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Home > Business > Leadership > 2014 Fred Case Award Winner: Bill Simone

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2014 FRED CASE AWARD

2014 Fred Case Award Winner: Bill Simone

At Custom Design & Construction, Bill Simone's ingredients for success are food and in-house financing

By [Joanne Cleaver](#)

Austin Hargrave

Winning Combination.

Bill Simone's use of food events and in-house financing earned him 2014's Fred Case Award.

Bill Simone discovered a new business model on the red carpet ... the one leading to his new showroom.

When his El Segundo, Calif., company, Custom Design & Construction, opened its first showroom three years ago, Simone went beyond the usual ribbon-cutting grand opening. He also used the occasion to vet nearby catering companies as potential candidates for hosting cooking demonstrations and classes at the showroom's fully functioning kitchen.

Not only did he find one, he found a bona fide celebrity: Taji Marie, a contestant on the Food Network's Chopped cooking competition and owner of The Simple Gourmet Kitchen. Today, The Simple Gourmet Kitchen and other local businesses routinely schedule small events at Custom Design, providing the remodeler with a modest but steady revenue stream. Meanwhile, Custom Design continues to grow by offering new clients in-house financing, independent of banks or finance companies.

Food and finance funnel into sales, as do Simone's unique marketing tactics. This dynamic approach to boosting business, along with steady revenue growth, won Custom Design & Construction the 2014 Fred Case Remodeling



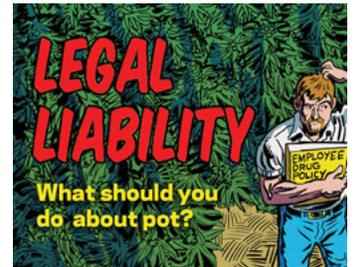
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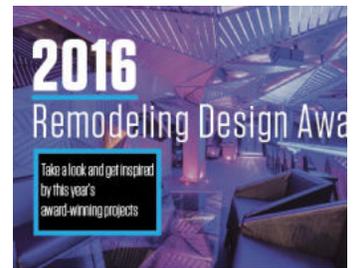


COST VALUE 2014

Entrepreneur of the Year Award.

“Design/build firms get significantly hammered during downturns because they do big projects, and those go away during a downturn,” notes Kermit Baker, senior research fellow and director of the remodeling futures program at the Joint Center for Housing Studies at Harvard University, and a judge for the [Fred Case Award](#). “Financing is not only a marketing tool but a revenue diversification play, too.”

The company’s 2014 revenue is on track to reach \$4.5 million. Simone believes that he can double growth in about five years. Here’s how he plans to accomplish it.



ABOUT THE FRED CASE AWARD

Bill Simone is the eighth winner of the Fred Case Remodeling Entrepreneur of the Year Award, established by Fred Case, the founder, co-chairman, and CEO of Case Design/Remodeling.

Case founded his company in 1961 with a little money and a lot of ideas, making it a point to create a business and not a practice and to constantly elevate the level of professionalism in the industry.

Nominees for the award are evaluated on their business acumen, company financial strength, community and industry involvement, and entrepreneurial spirit.

The award is open to all of those in the remodeling industry and recognizes a specific individual, not a company. This is the only industry award of its kind in that a cash prize is awarded to four finalists as well as to the winner. The other finalists this year were: Rick Wuest, president and CEO, Thompson Creek Window Co., Lanham, Md.; Vince Nardo, president, Reborn Cabinets, Anaheim, Calif.; and Steve Barkhouse, owner, Amsted Design Build, Ottawa, Canada.

As winner, Simone received \$10,000, while the finalists were awarded \$2,500 each.

Judging this year’s award were Bruce Case, who is president at Case Design/ Remodeling and Fred’s son; Sal Alfano, editorial director of the Remodeling Group at Hanley Wood business media, which publishes Remodeling; and Kermit Baker, senior research fellow at the Joint Center for Housing Studies of Harvard University.

Of this year’s winner, Bruce Case says “[in-house financing is] unique, especially for a full-service firm.” The judges were impressed by the fact that Simone’s financing correlates with larger jobs and richer margins, as well as by the way that Custom Design & Construction calculates those metrics.

