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Tapping The Hidden Goldmine Of Negotiated Commercial Flooring

By Steve Hillis, CEO of Empower Partners



Coach's note: Flooring Success Systems has formed a strategic partnership with Empower Partners. (See the announcement in this issue.) I asked Steve to write an article for our members on negotiated commercial flooring because it's an area often overlooked by dealers. Most dealers are familiar with main street commercial, and large GC projects. Negotiated commercial is a third option, and it has huge profit potential. Steve has years of experience in this space, and at one time he owned a company specializing in negotiated commercial. His company did over \$10 Million in sales annually and had average margins of 45%. -Jim

Most flooring dealers in today's market have in the back of their mind, "how do I diversify to protect my company when the next market down-turn hits?" The market has been strong for a long time and many economist and flooring industry experts are predicting that 2020 will be the year that we see a slowdown in residential construction and possibly a recession due to the global economic crunch with the EU and Asia in trouble today.

We all remember 2008 when the market dropped like a rock and builders stopped building and many went bankrupt. Residential was the first to go, then the hotel market and commercial was not far behind. Many flooring dealers went out of business during that time because they had too many eggs in too few baskets. Most flooring dealers can sustain a few customers going under, but we all have our limits. The companies that did the best were the ones that were diversified with their customer mix and when residential builders went down, they still had main street commercial or remodel contractors or other commercial work to focus on.

One of the ways we help clients is by understanding the negotiated high margin opportunities that exist with the commercial market. Most dealers are familiar with large commercial flooring and main street commercial, but don't realize there is a third category called negotiated commercial which has advantages over the other two. Let's compare all three types of commercial opportunities.

- 1. Large Commercial Work** – This is the primary market that pure commercial flooring dealers go after and most of this is specified thru designers and end user's facility managers and most of the sales go thru General Contractors. The is many times referred to as "Hard Bid Work" and it has benefits and risks associated with it. Typically, it is "easy work" to get access by simply getting on the GC (General Contractor) bid list and then doing estimates and bids to secure the work. Most of this is driven off price and becomes high volume work that carries the

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risk of low profit margins and challenging cash flow. Most GC's require 10 percent retainage after the job is complete and most of these jobs are under 20 percent profit margin to secure the work.

- 2. Main Street Commercial Work** – This business is what most retail flooring dealers try to secure, and it is easy to do. Most of this work is walk in customers or spin off work from your current retail clients to do doctors' offices, retail stores and small commercial jobs that should be able to achieve a profit margin in the mid 20's.
- 3. Negotiated Commercial Work** – This is an area that most flooring dealers are not aware of or they do not have the training to secure. It is a slice of the commercial market that can be much more profitable with less risks and better cash flow. Selling to this market is different and requires some training and discipline to secure. Prospects like hospitals, senior living facilities, property management firms, design build contractors, large remodel contractors, manufacturers with office buildings or campus locations, retail clients and others can be great customers to develop for negotiated work. The requirements are as follows:
 - a. Good quality installations
 - b. Quick response service
 - c. Professional salesperson and good follow up
 - d. Ability for the salesperson (and business owners) to develop relationships with the owner or facility manager.

By securing this type of work, your business will achieve higher GP margins as the negotiated commercial business should fall in the 30-45% range and you should not have to deal with retainage and long payment cycles.

Empower Partners has developed a program for our clients to provide a business assessment to evaluate the risk of market downturn and to help with a better sales strategy around diversifying your customer mix. For more information about developing negotiated commercial work and how to train your sales people to develop this work, contact Empower Partners at 678-899-1290 or check out our website at: www.empowerpartners.net. We can be reached via email at: rshillis123@gmail.com. Flooring Success Systems members get a \$200 discount off their first service with Empower Partners.

About the author: Steve Hillis is the CEO of Empower Partners, LLC and has 36 years' experience as a leader in the flooring industry. Steve is the author of the upcoming book, "Listening to your customers" and a frequent speaker at flooring industry events like Neocon, Georgia Manufacturing Association and other industry events.

Announcing the Flooring Success Systems & Empower Partners Strategic Partnership

We're always on the lookout for ways to add value for our FSS members, which is why I'm excited to announce the partnership between FSS and Empower Partners. I met Steve Hillis, EP's CEO, early in 2019. As we learned about each other's companies, and our shared mission to help floor dealers be more successful, it became clear that a partnership would benefit our respective clients/members. More about that in a minute, but first here's a little background on EP.



Empower Partners is a training, coaching and consulting company created by Steve Hillis, who is a commercial flooring industry veteran who held senior level positions with Mohawk, Tandus, Milliken and Beaulieu. Empower Partners is made up of 10 flooring industry veterans who provide one-on-one coaching for flooring sales people, and coaching and training in the area of negotiated commercial flooring.

