



Today's Contractor

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Building a Green Business with Sustainable Lumber

Along with a general interest in green construction, the demand for homes built with “sustainable” lumber is increasing rapidly. Offering the option of building with sustainable wood products and other eco-friendly materials can help attract environmentally conscious customers, boost profit margins, and earn valuable certifications from green building programs.

The concept of sustainable lumber began with a growing awareness that most of the timber used in construction is harvested through

clear cutting, which leaves vast areas of barren land on which forests are unlikely to regenerate. According to environmentalists, this type of cutting displaces wildlife, contributes to climate change and erosion, diminishes air quality, and ultimately depletes the supply of wood. By contrast, lumber that has been certified as “sustainable” has been harvested with the goal of promoting the long-term health and continued existence of the surrounding forest. Trees logged in these forests are cut more selectively, and new trees are planted to replace those that have been removed.

To qualify as sustainable, lumber must have a “chain of custody” certification, or a record detailing where and when the tree was cut down, as well as each company that handled each piece of wood. While a number of certification programs operate worldwide, the Forest Stewardship Council (FSC) and the Sustainable Forestry Initiative (SFI) are among the best-known organizations in the U.S. that have recognized third-party auditing systems

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for certifying sustainable lumber products. A certification label from one of these organizations assures the buyer that the wood was sustainably harvested from sustainably managed forests.

Certified lumber can be more expensive than conventionally harvested wood products, but it may be preferred by customers, especially as part of a project in which the use of energy efficient technologies and environmentally friendly building materials are priorities. While some clients

may not want to pay extra for sustainable lumber, others may want only green materials. As another consideration, contractors that build with certified wood products may qualify for endorsements from green building initiatives, such as the National Association of Homebuilders' (NAHB) National Green Building Program, which award points for the use of sustainable lumber. This seal of approval can, in turn, lead to more business from clients who are willing to invest in projects that help preserve the natural beauty of America's forests.

Reducing Costs with Just-in-Time Inventory

With the construction industry under pressure, many contractors are trimming their operating expenses. One way your firm may be able to cut costs is by carefully managing inventory levels. By applying a strategy known as "just-in-time" inventory, a technique long used by manufacturers to improve return on investment by minimizing carrying costs, you may help your company become leaner and more efficient.

Maintaining the right inventory levels can be a challenge for contractors. While you need to have sufficient supplies of the right materials and equipment on hand to keep projects running smoothly, an excess of inventory can cause problems. Materials that have not yet been used must be stored, which can be costly. Prior to being used, supplies may be damaged by the weather, mishandled by workers, or stolen from the jobsite or warehouse. You may also find that smaller quantities of some materials are required than was originally projected or that aspects of the project changed, thereby eliminating the need for certain materials. As time passes, some materials may deteriorate, become obsolete, or lie forgotten in the back of a storeroom.

Despite the problems associated with excess inventory, the temptation to order supplies in advance,

or "just in case," can be hard to resist. After all, running out of vital materials can lead to costly delays, as workers and equipment sit idle. You may also be concerned that suppliers will raise their prices at a later date, or that certain materials will be unavailable when you need them.

Just-in-time purchasing involves more than simply ordering small quantities of materials, and it does not mean relying on frantically placed last-minute orders. An accountant or industry consultant who is familiar with the principles of just-in-time inventory and who has experience working with contractors can help you develop an efficient purchasing and ordering system tailored to the individual needs of your business and to specific projects.

Before a project begins, establish a plan for purchasing supplies. Project management software can help you outline the various stages of the project, as well as determine what materials and equipment may be needed at each point in time. Discuss with suppliers what your projected needs may be and set estimated dates of delivery. You may be able to negotiate a price for all the materials in advance, with the option of turning down a portion of the materials if they prove unnecessary. Vendors may be willing to store materials you have purchased until you need them at little or no additional cost. On the other

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Crafting a Media Relations Strategy

When developing your company's sales and marketing strategy, consider the role media coverage can play in generating new business and in raising the public profile of your company. Compared with other forms of marketing and advertising, media publicity can be one of the most effective and low-cost means of reaching out to current and future customers, business partners, and the community.

Crafting a media relations strategy involves more than just hiring a staff member or public relations (PR) agency to issue news releases and take calls from the press. Start by developing a media relations plan that reflects your company's core business goals and has the support of the company's managers and staff. Outline who is responsible for distributing news and responding to media inquiries, and specify what information may be released to the media and what information is to remain confidential. If your company decides to work with an agency, seek one with expertise in the construction sector.

