

How Remodelers & Builders Buy Right

*What a Do It Yourselfer Needs to Know about Purchasing
Purchasing for your next Do It Yourself Project.*

What you need to know to purchase like a remodeler or builder.

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It may be a kitchen with new cabinets, a bathroom renovation, finishing a basement, family room or sun room addition, expanding the house or garage, or building a deck, but it all starts off with a good plan and buying right.

Do It Yourselfers are at a considerable disadvantage purchasing goods and services when compared to a General Contractor or Builder. This article is to demystify the How and to negate some of the disadvantage that DIYers have. The first advantage a builder or remodeler has is the experience of being the purchasing agent for many projects over years. This allows him (or her) to select products and services that relate to the price point and market characteristics of the project. The builders and remodelers then develop plans (if needed), written specifications for each item, as well as alternatives before seeking prices from several vendors in each category. Manufacturers and distributors (through trade shows, industry publications, and direct contact) continually update the builder on new products and methods for building. Suppliers update him on prices. To be successful in the industry, builders continue their education through seminars to keep up with the changing



products. They research independent product testing and rating companies to select the best products for the price. Successful professionals make sure that they have greater knowledge and are exposed to more products than their competition. This is a must if they want to stay ahead of their competition and win more construction projects by offering a higher value project at a lower price. Simply put, they need to be at the cutting edge.

The second advantage is the builder's reputation in the industry and his rolodex of wholesale distributors and trades people. This rolodex, which often rep-

resents personal relationships, has more than one vendor in each category. In addition, if his reputation is established and exceptional, there are new companies that are looking to win the builder's business. Those who have established business relationships with him in the past compete against each other as well as those looking to establish him as a new customer. This competition between competent contractors and suppliers drive overall project costs down. The third advantage builders have over Do It Yourselfers is the use of specifications to solicit competitive proposals. Builders create specifications with plans when needed as part of a request for a proposal. This requires all bidders to price the same things. A bidder may offer an alternate but equal product, but must specify it as such. Builders, when hiring trades or doing business with vendors, use their own contracts to supersede the vendor's attached proposal. This override of the vendor's proposal is to protect the builder's and client's interests. It insures that the agreement between parties meet all of the builder's performance requirements of the vendor or trade.

The fourth advantage builders have is that they spend the time in the details that include checking references and holding parties accountable in the trade contract. The supplier or trade contractor gives professional builders better prices because they expect the project to be managed properly and efficiently. This means coordinating trades that can be in conflict with others, thus resolving things before they become issues. Issues that are not resolved quickly can cost time and money for everyone. The project manager makes sure that everything is ready for the trades and suppliers as scheduled, updates them as the job progresses, and confirms with each their delivery or start dates. Builders and Remodelers that meet or exceed their financial obligation to their trades and suppliers usually get the best prices and the most cooperation from those they do business with.

The Do It Yourselfers Cost Advantage When Remodeling or Building

Your advantage as a Do It Yourselfer is that you can eliminate the overhead and



profit that general contractors charge (see what those costs can be in other areas of our web site) by handling the administrative aspects of your project with some good advice. You can research products and select them based on performance and value. You can package together materials to create bulk orders so that the bidder will offer quantity discounts. You will need to learn where you can buy best and when it pays or doesn't pay to spend the time shopping. Being a good payer, while protecting yourself, can be leveraged for better prices. It is important to understanding that the lowest price may sometimes be more costly, when quality and service are factored in. This is a painful lesson that a lot of Do It Yourselfers learn the hard way and can be avoided.

You should avoid paying 100% up front (for products such as kitchen cabinets as required by big box stores and retailers) until the product is delivered. For your information, in most cases, builders rarely pay anything up front. When they do, it's as little as possible for products that require special ordering and have



a lead time (not readily available or in stock). In most cases, they pay upon invoicing or on delivery. Trade Contractors should never be paid a substantial payment upon the execution of a contract. They may be paid for material delivered to the site that becomes the property of the owner and progress payments based on contractual requirements. You should use your contract to protect your interests.

Don't be taken in by the hype of buying clubs that you might see on television. A non profit independent consumer magazine's news letter of September 2007 wrote about one and I quote, "The lack of price transparency makes it hard to evaluate whether you'll save by joining...". Make sure you understand all of the add-on costs before you join a club. Ask yourself how much would you have to buy before you covered the joining cost and ask them what is their return policy. In many cases, you can buy from the same wholesale distributors as they do, without the cost of joining plus service charges and receive better service, delivery and return terms.

Purchasing (sometime called the buy out) makes the bidding process an important part of developing the budget. Cost can also be dependent on planning, scheduling, and day to day management. All of the above makes building and remodeling a profession that requires very specific technical knowledge, business expertise, and dedication. If you don't have these, you will need to develop them with an expert and experienced teacher. Reading about these are helpful, but there is no substitute for experience. By doing this, you will have a project that is successful in meeting your needs and could add more value to your home then you spend on

the project.

Real Estate investors and Professional building companies assign a highly experienced project manager from the beginning to the end of a project. His responsibility is to manage and oversee everything that is required to run and complete a successful project, including quality. His first and most important responsibility to his client or employer takes place when the first round of bids are obtained. He then works with the client to accomplish several goals. Analyze the cost verse value ratio when that's an objective; is the return at sale greater then what is spent?

If cost reduction is required because the project is greater than what the client wishes to spend, the employer or client with the project manager will need to trim the budget.

The strategy to reduce cost should consider other products that could be substituted, items that if eliminated would make a minimum impact, and areas that may require some redesign. The underlining goal of the strategy is to maintain or increase the cost to value ratio while

meeting the budget. The project is then re-bid in all categories from several companies as well as the original bidders. The alternatives are priced as separate costs. The final bidding takes place even if the first round is in budget, Vendors are selected, and the final budget is developed. Except in rare instances, it is important to have as much of the costs obtained as possible before beginning a project. With a little guidance, you can handle the administrative side of any project. The rewarding part is not that you will know what things cost because of the transparency your involvement, but that you will be able to control them to meet your goals.

The difference between a Master Builder and a project manager is the depth of knowledge in the business of construction, the How To as well as the hands on experience. If you have a trusted friend or relative in the construction industry, they can help. They will need the proper experience and be willing to volunteer the substantial time needed from beginning to end. By using the above information you can take on the administrative roll and buy right.

I have used these methods throughout New Jersey during my four decade career as my father did before me. I still use them today coaching clients in Southern Middlesex County, Monmouth County, and Ocean County, New Jersey. With a little effort, you can too. We wish you good luck on your next project.

Our next article will discuss how budgets, contingences, and the schedule of activities are interconnected. If you wish more information, please visit our web site TheDIYcoachNJ.com.

