

# Replacement

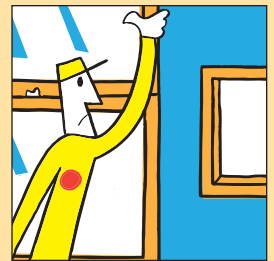
CONTRACTOR

FALL 2009

hanley wood



**SERVING  
ROOFING,  
SIDING,  
DECKING,  
WINDOW & DOOR  
PROFESSIONALS**



**4x4:** Avoiding costly window mismeasures ■ page 10



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## Getting Things Right

A hard-charging Milwaukee home improvement company is our Replacement Contractor of the Year ■ page 30

Tod Colbert, left, and Todd Schulz, co-owners, Weather Tight Corp.



Co-owners Tod Colbert and Todd Schulz took a chance on building a 25,000-square-foot building that includes a state-of-the-art showroom. In a year when many home improvement companies are seeing smaller sales, their gamble has paid off.

# GETTING It Right

Weather Tight Corp., of Milwaukee,  
is our Replacement Contractor  
of the Year.

## JIM CORY ■ EDITOR

In May 2008, Weather Tight opened a 4,500-square-foot home improvement showroom in Milwaukee featuring window, door, sunroom, roofing, and siding displays in a brand new 25,000-square-foot building that also houses the company's offices and warehouse. The \$3.5 million investment could be seen in several ways. The first is that it was just plain nuts. The U.S. economy was five months into the worst recession since the 1930s, and consumers were already reining in their spending. Who would come?

The other way to see it was the way Weather Tight's owners and managers did. Given the level of planning and how hard the company's people had worked to make the project a success, how could it possibly fail?

May 13 arrived as a near-perfect spring day and by 9 a.m. the parking lot surrounding the new building was filling fast. Inside, prospects and salespeople swarmed around displays. Owners Tod Colbert and Todd Schulz seemed both excited and relieved. In 2008, the Idea Center, as the showroom is known — projected to generate a half-million dollars in revenue — ended up adding \$2.077 million to Weather Tight's nearly \$14 million in sales for the year, a big jump over the roughly \$9.5 million the company sold and installed in 2007. This year, Schulz says, "if we perform similarly to previous years, we'll be up 7% to 12%." Meaning the company is on track for about \$16 million net.

## NO GROWTH AND LOTS OF STRESS

In a year when "flat is the new growth" and companies with sales reverses in less than double-digits consider themselves blessed, Weather Tight's numbers must seem either miraculous or suspicious. But take note that in 2000 this company did \$1.2 million in sales. In that year, Colbert and Schulz were thoroughly burned out and on the brink of failure. "We'd reached the point where we were ready to throw in the towel," Colbert recalls. Lots of stress. No new growth.

Colbert, who founded the company in 1986, was spending a lot of time marketing a software product he had created to make home improvement management more efficient. Meanwhile there was a company to run. A decision was made: The two owners would refocus on their core business — windows and siding — and familiarize themselves with what other companies were doing and what consultants could teach them. They went to seminars and joined roundtable groups. "I realized," Colbert says, "there was a lot we had to learn." Soon they were spending a good deal of their time developing systems and processes.

Many is the home improvement company owned by a Type A personality and run in a top-down manner. Weather Tight is no such a company. Managing the operation, and generating ideas for tactical and strategic directions, is a group process. Among other things, that

# GETTING It Right

allows this company to change fast when it needs to. In September 2008, for instance, management had wrapped up its marketing and sales projections for the coming year. October came, with banks failing and Wall Street crashing. Secured lending for large-ticket projects grew scarce.

At the time, sunrooms were Weather Tight's second biggest product category. Company managers went back to the drawing board and came up with a new marketing and sales plan for 2009, one that redirected resources into windows. In the months that followed, sunroom sales fell by a million dollars while window sales rose 30% and "made up for our sunroom fall," Schulz says.

Here's another example. When President Obama signed the American Recovery and Reinvestment Act into law on Feb. 19, Weather Tight, like most home improvement companies, had no idea anything like that legislation was coming. Within a day the company's sales and marketing managers sat down to find a way to link tax credits to window sales. "We had to figure out what was eligible and how we could promote it," marketing director Michelle Vincent says. Just as important was trying to come up with a new pricing structure that could accommodate a discount that matched, dollar-for-dollar, the homeowner's tax credit. By mid-March the promotion was launched, and it was "hugely successful," Vincent says.

## DIVISION OF LABOR

Weather Tight has grown quickly in this decade. It added salespeople, marketers, and products. For instance, five years ago, after a lot of research, the company entered the residential roofing market. Roofing became a key product for Weather Tight, at one point generating 18% of sales.

With six products, Weather Tight was better positioned to withstand the downturn than most home improvement companies. Small-ticket items such as gutter protection and attic insulation were in place when secured lending for home improvement projects began to diminish or disappear and bigger tickets like sunrooms became more difficult to sell.

For years the company has generated most of its leads from face-to-face sources such as canvassing, sell-furnish-install programs, shows, and events. Marketing managers were able to hit their lead targets all through the downturn — except in the dark days of last fall — so sales held steady.

Though not everything the company has tried has worked, mostly it has met with success, and much of that's due to the fact that two people share the authority to make decisions. It's a big help to be able to separate and manage different parts of the business. "We have separate strengths but the same values," Colbert says.



“The company does better when we involve other key individuals in the decision-making.”

