

Rooftop REPORTER

SEPTEMBER 2008



SDRCA Contact Information
 1113 Adella Ave., Ste. 100
 Coronado, CA 92118
 888-825-0621 Phone/Fax
 ed@sdrc.com

Upcoming Events

Wednesday, September 17th, Lunch Meeting, Selling in a Down Economy
 Thursday, September 18th, Roofing Wholesale Spring Valley Product Show
 Wednesday, October 15th, Quarterly Dinner Meeting, FBI
 Friday, October 17th, John Gillin Memorial Golf Tournament

Our Advocate Sponsors

Diamond



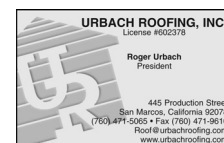
Emerald



Pearl



GLOBAL DEC-K-ING SYSTEMS



San Diego Roofing Contractors' Association

Wednesday, September 17th, 2008

The Butcher Shop Steakhouse
5255 Kearny Villa Road
San Diego, CA 92123
858-565-2272

September Lunch Meeting
11:30 AM Check-In
12:00 Noon, Lunch & Program

Sponsored By:

Selling in a Down Economy

The SDRCA is please to have Darren Cecil, professional sales coach return. **Darren R. Cecil, M.A.**, a long standing member of the local business community, established his first San Diego business in 1992. He is an international speaker, served as a University instructor for 15 years, and trained 4,000 volunteers for Super Bowl XXXII.

Darren is an author and professionally trained coach with a degree in Counseling from The Ohio State University. He is the President of San Diego Sales, Inc. -- the San Diego franchise for Sandler Sales Institute which Entrepreneur Magazine named the number one management training program five years running. He compels business leaders to achieve top performance through a unique program of ongoing reinforcement training offered weekly.



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SDRCA Meeting Reservation

Due by Thursday, September 11th, 2008

Company: _____

Please fill in your amount

Attendee: _____

_____ Attendees at \$25.00 member price = \$_____

Attendee: _____

_____ Attendees at \$35.00 non-member price = \$_____

Attendee: _____

Total Price = \$_____

Attendee: _____

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President's Message

Over the Labor Day weekend I had the opportunity to go to Michigan to visit my in-laws.

If you ever think that the economy is depressed in San Diego, you should see what the Detroit area is like. It is very depressed, and depressing to be around; to see empty car dealerships, with some closed completely, closed malls and retail outlets, and restaurants half full at the height of the busy season.

We in San Diego have a lot to be thankful for as our economy, while certainly somewhat depressed, is not in a full on Recession. While flying I brought some business articles that I had been meaning to catch up on, and came across this very interesting paper on mistakes that businesses make in pricing their products.

It is enlightening, and yet a confirmation of what I have heard from different sales experts over the years: That we are sometimes our own worst enemies when it comes to pricing our goods and services. Read below and I think you will come away with a new perspective on pricing, and surviving in this economy.

Ten Common Mistakes Companies Make in Pricing their Products or Services.

Excerpts from an article by Dennis E. Brown

Price Strategy is emerging as the most important resource for companies to increase their competitive advantage. The vast majority of companies have spent years achieving gains through cost cutting, outsourcing, and the adoption of innovative technologies.

However, the incremental benefits from these important activities are diminishing, and companies need to look at other areas to improve their business results. The following is a list of the most common mistakes companies make when pricing their products and services.

Mistake #1: *Companies base their prices on their costs, not their customers' perceptions of value.*

Prices base on costs invariably lead to one of the following two scenarios: (1) if the price is higher than the customers' perceived value the cost of sales goes up, discounting increases, sales cycles are prolonged and profits suffer; (2) if the price is lower than the customers' perceived value, sales are brisk, but companies are leaving money on the table, and therefore are not maximizing their profit.

Mistake #2: *Companies base their prices on "the marketplace."*

The marketplace is often cited as the "wisdom of the crowds," the collective judgment of the value of a product. **But by resorting to "marketplace pricing," companies accept the commoditization of their product or service.** Marketplace pricing is a resting place for companies that have given up, and where profits end up being razor thin.

Instead of giving up, these management teams must find ways to differentiate their products or services so as to create additional value for specific market segments. The best-known case of reverse commoditization is Starbucks. By rethinking the entire experience consumers of coffee engage when they consume a cup, the company has produced prodigious growth and outsized profits.

Mistake #3: *Companies attempt to achieve the same profit margin across different product lines.*

Some financial strategies support a drive for uniformity, and companies try to achieve identical profit margins for disparate product lines. The iron law of pricing is that different companies will assign different values to identical products.

CONTINUED

President's Message, Continued

Mistake #4: *Companies fail to segment their customers.*

Customer segments are differentiated by the customers' different requirements for your product. The value proposition for any product or service is different in different market segments, and the price strategy must reflect that difference.

Mistake #5: *Companies hold prices at the same level for too long, ignoring changes in costs, competitive environment and in customers' preferences.*

While we don't advocate changing prices every day, the fact is that most companies fear the uproar of a price change and put it off as long as possible. Savvy companies accustom their customers and their sales forces to frequent price changes.

