

Teaching Customers Why You Are the Best Choice

When it comes to home repairs, remodels and new construction, people want three things: good service from a good contractor at a good price. But in this competitive market, how do you convince potential customers that you are the best choice? By teaching them.



BY KIA RICCHI

Homeowners are often asked to make important decisions without the tools to do so. When choosing a contractor, price — instead of professionalism — is often the deciding factor. Regrettably, many homeowners later discover that an unqualified contractor costs them twice as much because, often, the work must be redone. Worse yet, lawsuits can lead to financial ruin if the homeowner hires an uninsured contractor who is injured on the job. It is a lose/lose situation because the qualified contractor loses the job and the uninformed homeowner loses money.

To improve the odds of winning a bid, consider giving the gift of knowledge. Let potential customers know that although they are wise to obtain several quotes, they must consider a contractor's qualifications if they want the job done correctly. And don't just tell them that you are an expert, prove that you meet standards set forth by the state, and explain why this is important.

This takes skill because it requires you to step into the homeowner's shoes. For example, licensing and insurance are complex topics that need to be explained in terms a homeowner can understand. The following will help enlighten a potential customer as to why you are qualified to do the job.

PROFESSIONAL LICENSING

Many states use professional licensing as a means to regulate activities deemed dangerous if performed incorrectly. In most states, construction professionals, including building contractors, electricians, mechanical contractors and plumbers, are usually required to have a professional license. Other construction professionals who may require licensing are swimming pool contractors, roofing contractors and screen room contractors. As a rule, only knowledgeable and practiced professionals are awarded a license. Contractor professional licensing, if required by the state, can help gauge competency because states often require an applicant to provide proof of:

- ★ Sufficient trade knowledge
- ★ Sufficient trade experience
- ★ Financial stability
- ★ A history free of dishonest and felonious acts

Professional licensing is important because it helps to ensure that practitioners are competent and ethical before they are given permission to practice.

Verifying contractor licensing

Today, obtaining information is not nearly as difficult as it was in the past. To ensure that a contractor's professional li-

cense is active, homeowners should contact their state's professional licensing division.

CONTRACTOR INSURANCE

Insurance is a resource that protects against major financial loss because the risk of loss is transferred to the insurance company. In exchange for a small fee (the premium), the insured party is protected against potentially large losses.

States may require both businesses and individuals to purchase insurance as a means to ensure that the insured parties assume financial responsibility for the damage they may cause to themselves and others. For example, a state may require an individual to purchase automobile insurance, and it may require a business to purchase workers' compensation insurance and general liability insurance. When insurance coverage is not required, many businesses voluntarily purchase insurance. Contractor insurance coverage is important because it helps protect from lawsuits arising from a project.

In construction, workers' compensation insurance and general liability insurance are important not only to the contractor who purchases it, but also to the homeowner. A major difference between workers' compensation insurance and general liability insurance is that workers' compensation covers the employees of a company while general liability covers the public affected by a company's operation.

Workers' compensation insurance

The workplace has long been recognized as a site where injury can occur. Construction work is inherently dangerous because construction workers perform labor-intensive tasks while in dangerous environments. They use powerful tools while on ladders and scaffolding, and in areas where heavy equipment operates. Because construction is hazardous and the cost to treat injuries is expensive, most states require contractors to have workers' compensation insurance. Workers' compensation insurance is generally the "exclusive remedy" because the employer's insurance company compensates the employee for injury or illness "arising out of and in the course of employment" — even where the employee is partially or wholly at fault. Again, workers' compensation insurance helps protect homeowners from costs that may be passed on to them by uninsured contractors (and their uninsured employees) who are injured as a result of the project. A state's workers' compensation division can verify a company's workers' compensation policy status, including any authorized exemptions.

• Authorized workers' compensation exemptions

Even though workers' compensation insurance is required by most states, provisions exist that allow exemption from coverage. For example, a state may allow a construction company to exempt some of its corporate officers. Authorized waivers generally document these exemptions.

Although these authorized exemption waivers protect against claims of injury from the exempted individual, problems arise when this person brings a nonexempt (and unin-

jured) helper to the job site. If this helper gets hurt, he may seek compensation from his employer and anyone associated with the job — including the homeowner.

• Verifying workers' compensation coverage

Because state governments oversee the workers' compensation insurance program, homeowners should verify coverage directly with their state's workers' compensation division. This ensures that the information is current and accurate. Many state's workers' compensation division Web sites have a database that allows verification of a company's policy or an individual's authorized exemption. These agencies can also be contacted by telephone.

General liability insurance

Whereas workers' compensation insurance covers the cost of an employee's job-related injury or illness, general liability insurance protects against claims from the public that result from a company's negligent acts or products. General liability insurance generally covers both property damage and bodily injury. Because personal injury claims are costly, it is important that homeowners are protected from these costs, including costs that could be passed on to them if any members of the public are harmed as a result of the project. The property damage portion of the contractor's general liability policy protects from damages resulting from construction defects on a project.

• Verifying general liability insurance coverage

Because general liability coverage is not as strictly regulated by state law as workers' compensation coverage, state insurance divisions do not provide coverage information. Therefore, homeowners must ask the contractor to have his or her insurance company send the insurance certificate directly to them. This is a critical step toward assuring authenticity because forged certificates do exist.

DON'T PREACH TO THEM, TEACH THEM

Because a low price is often uppermost on people's minds, it's sometimes a challenge to explain why professionalism costs more. But if you take the time to educate potential customers about the various requirements pertaining to professionals in the building trades—and show them that you meet those requirements—chances are you will be seen as not only an expert, but also as someone worth spending the extra money on.①

Kia Ricchi, a member of the Greater Orlando, Fla., Chapter, is the author of "Avoiding the Con in Construction." The book has won both the 2010 Independent Publisher's Living Well award and the Indie Excellence award. Visit Ricchi's Web site at www.thecontractress.com, or contact her at kia@thecontractress.com.