This new strategic partnership will allow each company to offer each other's services while helping their flooring dealer clients achieve higher levels of success.

There are two main areas where FSS members will benefit from this partnership.

One-On-One Sales Training. In Flooring Success Systems, we provide live webinar and video training on the Design Audit sales system for your sales people. However, our members may have sales people who could benefit from one-on-one, personalized training. Empower Partners has a powerful, effective, proven one-on-one training program. Sales people who go through their 12-month program often report increased sales of 20% - 30%.

Negotiated Commercial Flooring. As was outlined in the cover story, this is a lucrative segment of the flooring industry which can help grow your business, but recession-proof it against downturns in the market. Unlike GC commercial, it's a relatively low-risk, easy add-on to your existing retail business.

To learn more about how Empower Partners can help your flooring business, call Steve Hillis at 678-899-1290.

Escaping the Flooring Industry **Groupthink**

(1 of 2) *By Jim Augustus Armstrong*

In last month's newsletter I said that every flooring consumer has an unspoken question: *why should I buy from you instead of your competitor?* The company which does the best job answering that question wins. The box stores and other billion-dollar, multi-national corporations now own 60% of the U.S. flooring market, and they've accomplished this by answering that question more effectively than most retailers. Their answer is, "We're the cheapest." Instead of coming up with a better answer, many retailers *copy* the boxes' answer. "Hey, we're cheap, too! Hey, we do free installations, too." Retailers also copy *each other* with "me-too," name, rank and serial number advertising. In other words, our industry is lousy with groupthink.

This presents a golden opportunity for FSS members. If you ditch the groupthink, you gain an instant competitive advantage over every dealer in your area, including box stores.

The first step you need to take to escape the groupthink is to implement the Core 3 strategies. This is foundational. Just doing this one thing will put you miles ahead of your competition. (Go back and re-read last month's article where I spell out why.)

Now let's go beyond Core 3 and look at some additional tactics you can implement to completely dump the groupthink, and provide multiple, powerful, convincing answers to the unspoken question.

Marketing is Everything

And everything is marketing. Look at every touchpoint, every interaction with your prospects and clients as an opportunity to market to them to transform them from a satisfied customer to a raving-fan-cheerleader for your business.

Showroom

I've visited a lot of showrooms that were, in a word, depressing. Dark, quiet as a graveyard, smelling of dust and glue, and cluttered with far too many displays. Your showroom should be pleasing to all 5 senses. Use Starbucks as your model, not other flooring stores. It should be clean, clutter-free and curated. You should have a popcorn machine, or a small convection oven to make bread and cookies. They make great treats for your clients, and they make your showroom smell like home rather than dust and glue. (Which is what many showrooms smell like.) Banish the silence by playing music.

Use testimonials in your showroom. Have a testimonial brag wall. Or do what FSS member Matt Capell has done: frame photos of clients with their testimonials, and display them throughout your showroom.

At your closing table have a monitor playing a slideshow of completed jobs, happy clients, and testimonials. You can also put several monitors throughout your showroom.

Shock-And-Awe Campaign

If someone leaves without buying, the shock-and-awe campaign gets them to come back. This is a series of fun letters reminding the prospect of what makes you different: your guarantees, warranties, and why you're the obvious choice. Each letter contains a bulky item, so the envelope is lumpy, which guarantees it will get opened. For example, one letter has a headline saying, "How to End The Headache of Shopping For New Floors," and contains a packet of aspirin. One letter contains lifesavers, another has a lotto scratcher stapled to the top, and another contains a mini basketball.

The shock-and-awe campaign is available to Platinum FSS members, but if you're not in Platinum, send us an email we'll send you the Lotto letter to get started with.

Phones

I've called most of your stores at one time or another, and some of you have Oscar the Grouch answering them. Train your team to answer the phones with a friendly, upbeat tone. Smile. It comes through your voice.

Testimonials

Testimonials are social proof, and they speak far louder than any other marketing message. I already mentioned using them in your showroom. But where else? All your marketing and advertising (we already include them in the Neighborhood Advisor). Online reviews. During your sales presentation. (I explain how in the Design Audit training videos.) Website. Facebook. Just about any social media. In other words, anywhere your prospects and clients see any kind of marketing message.

Banish the word "estimate"

Consumers don't want an "estimate" of what their project is going to cost. They want an exact price. So, FSS members don't give estimates. They give no-surprise, guaranteed, written quotes.

In part 2 I'll give you even more ways to escape the groupthink. In the meantime, pick at least one of the strategies in this article and implement, implement, implement!

FEATURED WEBINAR: *Available for a short time only!*

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