Todd Schulz

Colbert, a one-time social worker, is good at systems development. Schulz, a star salesperson and sales manager, is "passionate" about sales. Colbert oversees production and administration. Schulz manages the three sales managers and the salesforce. Both owners play a role in marketing.

But with \$14 million in sales, Weather Tight — the largest home improvement company in Wisconsin — is past the point when even two people who work well together can come up with all the plans and proposals to drive the business, especially in challenging times. "After 20 years," Schulz observes, "you don't get a lot of original ideas anymore."

So at the end of 2007 Schulz and Colbert formed the "Brain Trust." Vincent remembers that the idea grew out of a need to iron out frequent misunderstandings between marketing and sales. How better to do that than by putting managers in the same room to talk about lead flow, lead quality, and sales goals? The concept grew from there. "We were getting to the point where we had to make a lot of decisions but we didn't have a lot of guidance about how to make those decisions on our own," she says.

The Brain Trust consists of the two co-owners, the three sales managers, and marketing director Vincent. The group meets each Monday and Thursday for two hours, but meetings can and do run twice that long. "The company does better when we involve other key individuals in the decision-making," Schulz observes.

## BENCHMARKING SALES

Brain Trust meetings provide the typical management reality check. How many appointments do we have this week? How many deals did we close yesterday? The baseline is tracking company progress

Photo: John Nienhuis

as it hews to annual goals. “We start at the beginning of the year,” Colbert says, “and then every four weeks we reevaluate to see if we’re on goal. What’s changed and what do we need to reshuffle to hit our year-end goal?”

But the meetings are more than that. They provide the company with plans, policies, and direction. For example, the group spent five months this year focusing on sales productivity. Weather Tight uses lots of metrics to assess productivity, but NSLI — net sales per leads issued — is the one that matters.

What the group finally agreed to was a new policy that sets sales productivity at three levels, based on longevity, and transfers responsibility for hiring and firing salespeople from the company’s three sales managers back to Schulz. Each level establishes an NSLI benchmark and a time period for hitting that benchmark. Third-level salespeople — who Schulz calls “proven closers” — are expected to generate at least \$1 million in net good sales per year and to be able to capably present five of the six products the company sells. Should a third-level rep fall into a slump and not meet the NSLI benchmark, he or she has a wider grace period — 12 weeks — in which to recover.

The policy was implemented in June, and “there was a groundswell of anxiety from the sales guys’ point of view,” sales manager David Fulbright says. The good thing, he adds, is that “rather than wondering if their performance will continue to cut it, they know. They know what they need to do. And they know there’s support there and the plan of action that we want them to develop.” The goal in changing sales benchmarks was to drive up NSLI across the whole salesforce, reducing marketing as a percentage of revenue.

“You tend to hang onto people because you like them or see promise in them,” Colbert says. Establishing clear benchmarks “weeds out those who are not meeting a minimum standard. It forces management staff to continually feed new talent into the pool so that, over time, the NSLI is going up and up, and that’s where the profitability is.”

### THREE COMPLAINTS, SUB GONE

Compared with other departments’ productivity, sales are relatively easy to benchmark. You know how many leads were distributed, how many demos resulted, how much revenue came in. Then you set goals and create a system to ensure that people meet those goals — or they leave.

But what about other departments? Marketing, for instance? Based on sales projections, the company works backward to set a goal for the number of demos it needs in each product category for every four-week period. Every marketing employee — phone room, canvassing, or events — knows what is expected.

Production? About 85% of Weather Tight’s work is installed by subcontractors, with project managers overseeing the finished job. A sure way to drive down marketing costs, which climbed up to 16% in 2007, is to increase repeat and referral business. That becomes more difficult to do if the crews installing your jobs are independent contractors. The current procedure has the installation crew leader calling Weather Tight’s project manager at the end of the job. The PM then gets on the phone with the homeowner to make sure everything went smoothly, asking questions such as, “Did you have an opportunity to operate the windows?” and “Is the house clean?” A packet containing a report card and self-addressed return envelope is left with the homeowner. “Our benchmark system is fairly ruthless when it comes to installers,” Colbert says. “Cleanup is the biggie.” Three complaints “and that sub is gone.”

### HUB AND SPOKE

When Colbert talks about “shared values,” he puts fiscal conservatism first. The company must always be “on strong financial foundations” and “conservative” in its spending. What it also means is that a lot of the money this business makes goes back into the business. That’s why, for instance, Weather Tight could gamble \$3.5 million on its new building.

But the bigger a home improvement company gets, generally the less profitable it becomes. How can Weather Tight, which does so many things so well, avoid the pitfalls that have trapped other well-run companies that expanded to the point of unmanageability?

Tod Colbert

The answer probably lies in the way that management responsibilities are continuously being shifted onto the company’s front-line staff, and on the way that Weather Tight has become a systems-driven operation, one where not only are the best window salespeople cross-trained to sell every other product, but every employee is cross-trained to do someone else’s job. This way, if an employee leaves, the company is not left stranded.

But the biggest question is how can Weather Tight build on the success of its showroom? The plan there is to develop satellite offices — as few as seven or as many as 12 — within the region that can function as a miniature version of the showroom itself. The first opened its doors in June. But can a company where canvassing has always been the biggest lead source drive traffic to those branches? Colbert says that he would like to see Weather Tight do three things in the immediate future: get better performance from its media ads, develop standardized courses for training new and existing employees, and create a customer service department with at least one full-time person. “Right now, if you have a complaint, you might end up in someone’s voice mail. We’re going to correct that,” he says, adding, “We’re going to create a process for that.” 📧

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