Mistake #6: *Companies often incentivize their salespeople on revenue generated, rather than on profits.*

Volume-based sales incentives create a drain on profits when salespeople are compensated to push volume at the lowest possible price. This mistake is especially costly when salespeople have the authority to negotiate discounts.

Mistake #7: *Companies change prices without forecasting competitors' reactions.*

Any change in your prices will cause a reaction by your competitors. Smart companies know enough about their competitors to forecast their reactions, and prepare for them. This avoids costly price wars that can destroy the profitability of an entire industry.

Mistake #8: *Companies spend insufficient resources managing their pricing practices.*

Consequently, many companies resort to simplistic price procedures, while the same companies use highly sophisticated procedures and technologies to track and control their costs in minute detail and in real time.

Mistake #9: *Companies fail to establish internal procedures to optimize prices.*

In some companies, the hastily-called "price meeting" has become a regular occurrence—a last-minute meeting to set the final price for a new product or service, or a semi-regular review of the company's price list.

Mistake #10: *Companies spend most of their time serving their least profitable customers.*

Most companies do not even know who their most profitable customers are. While 80% of a company's profits generally come from 20% of its customers, a careful review of the data often will show surprises, since a company's largest customers are often only marginally profitable.

I hope that at the very least you found this to be thought provoking, and hopefully gives you yet another tool to help survive the down times.

Remember that even when the rains return, we all still need basic, fundamentally sound business practices to survive long term.

David Susi

President SDRCA 2008-2009

San Diego Roofing Contractors Association

Wednesday, October 15th, 2008

The Butcher Shop Steakhouse
5255 Kearny Villa Road
San Diego, CA 92123
858-565-2272

October Quarterly Dinner Meeting
5:30 PM – 6:30 PM Social
6:30 PM – Dinner & Program

An Evening with the FBI

The FBI has allowed Special Agent James Verdi to speak to our association. Mr. Verdi has been in Iraq and Afghanistan for two tours and is now based stateside. He will be presenting a slide show, video, and stories of his experiences as well as informing us about domestic threats.

The domestic threats include Improvised Explosive Devices (IED), world events influencing IED Development, and cell phone IED.



Thanks to our sponsors;



The SDRCA will also feature a \$100.00 bill as a raffle prize. Must be present to win!

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SDRCA Dinner Meeting Reservation

Due by Thursday, October 9th, 2008

Company: _____

Please fill in your amount

Attendee: _____

_____ Attendees at \$50.00 member price = \$ _____

Attendee: _____

_____ Attendees at \$75.00 non-member price = \$ _____

Attendee: _____

Total Price = \$ _____

Attendee: _____

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SDRCA From OM08

Creating Job Descriptions, A Guide For Small Business Owners

By Annette Greco

Job descriptions are imperative to your business because they define job responsibilities and expectations.

Job descriptions can be used in a number of ways in your business. First, a description will help a candidate decide if the job is of interest. Second, the description will help you interview the candidate to decide if the candidate is right for the position. The job description can help you in training new employees. Finally, the description forms the backbone of your evaluation and review process.

Many people will be tempted to skip this step. It's too difficult; all of my employees know what they are supposed to do; I don't have time; it's a waste of time. The excuses go on and on. Don't fall into this trap! Job descriptions are an absolutely necessary part of your business. As the business owner or manager, you are the one responsible to create them.

The job description should be as clear and precise as possible. Start by listing the major tasks an employee in that position will be responsible for. It could be customer satisfaction, follow-up, or administration.

Next, list the activities necessary to do each task. Be as detailed and precise as possible. If you aren't specific and meticulous in describing every important aspect of the job, federal regulators and courts can assume that the employee can perform the job any way he or she wants, regardless of whether it complies with the company's policy. This is important if you ever have issues with the Americans with Disabilities Act (ADA), the Labor Department or just a disgruntled employee.

Do this for each task involved with this job. You may have a very long list. That's ok!

Job descriptions that contain detailed statements of the employee's job pass the accountability for that action to the employee. Pretty quickly you will stop hearing excuses. "I didn't know I was supposed to do that" or "that's not my job" are familiar ways for employees to pass the buck to someone else. With a precise statement, each employee knows exactly what is expected and there is little room not to be accountable.

Clear, precise job descriptions will help you to both hire and manage your employees.

TRI Fall Forum

The TRI Fall Forum will be held November 5-6, 2008 at the Villas Grand Cypress in Orlando Florida.

Workers' Compensation, Contractual Risk Transfer

By: Chris Boggs

Beyond contractually requiring "lower tier" contractors to maintain workers compensation coverage, "upper tier" contractors should consider incorporating other requirements into their contracts and agreements.

- **"Upper tier"** refers to the principal (owner) and primary general contractor;
- **"Lower tier"** contractors are the subcontractors and sub-subcontractors.

