



Relationship Building

Remodelers Set Up Partnerships to Expand Their Businesses and Establish Lifelong Clients

By Christina Koch

Customer loyalty is much more complicated than it ever has been. No longer do consumers stick with one product or service provider. They may choose based on price, perks, speed, or even the way a brand or provider makes them feel.

In today's economy, as homeowners do more research before making a large investment, such as home improvement, remodeling companies have to do more to set themselves apart from their competition and often to be considered in the first place. Some remodelers have found success by aligning with complementary businesses and services to reach new niches and/or provide a one-stop shop for homeowners considering different aspects of a remodel.

The following three remodeling companies are of various sizes, have different focuses and service different locales. Each of them has created partnerships that complement their businesses with a goal to make the remodeling experience easy and memorable for the consumer while creating a lifelong customer.



Cale Kliethermes, general manager, Kliethermes Homes & Remodeling, Columbia, Mo.

Strategic Alliances

Cale Kliethermes, general manager of Kliethermes Homes & Remodeling, Columbia, Mo., recently recognized more of his clients were inquiring about energy-efficiency improvements. The full-service design-build remodeling firm's team was installing many trusted green materials and began to consider also providing energy audits and efficiency upgrades, like air sealing and added insulation.

"We started exploring that business model," Kliethermes says. "If we opened an energy division, what would that look like? We pretty quickly realized

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—Cale Kliethermes, general manager, Kliethermes Homes & Remodeling

we didn't want to go beyond our current business model to do energy audits, but we knew it was a hot topic and something we wanted to help provide."

The decision not to open an energy division had a lot to do with the way Kliethermes' business currently is set up. His typical job size is around



Cale Kliethermes has partnered with Chris Ihler (left) and Scott Schnelle (center), owners of Energylink, a home-performance auditing and contracting company. The partnership currently is referral-based.

\$20,000, and an energy-efficiency improvement project runs about \$3,000; Kliethermes' business processes weren't well-suited for smaller jobs. The idea of partnering with a company that provides energy-efficiency improvements was a good solution. Kliethermes, who leads a 13-employee team, came across Energylink, a small, local home-performance company established in 2010 by Scott Schnelle and Chris Ihler. Energylink completes energy audits and the energy-efficiency improvements recommended by the audit.

"We just started a conversation with them," Kliethermes remembers. "They're very service-oriented and ask a lot of questions to really understand the motivation behind people doing energy-efficiency retrofits. That was important to us because we want to understand why people do their remodeling projects, too."

The vetting process also was important to Kliethermes because his 35-year-old firm has a good reputation in Columbia, which has a population around 100,000. "We didn't want to link with a company that isn't from the same mindset as we are," he says. "We asked them a lot of questions—things we would find important for our clients to know. Whenever we enter into an agreement with a trade contractor, we have very strict requirements for them. We're basically holding Energylink to similar standards."

The verbal partnership between the entities is entirely referral-based at this point. The businesses have discussed what the next steps will be should the partnership become a bigger part of their businesses. "We have talked about whether there would be a more formal agreement or any type of compensation," Kliethermes adds. "We've left it open that there could be possibilities in the future of becoming more aligned."

Although the partnership is still new and hasn't led to any projects, the positive experience so far has motivated Kliethermes to look around for other partnership opportunities. His advice to other remodelers considering partnerships is to just do it. "I think you have to be willing to take a little risk. It's no different than just about anything you do in business," he says. "However, I've learned you don't let a bad decision go on for long. If it doesn't work out, we'll stop the partnership instantly."

Networking = Partnerships

Andrew Shore, CGP, CAPS, president of Sea Pointe Construction, Irvine, Calif., has entered into two successful and yet very different partnerships that were the result of networking. The design-build company, which has been around



Andrew Shore, president, Sea Pointe Construction, Irvine, Calif.

for 26 years, specializes in kitchens, bathrooms, room additions and whole-house remodels. About three years ago, Shore began looking for ways to increase business through new marketing channels, which led to a partnership with Costco.

Shore explains: "One of the lines of cabinets we carry is MasterBrand Cabinets. We started talking to our cabinet sales reps about alliances or partnerships, and MasterBrand happens to be a company that is partnered with Costco throughout the whole country. Our reps put us in touch with the division of MasterBrand that services the large and national clients, and Costco was one of those."



After negotiating pricing and signing a contract, Sea Pointe Construction officially became a Costco partner through its relationship with

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MasterBrand Cabinets. Now, within the home-improvement area of five Costcos in Orange County, MasterBrand Cabinets provides a mini-display, and Sea Pointe Construction stocks and replenishes brochures in the kiosk that identify Sea Pointe Construction as the cabinet installer and alerts homeowners to other remodeling services the company offers. "Costco literally has thousands of people walking by the kiosk every day," Shore says. "Our partnership with Costco was successful last year, bringing in almost \$1 million in 12 months."

The Costco relationship did just what Shore had hoped: It drew clients from a different segment of the market to provide a separate line of revenue for his business. Because of that success, Sea Pointe Construction established another, less-formal partnership with Standards of Excellence, an appliance center servicing Southern California. The partnership came together through Sea Pointe Construction's sales reps who often took clients to Standards of Excellence and had established many relationships there. "We thought partnering with Standards of Excellence would be a cost-effective way to market with other vendors," Shore notes. "The symbiotic relationship that would serve the same demographics in a parallel line of business appealed to us."

