



The High-Performing Contractor Assessment Program Update

December 2003

The following provides information pertaining to the SMACNA High-Performing Contractor Assessment Model and highlights the interest for this program.

CONTRACTOR magazine is carrying six articles on the SMACNA High-Performing Contractor Assessment Model starting with the September 2003 issue, which introduced the model. The second discussed leadership and strategic planning and the third article discussed Customer Focus; it is featured in the November issue.

***** Local SMACNA Chapters are Committed

As of this date, the following chapter has scheduled an overview in **2004** of the High-Performing Contractor Assessment Model: **SMACNA - St. Louis Chapter - January 21, 2004.**

If you are interested in your chapter sponsoring an overview of the High-Performing Contractor Assessment Model, contact Tom Soles at SMACNA National or your local SMACNA chapter leaders.

A program on the High-Performing Contractor Assessment Model will be presented at the **SMACNA Business Management University on January 28, 2004.**

To register for this program, contact Bridgette Bienacker at SMACNA National (telephone: 703 803-2987; e-mail: bbienacker@smacna.org).

***** The Ultimate Customer Satisfaction Measure

Granite Rock produces rock, sand and gravel aggregates: asphalt, ready mix concrete, road treatments, and recycled road-based material. Granite Rock is recognized as a world-class company having won the Malcolm Baldrige award. Its customers can choose not to pay for a product or service that doesn't meet expectations, which has resulted in low overall customer dissatisfaction. However, even with this freedom, the cost to resolve complaints runs about 0.2% of sales, as compared to the industry average of 2.0%. Do you make this choice available to your customers? Why not?

***** Loyal Customers Count

What is the long-term value of your customers? The value of a loyal customer over many years can be great. The lifetime value of a loyal pizza eater is estimated to be \$8,000. For a Cadillac owner, the lifetime value is \$332,000. Loyal customers are different than satisfied customers. One study found that between 65 and 85 percent of customers who defected said they were satisfied with the previous supplier. However, satisfaction is not enough! We need loyal customers because they provide us with the next job. Loyal customers purchase more, give referrals, and are less price

sensitive. Having loyal customers also contributes to employees' pride in their jobs; which helps reduce employee turnover and its associated costs. It costs five times as much to gain a new customer as to keep an existing one and 16 times as much to get the new customer to the same level of profitability. What do you do to keep loyal customers? Source: *Baldrige for the Baffled*, Honeywell Inc.

***** Measuring Loyalty

Ways to measure customer loyalty:

- Number of referrals from current customers
- Percent of customers giving the highest rating on customer satisfaction surveys (top box rating)
- Percent of a customer's annual sheet metal/mechanical work (budget) that you obtained
- Bid success rate with existing customers
- Number and revenue of repeat customers
- Percent of 'repeat business' customers each year of the total customer base.

You may also want to look at the number and value of lost customers.

***** A Sharper Saw

Many contractors have asked when the best time to conduct the High-Performing Contractor assessment is. There is never a good time! The work is either too slow and we are too busy working to obtain work or work is too heavy and we are too busy doing the work. On the other hand – consider this: **now** is the best time. The end of a year or beginning of the next year is a great time to determine where the company will go in 2004. Steven Covey says that leaders need to take time to "sharpen the saw" and do the things that are important but not urgent. Much of construction work is urgent and that will never completely change; but by doing the assessment and business planning, contractors don't have to be held hostage by urgent but less important tasks.

***** Quote of the day

Most companies have incredibly poor processes for dealing with customers and correcting problems. They spend the valuable time of both their people and their customers, only to lose their business in the long run. This problem is one of those "hidden gold mines" that could be lucratively addressed through corrective action.

A. Blanton Godfrey Ph.D., (*Quality Digest*, November 2003, page 17.)

For more information about the High-Performing Contractor assessment process, contact Dennis Sowards (telephone: 602-740-7271; e-mail: dennis@YourQSS.com) or Tom Soles (telephone: 703-803-2988; e-mail: tsoles@smacna.org).