When your company develops a new product or service, starts or finishes a high-profile project, acquires a business, or undergoes an important change in management, consider issuing a press release, along with photos where appropriate. While not all announcements will result in media coverage, some may attract the attention of the industry press, or even of business reporters from consumer publications.

In press releases or when responding to media inquiries, offer members of your management team as "experts" who are willing to comment about issues and trends in construction. If a related topic is attracting attention in the news, such as proposed government incentives for first-time or low-income homebuyers, consider drafting a press release explaining your company's views on the situation. An offer to write a guest column in the local paper may be welcomed by editors looking for fresh perspectives from area businesses, especially on

hot topics like changes in the housing market or sustainable building. There may also be opportunities to contribute opinion pieces or feature articles to industry publications, or to draft informational articles and distribute them via e-mail, newswire services, or other online channels, including professional networking sites. If your company is a member of a trade association that receives frequent inquiries from the press, let the association know that your firm is available for interviews. By addressing issues critical to the industry, you are raising the profile of your management team and your company.

While most businesses want media exposure, positive exposure is key. The possibility that a negative event involving your company could trigger media attention is another reason to prepare in advance to handle press inquiries. A failure to respond adequately to questions from the press—or giving inappropriate responses—can result in negative press coverage that could exacerbate an already difficult situation.

Ideally, provide all spokespersons in your company with media training. Such instruction can help you learn how to choose your words carefully when talking to reporters, as well as communicate your message succinctly and effectively. Whenever possible before speaking to the media, familiarize yourself with the issues likely to be discussed and prepare your responses to possible questions. You may want to enlist a media relations officer to accompany spokespersons during important interviews. A PR professional can help to steer the conversation away from controversial topics and toward the topics your company wishes to emphasize and promote.

The media can play an important role in your marketing strategy, helping you to promote your business through its coverage. Developing a media relations strategy today may help you achieve a positive outcome tomorrow.

construction trend data

Boosted by growth in the nonbuilding sector, new construction starts in August increased 2% from the previous month. Total construction starts for the first eight months of 2009 came to \$274.8 billion, down 33% from the same period in 2008.

From July to August 2009, nonbuilding construction rose 13%, driven by increases in highway and water supply construction. Residential building slipped only 1% month-on-month, in spite of a 13% decline in multifamily housing projects. The nonresidential building sector dropped 3% in August, with declines occurring in healthcare facilities, public buildings, churches, and amusement-related projects.

“The volume of construction starts remains quite weak, but since March there’s been growing

evidence that activity has at least leveled off, and may now be gradually trending upward,” observed Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction.

New construction starts by region for the first eight months of 2009 were as follows: Midwest, down 31%; Northeast, down 37%; West, down 31%; South Central, down 33%, and South Atlantic, down 33%.

Year-to-Date Construction Contract Value Unadjusted Totals, In Millions

	8 Mos. 2009	8 Mos. 2008	% Change
Nonresidential Building	\$110,465	\$175,885	-37
Residential Building	73,015	122,343	-40
Nonbuilding Construction	<u>91,322</u>	<u>111,785</u>	<u>-18</u>
Total Construction	\$274,802	\$410,013	-33

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Reducing Costs with Just-in-Time Inventory

hand, you may choose to avoid committing to purchasing additional materials until close to the time they are needed. This can free up cash resources in the short term, and it can save money over time if the prices of certain materials are likely to fall.

While the just-in-time method can save money, applying it may involve some additional monitoring by staff, both onsite and offsite. As a project progresses, carefully track inventory levels to avoid shortages, ensuring regular contact between onsite staff responsible for monitoring inventory and employees who handle inventory management. Provide up-to-date information about supply levels to staff members in charge of ordering inventory, as well as a schedule detailing when additional

purchases should be made, or shipments, ordered. Project management software may make it easier to keep track of supply levels. What’s more, this software can be programmed to issue alerts of any impending shortages. Since even careful monitoring of supply levels may not avert unanticipated shortfalls, it is important that vendors agree to make shipments at short notice.

Project management systems can be useful when implementing just-in-time inventory processes. But, ultimately, careful and consistent monitoring of supply levels and anticipated needs, together with ongoing communication between staff members, management, and suppliers, drive the success of this innovative, and potentially money-saving, approach to inventory management.