Sea Pointe Construction set up displays in one Standards of Excellence's showroom and was able to use the space as an office in which to meet clients. In addition, Sea Pointe Construction would refer clients to Standards of Excellence and vice versa.

"Our clients appreciated the relationship we built with Standards of Excellence," Shore comments. "They knew there was a trust that had

been established and both sides would produce a quality product. This also allowed our customers to have more peace of mind."

Just as the partnership with Standards of Excellence began taking off, the appliance center's parent company, Hoffman Estates, Ill.-based Sears, closed all its Standards of Excellence showrooms. However, this hasn't deterred Shore from finding another similar partnership. "We are looking to establish another relationship like that one because I think it had some really good potential," he says.

Sea Pointe Construction's partnerships have enabled the firm to diversify its business and avoid relying on one target market. Shore thinks partnerships are great if both parties respect and commit to each other. His advice to contractors considering partnerships is to complete thorough third-party research into the vendor or company. "Our direct relationship with Standards of Excellence was a great working relationship," he says. "What we did not know prior to this engagement was they were poorly looked upon on review websites, such as the Better Business Bureau, Yelp!, etc. Without this knowledge, we do have some regrets, such as using goodwill with cabinet manufacturers to put displays in the stores, etc."

Despite the hurdles, Shore says his partnerships have been a learning experience: "Now we have a little more insight into other things we can look for. These partnerships have laid the groundwork for some good future alliances."

The Total Package



Larry Green, chief executive officer/co-founder, System Pavers, Santa Ana, Calif.

Larry Green, chief executive officer and co-founder of Santa Ana, Calif.-based System Pavers, an outdoor-living-improvement company, started out in 1992 installing interlocking paving stones to create distinctive patios and driveways with patterns and colors. His firm quickly expanded to installation of turf,

barbecues, fire pits, water features, landscape lighting, pergolas, outdoor shade products and more.

Because Green wants to provide a total outdoor-living experience, he began reaching out



to his existing customer base to provide them more services and monitored the response rate.

"We had a good response rate, good close rate, good cost of acquisition, and we started moving to this point where 30 to 40 percent of all revenue generated came from previous customers," Green notes. "Not only did we have this opportunity to enhance their enjoyment of their existing outdoor-living systems, but we found they were willing to refer others to us. This was an exciting outcome because we typically close 65 percent of our referrals."

Green suddenly recognized the lifetime value of his existing customers and began thinking about what he could do to make the customer also want a lifetime relationship with his firm. "We wondered what we could do to create a little buzz and have customers talking about us more, thinking about us more, making them more prone to send us referrals and do additional business with us."

"We're not putting a lot of conditions on the partnership in the beginning. We just want them to do something cool for our customers."

—Larry Green, chief executive officer and co-founder, System Pavers

This thought process led to a partnership with Armstrong Garden Centers, which has a presence throughout California. System Pavers services all of California, as well as Denver; Portland, Ore.; and Seattle. Green chose Armstrong Garden Centers because he wanted to align with a brand that is well-run, respected and covers a similar footprint as his business. "I'd rather have one provider than many," he says. "With landscape and outdoor nursery stores, there's no national operation. Armstrong is the biggest in California. We're currently trying to find someone in the Pacific Northwest and in Denver."

For two months, System Pavers offered clients 15 percent discounts on purchases within the garden center's stores. Armstrong Garden Centers created a special bar code that System Pavers included on certificates in its warranty packages and newsletter. The bar code helped

track how many transactions System Pavers drove to Armstrong Garden Centers during the promotional period. At last count it was 120 transactions, but Green and the garden center agree more of System Pavers' customers probably visited the nursery and used a different in-store promotion with a higher value.

The success of the promotion has set Green up to explore the partnership further. "At this point, we've made our customers feel good and they appreciate that little extra thing we did for them," he says. "But now that we know we were able to bring business to Armstrong, we are excited about the many possibilities for reciprocity, benefiting both our customer groups and businesses in the long term."

Green has a distinct vision of being able to provide everything his customers may need for a total outdoor-living experience, including furniture, steaks and wine. As part of that vision, he recently signed an agreement with Omaha Steaks, which includes a special portal run by Omaha Steaks through which System Pavers' customers receive discounts on food items.

Because of the success Green expects from future partnerships, he plans to hire a full-time staff person who focuses strictly on developing and maintaining these relationships. Green recommends remodelers considering partnerships be selfless. "Speak for your customers first," he says. "I think a lot of contractors ask what they can get out of it from the other partner. You have to ask how you make it great for your customers first. The other things will follow. Secondly, make sure the partner you pick has the same attitude toward the customer you have because the last thing any of us wants to do is impress a customer and refer him to somebody else who gives him terrible service."

Partner Benefits

No matter the size or type of remodeling business, partnerships can be a great benefit. They can introduce remodelers to new markets they may not reach through their traditional marketing channels, can set remodelers apart from their competitors and earn them coveted customer loyalty.

But, as Green noted, remodelers must think about the rewards to the customer first and foremost. "You have to be sincere about the program," he stresses. "Don't look at it as a profit center; look at it as a lifetime customer-relationship builder." **QR**