

## Learn about Sustainable Technology, BIM and More at 2010 SMACNA Chicago Trade Show

CHICAGO – “Building Information Modeling, or BIM, and sustainable technology are today’s hottest topics in the construction industry,” said Tony Adolfs, Executive Director of the Sheet Metal and Air Conditioning Contractors’ National Association (SMACNA) of Chicago, “so we’re especially excited to offer learning opportunities in these and other areas of expertise at our 2010 trade show.”

SMACNA Chicago will hold its 2010 Trade Show from 1 to 9 p.m., Tuesday, March 30, at Drury Lane, Oakbrook Terrace, IL. Registration for the event is now being accepted, and applications for booth assignments are being processed on a first-come, first-served basis.

“This trade show provides an excellent venue to meet key industry suppliers and manufacturers, who will be sharing information on their products and the latest industry advances,” said SMACNA Chicago President, James Cesak of Tal-Mar Custom Metal. “We’re especially excited by the new learning opportunities that will be available at our 2010 event.”

According to Adolfs, BIM is a process that generates and manages building data for the life of the structure, using real-time, three-dimensional building modeling software. “This technology will revolutionize the construction industry as we know it,” he said, “and we are informing our member contractors about it to keep them on the cutting-edge of industry developments.”

Adolfs added that sustainable or green technology is a high priority with John C. Lindemulder, Sr., the President of the Board of SMACNA nationwide. “Sustainable technology requires ongoing learning, since new developments and products are constantly coming to light,” Adolfs said. “Our trade show offers networking opportunities for contractors who want to explore their green options.”

SMACNA Chicago’s membership includes approximately 250 contractors who employ nearly 3,000 sheet metal workers in the Chicago area. Through educational programs and industry-specific committees, the association works alongside member contractors to improve their businesses and elevate the sheet metal industry.

An Exhibitor Invite Form is available to download at [www.smacnachicago.org/tradeshow/ExhibitorInvite.pdf](http://www.smacnachicago.org/tradeshow/ExhibitorInvite.pdf) and the Exhibitor Kit can be downloaded at [www.smacnachicago.org/tradeshow/ExhibitorKit.pdf](http://www.smacnachicago.org/tradeshow/ExhibitorKit.pdf). Pre-registration is required by Feb. 24, 2010.

If you do not want to host an exhibit booth but would like to attend, contact SMACNA Chicago at (708) 544-7007, or email [info@smacnachicago.org](mailto:info@smacnachicago.org).

For information on SMACNA Chicago or the 2010 Trade Show, call (708) 544-7007 or visit [www.smacnachicago.org](http://www.smacnachicago.org).

## Contractors Cents from page 5

So, decide what your 2010 challenge will be. Hopefully it will involve maintenance agreement growth.

### Imagine You Have 10,000 Maintenance Agreements

When you read that headline many of you said, “No way, I can’t do that” and you started enumerating the reasons why this was impossible in your head.

Some of you said, “Yes, I can do that!” and started thinking of the ways to make it happen.

And a very few of you said, “I’m already past that number.” For those few of you, increase the number to 100,000 agreements. I’ll bet you started thinking of ways to make that happen.

I read Michael Gerber’s new book, *The Most Successful Small Business in the World: The 10 Principles*. Michael Gerber is the author of *E-Myth* and other best selling books.

Michael’s First Principle: “A small business, built rightly, can grow 10,000 times its current size”. I started thinking about how to apply that 10,000 number to our industry.

Imagine that you had 10,000 maintenance agreements. What would that look like? Taking industry averages assuming a maintenance agreement price of \$19.97 per month: 1. Maintenance agreement revenue of \$199,700 per month or \$2,396,400 per year. 2. Service revenue of at least \$2,396,400 per year just from maintenance clients. 3. 800 to 1,000 replacements from maintenance clients - you do the math to calculate your revenue. 4. 25 to 33 technicians

#### With 10,000 agreements:

1. You will be managing your great business rather than working in the business
2. You can be your own line of credit and not have to worry about the banker
3. You should have time and financial freedom
4. You can retire (if you want)
5. You can give a great business to your kids, your employees, or other family members
6. You can do almost anything you want

If you think you are in a geographic area that “won’t support” 10,000 agreements - remember that you only need 30,000 homeowners with disposable income.

If you are in a smaller area than this: find another contractor to work with and each of your goals is 5,000 agreements.

If you think that you can, you can. If you think you can’t, you can’t.

#### Here’s an email that I got recently:

“I was at the CAAG (trade association) meeting in Macon GA when you told a story about how you challenged your employees to sell 25 service agreements between November and December and how they met their goal. Well I tried doing the same thing with my 9 employees this year between mid November and mid December. I set a goal of 30 service agreements with a bonus of \$100.00 ea if they met their goal. I’m very happy to say they sold 29 agreements in 30 days in a bad economy during the slow season. I was very impressed and paid them their bonuses they earn it. It was a team effort and they all worked together. I can’t wait until summer.”

