

Facing Down Remodeling Stigmas

Last fall, a CNBC article authored by Sam Dogen caught my eye. The title, “Expect your home remodeling to ‘cost 50% more and take 50% longer,’ says finance expert,” intrigued me and, yes, also got under my skin.

At first glance, the title alone seemed ridiculous—why would a financial expert be casting such a dark shadow on an entire industry, one made up of many companies that are truly honest and trying to help homeowners? It’s not an accurate characterization of the whole industry, and many professional remodelers reading this right now would be happy to share any and all of their client references to prove it.

There’s no denying that remodeling and construction trades have been commoditized for decades. While choosing between a better, faster, or cheaper focus leaves most businesses crafting a “better” differentiator, many construction trades and general contractors continue to try to be either cheaper or faster, often believing that being both is the best way to secure work to feed their families. This leaves them in the position of being the lowest bidder. Low dollars get the job, and then they try to cover the potential losses by either cutting corners or adding charges.

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That, however, is a recipe for a customer-service disaster and also a “business 101” failure; businesses that choose this strategy are why the remodeling industry is often considered the dregs of professional construction, and why articles like Sam Dogen’s get written. The construction industry and buyers have perpetuated a market in which the lowest bidder sets the standard for what a job should cost, creating a misperception of what projects actually cost. This does a huge disservice to both our clientele and our industry.

So how do we fix this? Homeowners should not simply assume that any home improvement project will cost 50% more and take

50% longer ... and good remodeling companies should be able to articulate the value they bring beyond being the cheapest. The project will always be a function of labor, materials, and what it takes to create a final product that meets a client’s expectations. That’s it. This will vary—labor that shows up when they say they will, for example, generally costs more than the lowest bidder subcontractor. A good GC will take that into consideration and communicate the value of the time and communication saved.

To shine a little more light on the value of a professional remodeler, especially in a design/build contractor scenario, below are my responses to Sam Dogen’s assertions.

IT WILL COST MORE THAN EXPECTED

Most important here is the word “expected.” Any pro remodeler should be working diligently to align expectations between the owner, designer, and builder. These should be defined early in the design process, not once a family’s home is torn apart and there is no turning back. My company’s feasibility design process is set up to define just that—the expectations of the design, costs, and timing. This happens on paper, which is much less expensive than making decisions while a project is under construction, and usually occurs within the first month of design and planning. Clarity of expectations across all parties is a process issue and should be clearly defined in the design phase.

Solution: Explain what your company does before construction begins to define the cost expectations of a project. This is a deep and process-oriented explanation that also answers the “are your projects typically over-budget” question.

IT WILL TAKE LONGER THAN EXPECTED

As with costs, clearly define the timeline with your client during the design process. We usually ask our clients if they have a date by which they would like to have the project completed and we work backward from there to show them the incredible number of things that need to be produced, decided, and executed to make that happen—if it is even possible. More often than not, an extended duration is a function of a poorly defined scope of work on the builder or designer side, which results in changes to the design, indecision, and misaligned expectations.

Dogen argues that builders bring up two classic lines that could be solved with contract language for liquidated damages. “This project is costing me money,” and “I’m practically working for free.” This is a process and communication issue on the builder side. A clearly

defined process should require approvals by certain dates by the client to keep a project on time. So many pieces of a project have extensive lead times that are out of the control of the builder if approved, changed, or added during construction. Project delays are a two-way street—we tell every client that our goals are aligned, and we too want to have a quality project completed as quickly as possible, but we need to work together with a mutual understanding of what is involved and required from the client to make that happen.

Solution: Explain your change-order process as it relates to construction, regarding both budget and timing. Our company explains that we do all that we can on the paper end of design so that everything is as clearly defined as possible and our clients are ecstatic about what is planned. We advise them that as the space is being built and they see it in real-time, they may have other ideas and we will try to be flexible, but we also warn them that changes to the original design may result in construction delays and increased costs. We offer to help guide them through the value judgments and decision-making process, should this come up.

DON'T LET EMOTIONS GET IN THE WAY

This piece of advice from Dogen gets under my skin. You, your staff, and your subcontractors are going to be working inside a client's house for months. This is a family's home—it's not a car or handbag. They are raising their children there, retiring there, or maybe starting a new life there, so how can it not be emotional? Dogen tells homeowners that they shouldn't act like they love where they live, because a contractor will be more likely to rip them off. This is clearly an issue of trust. A pro remodeler does not base business decisions on client emotions. A pro remodeler is a client advocate and consultant. A pro remodeler is helping their client understand the costs of their project and the value their company brings in realizing their goals from day one.