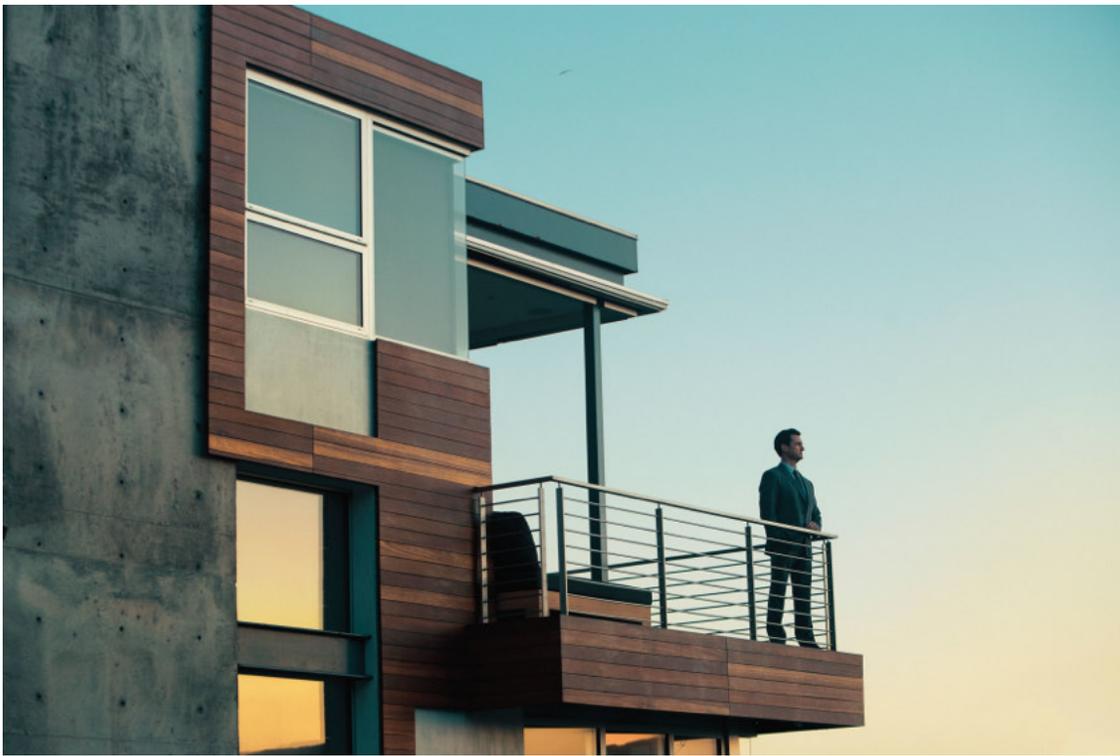
Demographic Gold

If you’ve ever landed at or departed from Los Angeles International Airport, you’ve flown over El Segundo, Calif. The city is thick with ranch houses and bungalows that carry a reasonable—by Los Angeles standards—median value of \$820,700, according to Zillow.

South along the Pacific Coast Highway are Manhattan Beach, with houses (median value \$1.6 million) stepping down the hill to the shoreline, and Hermosa Beach, where tiny stucco bungalows sit adjacent to brand-new mini-mansions, and the median home value is \$1.2 million.

Thousands of midcentury ranch houses, 1960s–era contemporaries with oversized river-rock fireplaces, and ’70s-era split-levels with step-down living rooms are ripe for renovation. Some were remodeled during the 1980s, while others are in original condition and need roof-to-rec room renovation. Empty nesters are treating themselves to the interiors they have always wanted. Baby boomers envision themselves aging in these places, once barriers have been eliminated in baths and kitchens. And Custom Design & Construction is ready to take it all on.

Simone left a graduate architectural program to found the company 27 years ago. With nine employees, Custom Design’s niche is not in movie-star glamour renovations but six-figure projects for upper-middle class professionals.



Austin Hargrave

Stellar Sight Lines.

From the balcony of his home in suburban Los Angeles, Bill Simone can see potential clients' homes for miles and miles.

Hospitality by Design

Until 2011, Custom Design was located in a second-floor office in west Los Angeles. Simone wanted to relocate, partly to escape pricey city taxes and fees and partly to give his company street presence. In August 2011, the business set up shop at 2001 E. Mariposa Ave., a busy commuter location within easy walking distance of multiple corporate offices. About 125,000 commuters stream into El Segundo every workday.

The company's choice of location was a stroke of serendipity. The Automobile Driving Museum was located in an adjacent warehouse, and Simone was able to buy the spacious corner lot—an old manufacturing plant—boxed in by the museum, which he then converted into a showroom.

Airy and open, one of the most striking aspects of the showroom is what it doesn't show. Absent are the usual rows of cabinet doors and panels of granite and solid-surface counter samples. Several complete kitchens, each reflecting a different style, provide plenty for potential clients to explore. Ceiling-mounted cameras are trained on the expansive counter, while a television hovers above, ready to be lowered to easy viewing height. An adjacent boardroom is comfortable for meetings.