Instead of thinking of reasons you can’t, think of ways to accomplish this.

Make it a mix group project. If you’re not in a mix group form a group with the purpose of generating 10,000 agreements each. Imagine what your business would

look like - it is exciting to think about!

### Calculating Prices by

### Dividing by 1 minus the Gross Margin

### May Lead You Down the Wrong Path

In the 1950’s contractors priced using mark-ups. This method got them into trouble because a 40% markup is NOT earning 40% on a job.

Contractors then learned the difference between mark up and margin. They learned to use margins when calculating pricing. Most contractors now take the total cost for a job and estimate the margin needed so they earn a profit. They take the cost figure and divide it by one minus the gross margin.

This method works well as long as you have jobs that are 50-50 materials to labor or high material jobs. When you have high labor jobs, using this method of pricing will earn you a loss on almost every job. Why? Because you aren’t calculating the true cost of the job. The labor overhead will kill the job.

Some contractors, especially commercial contractors, recognized the high cost of labor years ago. As a result, they have used a dual overhead method of pricing for years. They apply different overhead rates to labor and material when calculating their job pricing. This is closer to reality than dividing by one minus the gross margin for high labor jobs.

I would go one step further and determine your exact costs for each job: labor, material, equipment, sub-contracts, permits, taxes, warranty, commission and overhead. Then, determine the amount of profit you want to earn for the job to arrive at your selling price.

This requires that you determine your overhead cost per hour. Sometimes this is a very sobering number. Very profitable contractors have overhead costs per hour in the under \$20 per hour (for the new construction department) to under \$35 per hour (for the service department). However, I’ve seen overhead cost per hour over \$80 per hour.

Imagine two contractors competing for a job: one with an overhead cost of \$80 per hour and one with an overhead cost of \$25 per hour. The job takes 8 hours. The first contractor must add \$640 just to cover overhead. The second contractor must add \$200 to cover overhead. That’s a \$440 difference: either a lower price or more profit for the second contractor.

So what do you do? If you never sell high labor jobs, then you can safely continue with the one minus the gross margin divisor. If you sell high labor jobs, then you must either use a dual overhead method or determine your exact costs (including overhead) to price the jobs.

For those of you who are Carrier or Bryant dealers, I cover how to do this in *Profits, P&L’s Pricing and More...the exclusive class that begins on Tuesday, February 1, 2010*. You take this class on line at your convenience and have 60 days to complete the class.

For those of you who want a manual to show you how to do this, I wrote the *Residential Pricing Manual* (see below to order) which includes all of the templates you need to calculate pricing by exact costs.

You don’t have to do anything different as long as you have jobs that are at least 50/50 labor and materials or high material jobs. However, if you have high labor jobs and have been wondering why they are not profitable, you now know why.

## EPA Designates January National Radon Action Month

Air Quality Control, the nation’s largest radon remediation contractor, encourages the media to help promote awareness of radon gas health risks.

All homes and workplaces should be tested for radon regardless of geographic location or type of construction.

The World Health Organization recently published new documentation that links radon gas to more deaths throughout the World than previously estimated. According to the studies, radon causes approximately 15% of all lung cancer deaths making radon the #1 cause of the cancer for non-smokers. Air Quality Control, the nation’s largest radon remediation contractor, encourages the media to help promote awareness of this national health threat.

The Environmental Protection Agency has designated January as National Radon Action Month. According to recent reports from the World Health Organization, radon gas is responsible for approxi-

mately 20,000 deaths in the U.S. and 100,000 deaths worldwide each year. This equates to about 15% of all lung cancer deaths. Statistically, radon is the leading cause of lung cancer for non-smokers and the second leading cause for smokers. Learn more about radon gas at: <http://www.MitigationSystem.com>.

The EPA recommends that action should be taken to reduce indoor radon levels when the reading is 4.0 (picocuries per liter.) The World Health Organization recently lowered their limit or “action level” for indoor radon levels from 4.0 to 2.7 in response to several worldwide studies that point to health risks at lower exposure levels of the gas. More than 100 scientists from 30 countries participated in the World Health Organization International Radon Project and assisted in the publishing of the *Handbook on Indoor Radon* which was released earlier this year.

According to EPA, over 8 million U.S. homes have dangerous levels of radon gas. The agency is urging the media, state health departments, and

the press to participate in National Radon Action Month by helping to promote awareness of this silent killer. Testing for radon is easy and inexpensive. “All homes and workplaces should be tested for radon regardless of geographic location or type of construction,” states Jamey Gelina, president of Air Quality Control, America’s largest radon mitigation company. Radon problems have been found in every state in the U.S. and since you cannot see, smell, or taste radon, the only way to know if your home is affected is to conduct a test. If you find that your radon levels are above the World Health Organization limit of 2.7, a qualified contractor can install a radon reduction system to fix the problem.

National Radon Action Month is an ideal time to make your home and workplace safer. You can learn more about National Radon Action Month and local activities that you can participate in and help create awareness about this deadly carcinogen at the Radon Action Month Web site.