Solution: Explain to prospects how they can feel confident in you. Years ago, we had a client who said that they had been burned before and were nervous about trusting us. Understanding the huge financial investment they were about to make with a company they found on the internet, they were not so sure. We put photos of all of our projects on our website, so I always offer clients to find a project that aligns with theirs, and I am happy to connect them with the owners. I don't give a hand-picked reference list; I let them choose. They can pick any client we have ever worked for, and I am happy for them to talk, because I know we worked hard to earn every client's trust. For this client, I even offered up my mother's phone number, so that if at any point they felt I was being dishonest or not trustworthy, they could call her directly, and she would give me an earful on their behalf. (They never had to call her.)

SPEND WITHIN THE SCOPE OF YOUR PROPERTY VALUE

I often wonder why people can so quickly buy some expensive things knowing they will end up in the garbage or donation bin, or simply be worthless in 10 years—a \$60,000 car is worth thousands of dollars less as soon as you drive it off the lot—while with a house, they somehow assume that whatever money they put into

it, they should be able to immediately get back, plus some. Homes should be considered more than a financial investment, though; they are a quality-of-life investment. This is true now more than ever as we have had stay-at-home orders and expansive working from home during the pandemic. Home improvement is unique in that it does provide equity, but don't let a prospect's desire for an immediate return on dollars cloud the value you provide in an improved quality of life.

Remodeling is expensive, messy, exhausting, and nothing like what is seen on TV. But, it can also be a truly special and human experience. ... Few things in life can be custom crafted around an individual's needs, but remodeling is one of them.

Solution: Understand the relative property values of your prospects' neighborhoods and explain construction costs with third-party data or previous project experience. Work to understand their pain points and determine if you think it is possible to solve them within their budget, and if not, let them know. We frequently offer the Cost vs. Value report [from Zonda Media, which also owns JLC] that shows average costs of remodeling projects in our area and the average recoup value of the improvement. We also have a network of local real estate agents we can connect clients with if they need more data points to guide their improvement project.

ALWAYS THINK IN PERCENTAGES

Dogen argues that a project should be based on a percentage value of the property, and that it makes no sense to spend above what the property will be worth on the resale market. This ignores that there are other types of value besides resale value and has nothing to do with the specific context of a home and a client's needs. See above for more detail.

BWARE OF PRICING DISCRIMINATION BY NEIGHBORHOOD

In a more expensive neighborhood, levels of design and specifications are typically higher. Property values, at least in the Chicago suburbs that my company serves, also dictate a standard for finishes. For example, when designing in a lower-priced neighborhood, we would not plan a budget to include a Subzero appliance package, but there are certain neighborhoods where that is the standard. With that specification level also often come more plan modifications. Simply put, a pro remodeler doesn't change the pricing structure for specific neighborhoods but will likely increase the specification level to be comparable to the market. In higher-end neighborhoods, there are often more municipal requirements, additional bonds, tree-protection, fencing,

and portable-toilet screening, to name a few, that can also drive neighborhood costs up.

Solution: Talk to prospects about how you define a specification level for their market and see if it aligns with their expectations. If you have done other work in their neighborhood, share projects from your website and be prepared to talk about their budgets and specification levels for reference. At our company, we try to align early design and budgeting specifications with the relative local market, and we are happy to talk about similar projects and budgets.

LOWER YOUR EXPECTATIONS

This assertion makes me so sad. Dogen wrote, “Unfortunately, no matter how optimistic you are about home remodeling, you’ll likely have a miserable experience.” I wish that he had called my company before embarking on the first of his four miserable remodeling experiences.

Solution: Ask your prospects what their expectations are for the process, budget, and overall experience, and cross-reference those with your company’s standards and core values. A pro remodeler should be honest about what expectations the company can fulfill, but also leave prospects inspired by what their home can be if they’re up for it. No pain, no gain.

WHAT REMODELING REALLY IS

Remodeling is expensive, messy, exhausting, and nothing like what is seen on TV. But it can also be a truly special and human experience. It is an opportunity that a family may have only once or twice to collectively work with a team to tailor their home to them and their family. Few things in life can be custom crafted around an individual’s needs, but remodeling is one of them—and don’t forget it also affects where these individuals live—so I think that’s worth it. Expect prospects to do their due diligence and be prepared to demonstrate your value as a pro remodeler.

For prospects searching for the fastest or the cheapest, explain that the project probably won’t be either fast or cheap no matter whom they hire. If you are the best, demonstrate your value as such, and ask the questions that reinforce that your process supports the best end product and customer experience. That’s how to make remodeling vs. buying a flip worth someone’s while and improve their life. No two remodeling companies are created equal, but there are many more really good ones than worst-case media stories would lead homeowners to believe.

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