Simone wanted to see if the \$500,000 showroom and adjacent offices could pay for itself through rental income from cooking demonstrations and special events with up to 250 guests.

What he didn't realize when he chose the location was that nearby companies frequently collaborate to bring in fleets of gourmet food trucks twice a week, as well as a farmers' market once a week. Simone quickly took advantage of the showroom's space and location by offering the parking lot to the food trucks and inviting strolling lunchers to nosh at standing café tables set up in the showroom. This arrangement brings hundreds of professionals through Custom Design & Construction's doors.

One of those professionals was Jeff Merry. A program manager at a nearby aerospace company, Merry wandered into the showroom one afternoon. Soon he and wife Chris were talking through their frustrations and ambitions for their circa 1969 house with the Custom Design staff. "We realized that we wanted a seamless process," Chris recalls. "We

didn't have time to get a permit here and buy some materials there. We'd rather have professionals get it done all at once." The couple's initial conversation resulted in a seven-month, whole-house remodel.

In addition to housing the farmers' market and accommodating the food truck traffic, the warehouse also hosts nonprofits for fundraising events. During these events, the Custom Design staff encourage attendees to sign up for the company's mailing list or for upcoming remodeling seminars. So far, showroom traffic has figured in three sales totaling \$460,000.

HOW TO GET GOING WITH IN-HOUSE FINANCING

You don't need a bank to offer financing, Bill Simone says. Take these steps instead:

- Seek first to finance your profit margin for a single project. "That way, your hard costs are covered by the client's cash or bank loan," Simone says. "If you lose money, you're losing from your profit, not out of your pocket."
- Get up to speed on how to pull, understand, and discuss credit reports.
- Create a short, streamlined process so that clients receive nearly instant approval. Remember, your risk is minimal because the loan is secured by the house. And in Southern California, Remodeling's Cost vs. Value Reports indicate that a home's worth after a remodel often is higher than the cost of the work.
- Have in-house expertise to speed the process. One Custom Design & Construction staffer is a notary public, so paperwork can be expedited.

Financing Today & Tomorrow

When older homes require structural, systems, and roof updates, it can get expensive—fast. Credit conditions are notoriously tight and, while home equity loan volume is rebounding, obtaining financing is still an arduous prospect.

To alleviate this potential frustration, Custom Design offers in-house financing. By lending its own money and directly receiving payments, the company guarantees steady cash flow.

In-house financing was a form of salvation during the recession, Simone says. Before the economic downturn, 70% of projects involved in-house financing. During the recession, clients pulled back; projects were smaller and only 23% used Custom Design financing. But every month, checks arrived from pre-recession clients paying back their loans. Now, financing makes up 47% of the remodeling company's deals.

It was the deciding factor for Michele Tasker. She and her partner bought their 1950s El Segundo bungalow because its big yard invited expansion. Five years and one semi-DIY kitchen remodel later, they were ready to break open the back wall of the house to add a master suite, deck, and updated living room. Most of the contractors that the couple interviewed wanted to tear down the entire home. Custom Design not only was willing to work with the already-updated elements of the house, but it also offered in-house financing at a low interest rate. "We knew we had to finance somehow," Tasker says. Custom Design & Construction's simple application process and swift approval sealed the deal.

The psychology is clear: Clients spend more when they have more to spend. The tab for the average financed project is \$165,000, which is 32% more than the average cash job. Financed jobs are more profitable, too, says Simone, with average gross margins of 48.2%—5.5 points higher than typical cash deals.

In-house financing is woven into every step of Custom Design's sales process. Every staffer can explain the process, ensuring that even drop-ins are exposed to the pitch. By condensing the daunting total cost of a larger project into bite-size monthly payments, the bill is easier for customers to swallow. Plus, talking in terms of monthly payments brings the cost into the familiar context of monthly housing bills.

A deeper dynamic is at work, too. "Our money is invested in the client's house," Simone says. Because the financing is based on Custom Design's own project budget, homeowners see that the remodeling company is risking its own money on its own estimates. And that builds trust.



Austin Hargrave

Serving Up Profits. Custom Design's showroom features several complete kitchens, each reflecting a different style.

The Sales Funnel

To address customer concerns, Custom Design & Construction also offers introductory seminars that are designed to placate homeowners' spoken and unspoken concerns about a potential remodeling project.

Held at the showroom, the four-hour seminars open with a video and segue into the basics of remodeling. The session addresses the disappointments (the limitations of the house and zoning restrictions) and the difficulties (dealing with the unexpected) of the remodeling process, as well as the satisfaction associated with the finished product. Lunch is served as part of the seminar session, and the potential clients are encouraged to explore the showroom. In addition, the company ups the ante by offering attendees a 15% discount on design fees and a 3% discount on construction costs.

