

October 2017 Newsletter



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Contractors: Discover Your “Most Important Number”

Rich Harshaw [richardharshaw@mymonline.com]

If I asked the average contractor his goal for his business, he'd likely come at me with an annual dollar figure.

\$2 million in sales. \$10 million in sales. And so on.

While these goals are admirable, they're also vague and hard to wrap your head around. And since they're hard to conceptualize, they lack motivation power.

That's why we encourage contractors to determine their MOST IMPORTANT NUMBER.

Here's what I mean...

Rather than setting a vague annual sales goal, determine the percentage of sales each product you sell represents.

For example, let's say your breakdown is 60% windows, 25% siding, 10% roofing, and 5% miscellaneous.

Your “bread and butter” product is obviously windows, so we'll use that to figure out your numbers (it's much easier to focus on one thing than on many).

Determine your typical sales price and margin on your average window project, as well as how many window projects you sell every month.

We'll say your answers are as follows:

- \$8,000 sale price
-
- \$4,000 margin
-
- 8 jobs per month

This means you typically sell 8 window projects for a total of \$64,000 and a margin of \$32,000. Make this your baseline.

Once you figure out these numbers, ask yourself this: “To get my business to where it fulfills all my financial goals, how many window projects per month would I need to sell?”

Caveat: I'm not talking about an answer like, “\$20 million, so I can party on a yacht like Leonardo DiCaprio.”

I'm talking more along the lines of how much you need for the lifestyle you want and give yourself a comfortable

retirement.

Take your time and figure out the answer. And then **write it down**.

(For many folks, the answer is a personal income between \$300,000 and \$1 million per year.)

Once you've written down your number and calculated your sales, your brain is able to focus on the necessary work to achieve your goal. It becomes a simple measuring stick—in a given month, simply compare your results vs. your most important number.

Now let's say you need 25 jobs per month to reach your most important number. That would work out to \$200,000 in sales and \$100,000 in margin.

If you achieved that many sales, how much would you spend on marketing to get that number consistently?

Most contractors spend up to 15 percent of the SALE price to get a sale, so that would be an extra \$20,400 in marketing. This is in addition to the \$9,600 you already spent to get the original \$64,000 in sales, so that works out to a total marketing budget of \$30,000.

I'm not saying an extra \$20,400 is available in cash flow to spend on marketing every month. And I'm not saying that even if it were that you'd instantly get to 25 sales a month.

BUT...

You now have a formula for succeeding in your business: Spend \$30,000 a month on marketing to get to 25 window sales a month.

This much is certain: NOT spending incremental dollars on marketing is NOT going to get you where you want to go. And this is the major obstacle holding back nearly every single remodeling company I ever talk to.

Instead of thinking in terms of specific budgets required to hit specific numbers of specific kinds of sales, they have big vague numbers that they have no clue how to get to.

Which leads to the final, all-important question: If you DID spend \$30,000 a month on marketing JUST FOR WINDOWS, what would you spend it on to get the 25 sales?

I'll answer that question in the next email. I'll also show you how easy it is to get the money—believe it or not, it's probably right under your nose!

But for now, I simply want you to figure out: WHAT IS YOUR MOST IMPORTANT NUMBER?

Knowing this simple number will liberate your brain; you'll be able to see that your number is not nearly as intimidating as you may have thought.

-Rich

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