which to measure business health? A lot of guys use "how many guys do you have?" as an indicator of success in business. This is a size-driven approach, and it is not always very

accurate. An industry report came across my desk recently that stated that an overwhelming percentage, like 95 percent, of us paint contractors employ between one and five employees.

At that size, you have grown from an owner-operated business where you are spreading paint solo to being responsible for employees 40 hours a week and running a busier business. When you are a solo operator and begin adding painters, each new addition requires a parallel increase in work opportunities coming

cent, profit is cut in half. While the smaller business (1-5), 1 percent is still critical, but it's not half of annual sales. It's a small percentage. This is how healthy businesses stay healthy regardless of size: in knowing numbers. So that is the good news for the 95 percent of the industry that is believed to be sized in the one to five employee range.

Oftentimes, the one-to-five-sized business can produce a comparable (maybe higher, maybe lower) net with far (far) less output in all critical categories of business survival in relation to the larger, higher-volume model. In speaking with thousands of contractors in the past three months, in meaningful discussions about business, I know this to be true. There is no doubt in my mind that small contractors, one-to-five, on a pound-for-pound basis, are in many cases healthier than their larger, chunkier counterparts.

Most industry business consultants I speak with agree that business pretty much comes down to energy in and energy out. Sometimes, contractors who grow to the 15-20 size were very successful when they were smaller, like one-to-five, but could never get a handle screwed and glued on their business that would allow them to run three one-to-fives at a time. So, they have to be marketing, because with no energy in, there is no energy out concern.

Meanwhile, the one-to-fivers who always were that, and became efficient and profitable in that model, have done pretty well on a consistent basis. Recent-

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through the door. After about three employees, your phone needs to be ringing enough that it almost becomes ridiculous to try to have a paintbrush in the other hand while making and taking calls.

Larger companies, like 15-20 guys, have to really be marketing machines. Some businesses get so out of control that the owner, especially if unsupported administratively, has no idea really what is going on in the business, and it doesn't matter much to him as long as he does \$2m in gross, even if it's at a 2 percent margin (\$40k).

Here's the rub: If that goes down 1 per-

ly I interviewed industry expert Brandt Domas for the Open Mike Series at bloggingpainters.com. Brandt shared with me his belief that what contractors need to be doing the most to ride out of whatever stage of the economy wave we are in is to be exceptional, know their costs and build good relationships. And the three are connected. It's a good read online for those interested in more depth on these strategies. Brandt is a professional trainer for paint contractors, and his work can be read in more detail at paintertraining.com.

Reflecting on my discussions with Brandt reminded me that the relationships with customers are the energy "in" your business. Without a thorough understanding of that, your customer base, not much else can happen that is too exceptional. The challenge is that as we grow and need more marketing to secure work, there can be the need to take on absolutely anything that comes along. How ironic that the large contractor can end up with the same problem as a one-man service that is lacking work. Knowledge of customer base is that great equalizer.

I've never bought into the definition of paint contracting success enough to carry a badge of "how many guys you got?" And I also don't believe there is a one-size-fits-all approach to putting the right foundation under a sustainable and healthy business. That is the thing I enjoy the most about being a paint industry writer, interaction with other serious industry folks. I enjoy speaking with people who know this industry inside and out. Sometimes people who are not painters know more about painters than the painters themselves.

I do believe the report that came across my desk, regarding the statistical patterns of business size in the paint industry. Most of us are small businesses. But there is no singular strategy for building a sustainable small business for long-term success. Whatever approach you are using to customize your business to fit your lifestyle needs and desires, go deep into it. Try bucking industry trends. For instance, instead of letting the workload dictate the size of your workforce, maybe find the sweet

spot in size that fits your vision and let that drive the type of work you choose to take on, as well as how much of it you take on. Sometimes the best thing you can do is NOT do what everyone else is doing.

At the end of the day, the size of your business should be a reflection of how you want your livelihood to fit into your

life. Whether your business features only you, or you and 30 other painters, finding the best fit for yourself and making it stick is the key.

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