Interested prospects then move to the next phase of the seminar, where they learn about Simone's sales process. The discussion addresses the homeowners' wants and needs in the context of what Custom Design & Construction can provide. The question-and-answer format peels away the financial, logistical, and emotional barriers associated with remodeling, providing potential clients with a clear outline of the work and financial obligations associated with their requested project.

Once a homeowner signals interest in working with Custom Design & Construction, the staff ask that person to complete a project discovery form. The form not only collects basic contact information but also asks about prior remodeling experiences, if a budget has been established, if the prospect intends to finance the project, and various other door-opening topics.

The next step is the in-office meeting. Other contractors typically first meet with a potential client at the client's home, walking through and diagnosing the potential project's realities and possibilities off the cuff. Simone doesn't believe in that technique. He prefers to establish the dynamics of the working relationship by requiring clients to make time for a two-hour meeting. This sets the precedent for weekly client meetings for the duration of the project. If clients expect Custom Design to make them a priority, they should return the favor.

Just as important, Simone wants to signal that Custom Design & Construction is a team of professionals. "You visit a professional at his office," Simone says.

Initial questions don't focus on minute project details but on the client's big-picture goals. What feel and function does the client want to achieve? How will the renovated house live differently? How much doesn't the client expect to spend and how will he or she pay for the project?

SELL LIKE SIMONE

1. **Track conversion rates from every marketing source so that you can do more of what works—and drop what doesn't.** Simone tracks leads by source (showroom, referrals, direct marketing, and Web search) and then computes the conversion rate from prospect to construction sales. About 33% of prospects convert to bona fide leads, while 5.2% of all prospects become construction clients.
 2. **Train staff often.** Custom Design & Construction staff members attend sales training every week so that they are always strengthening sales techniques and learning new skills.
 3. **Ask about the potential client's prior remodeling experience as both a way of furthering the conversation and a way of feeling out a cultural fit.** Simone has backed away from potential clients whose prior experience indicated that the contractor wasn't the only one at fault.
 4. **Use every stage of the project as a potential sales touch point.** Neighbors are always curious about what's going on down the street. Most remodeling companies use lawn signs bearing their company name, URL, and phone number. Custom Design goes a step further by providing a card-stock flyer with a note addressed to neighbors about the project and inviting them to call designer Beth Yuen with questions about that project or their own.
 5. **Give clients something to talk about and share socially.** Just one or two small TLC events can deliver big results. Custom Design tells clients up front that it expects them to make referrals. The request conveys that the team intends to deliver a referral-worthy experience, such as taking the lead in setting up a temporary kitchen in a client's garage instead of leaving the couple on their own to hook up displaced appliances.
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Simone has found that the longer a prospect lingers in the design process, the less likely it is that he or she will sign on for construction. As well, the design process is integral to the final financing terms, as it's the responsibility of the design team to uncover potentially bank-breaking structural issues.

Those homeowners who transition through design to construction are handed a three-ring binder, complete with dividers that serve as reference points for tracking milestones. This communication template is ideal for sharing notes with the project team and documenting decisions made in the weekly project meeting.

The binder opens with a "roller-coaster" graph of the remodeling experience, launching with excitement and hope, plunging during the permitting and demolition process, then bouncing up and down until the project is complete.

And, as part of that expectation-setting process, Custom Design & Construction doesn't try to make money on change orders. Designer Beth Yuen and vice president Randy Ricciotti, who oversees field operations, try to integrate every structural and finish detail into the design at the outset. Change orders come with a \$175 administrative fee ... unless it's a decision that Ricciotti makes in the field, as he did with the Merrys' second-floor linen closet door.

The couple's linen closet is situated at the top of the home's main staircase. It's the first thing that they see when stepping onto the landing and the last thing that they see when leaving the master suite. Other doors on the second floor had already been replaced and were simply being painted to match the new interior trim. The linen closet doors were original to the house and didn't seem that important in the design phase. But as the second floor came together, the dated doors increasingly looked like an oversight. Ricciotti decided to replace them so that the second floor would be consistent throughout—and he didn't charge extra.

The tale of the linen closet doors illustrates the trusting relationship that Custom Design & Construction seeks with its clients. Whereas the majority of his Los Angeles-area neighbors believe that customer relationships start and end with the job, Simone believes in stable, consistent growth.

"Through the recent economic correction, it's important that entrepreneurial businesses like ours stay light on their feet and respond quickly to changing conditions," he says. "But you have to know what your strengths are, and always stick to your core values."

—Joanne Cleaver is a writer who lives in Milwaukee.

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