

Matt Michel: 6 plans every plumber should make

Elements of a strategy to increase success.



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Far too many plumbing contractors' business strategy is to simply wing it. Of course, that is not a business strategy and not a plan. Here are six plans that are elements of a strategy. Successful plumbers execute these. If you follow suit, your chances of success increase exponentially.

1: Profit plan

A profit plan is what the name implies; it is a plan to generate a profit. It is an annual budget, broken down month-by-month. It identifies the expected revenue, direct cost, gross profit, overhead and net profit. Through the year, managers track performance to plan and make adjustments in the plan according to actual performance.

2: Marketing plan

A marketing plan addresses how you will make the phone ring. Remember, hope is not a strategy and not much of a plan. Based on your profit plan sales projections, the number of available work days per month and the average ticket, you can project the number of calls you need to average each day for a given month. To ensure they get the requisite number of calls, many contractors utilize a marketing calendar. This outlines revenue requirements by week or month and marketing initiatives on a weekly basis.

It is too easy to get wrapped up in the chase for new customers and forget about existing customers. It is also easy to make the focus on the number of calls run rather than the average ticket or gross profit per billable hour. For these reasons, at Service Nation, we advocate breaking your marketing initiatives down according to getting customers, keeping customers and getting more from customers (i.e., generating a higher average ticket).

3: Manpower plan

From the marketing plan, you know how many calls per day you need to run on average for each month. From this, you can identify the number of trucks you need. This identifies when you will need to add people. Your ability to grow your company depends on your ability to put butts in trucks.

The manpower plan not only identifies needed headcounts, it should include a plan for recruiting them. A recruiting calendar operates similar to a marketing calendar with the focus on activities to attract new people to your team.

4: Capital expense plan

Assuming you add plumbers, they are going to need trucks. What about jetties; cameras; and computers? Are you going to buy a building? These are all capital expenses. They do not show up in your profit plan (only the depreciation is visible, which merely serves as a tax shield). Yet, they all represent investments, and they all require cash and/or financing. The plan to invest in the growth of the business through the acquisition of capital assets is your capital plan.

How you organize your capital assets is a separate consideration. For example, it is good practice to limit the assets held by the public facing business. To minimize the assets (and reduce the attractiveness of your company to Terrible Tommy Tort Attorney, you might form a separate corporation to own the trucks and equipment, which is leased to the company, and form yet another corporation for the building). Whenever

cash builds up beyond what the company needs to operate, the excess should be swept from the company into a personal account or even a financing company that could lend some back to the business when needed.

5: Training plan

Zig Ziglar said that training is like bathing. It wears off, so you need to repeat it — frequently. How are you going to train your team? When are you going to train them? Where? On what subject/topic? With what resources? How are you going to use third-party resources like local supply houses, trade schools, consultants, alliances, distance learning, trade associations, manufacturers and so on?

6: Daily plan

A daily plan may consist of little more than a daily report. This shows things like the working days remaining in the month, monthly breakeven number, monthly sales to date, sales to budget, cash on hand by account, accounts receivable due within 30 days, past due accounts, and accounts and payable due within 30 days. Enlist someone to prepare this for you, so that it is the first thing you see every day.

The nice thing about a daily report is it arms you with the information you need to know how the company is performing each day. Are you on track, ahead of the game or do you need to take immediate corrective action? Not knowing can be the source of terrible anxiety for a business owner. With a daily plan in place, you know.

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