The previous articles focused on the definition of an employee, who is considered an employer and who could be held financially responsible for an injury. But insurance is not the only risk transfer mechanism available to protect upper tier contractors from the financial impact of an injury to someone who is not a direct employee. Contractual risk transfer's contribution to upper tier contractor protection will be the focus of this commentary.

Basics of Contractual Risk Transfer

Effective contractual risk transfer requires specific transfer wording appear in the contract between the upper tier and lower tier contractors. Since these disparate financing techniques (insurance and contractual risk transfer) are ultimately intertwined, understanding how workers compensation policies and insurers respond to contractual risk transfer language is paramount.

Commonly known as the "indemnification agreement," all contracts between upper and lower tier contractors should contain some form of indemnification and hold harmless wording. Provisions of such contractual wording may read as follows:

For and in exchange for fair and equitable consideration, transferee (name of the lower tier contractor) agrees to indemnify, hold harmless, and waive any right of subrogation against transferor (name of the upper tier contractor) from any and all loss or cost arising from bodily injury to (transferee's) employees, subcontractors or subcontractor's employees hired by (transferee).

This sample wording deals only with the exposure for injuries covered by workers compensation. More generalized wording can be used to cover other exposures such as bodily injury and property damage liability or liability arising out of completed operations. Notice that there are three parties to contractual risk transfer; the transferor, the transferee and the indemnitor. Each is defined below:

- **Transferors** - The party *from* which risk is being transferred. This may include the owner, the project management firm, and/or the general contractor. Other common terms for the transferor include indemnitee and promisee.
- **Transferees** - The party *accepting* the risk. This can include the general contractor, subcontractors and sub-subcontractors. Other common terms include indemnitor and promisor.

Continued

Workers' Compensation, Contractual Risk Transfer

By: Chris Boggs

- **Indemnitor** - The party called on to *respond financially*. This can include the "Transferee" or an insurance company.

Indemnification and hold harmless agreement are the essence of effective contractual risk transfer. Indemnification is the contractual obligation of one party (the indemnitor) to return another party (the indemnitee) to essentially the same financial condition enjoyed before the loss with no improvement or betterment. Hold harmless wording provides protection from the legal process and any accompanying liability that may arise from an injury.

Unlike contractual requirements to purchase workers' compensation, indemnification wording is not necessarily affected by, nor does it affect, the transferee's insurance coverage. It is purely a contractual issue requiring one party to stand in place of another. There are three levels of contractual risk transfer found in contracts:

- **Limited transfer:** The transferee accepts only the financial consequences of loss resulting from his *sole negligence*. If the transferor or another party contributes to the loss, the transferee is not financially responsible for that part of the loss. Essentially, the transferor is only protected for its vicarious liability arising out of the actions of the transferee. This level is allowed in every state.

- **Intermediate transfer:** The transferee agrees to accept the financial consequences of occurrences caused *in whole or in part* by its negligence. This includes if the transferor or another entity contributes to the loss in some way. Only a few states allow this degree of transfer.

- **Broad transfer:** Provides the greatest scope and requires the transferee to indemnify and hold harmless the transferor from *all liability* arising out of an incident, even if the act is committed solely by the transferor. This may qualify as an exculpatory contract and is illegal in most jurisdictions because the wording is considered "unconscionable."

Unconscionable is defined as a contract that is unreasonable due to the unequal bargaining strength of the parties, or the result of undue influence or unfair tactics. Regardless of which level of transfer chosen, consult with legal counsel familiar with the jurisdiction as any decision may be affected by statute.

Contractual Risk Transfer Done Right With Wrong Results

Contractual risk transfer's importance cannot be underestimated; nor should its effectiveness be overestimated. A recounting of a recent claim will help explain the dichotomy of this statement.

Three parties were involved in this suit — the general contractor, the subcontractor, and a sub-subcontractor. The general contractor bid out all the work on a large commercial building project and awarded the contract for the structural steel to a subcontractor. The subcontractor only supplied the structural materials and coordinated the timing of delivery and installation at the construction site. The actual installation was contracted to a third party, the sub-subcontractor.

Continued

Workers' Compensation, Contractual Risk Transfer

By: Chris Boggs

The subcontractor was required to contractually agree to indemnify and hold the general contractor harmless for any bodily injury or property damage resulting solely from the acts of the subcontractor or contributed to by the subcontractor (an intermediate transfer). In turn, the subcontractor required the sub-subcontractor to sign a contract containing the same risk transfer wording.

An employee of the sub-subcontractor fell and was injured. The injured worker sued the general contractor for gross negligence and reckless disregard for safety. The general contractor transferred the claim to the subcontractor to defend and indemnify, as was required by contract. Since the subcontractor contractually transferred its risk down to the sub-subcontractor, the direct employer of the injured worker was pulled into the suit and responsible to indemnify and hold the subcontractor harmless.

Had the general contractor not contractually required the subcontractor to indemnify and hold it harmless, it would have been wholly responsible for its own defense. Likewise, had the subcontractor not transferred its exposure to the sub-subcontractor, it may have become the sole party required to pay for any injury or damages. This is the main goal of contractual risk transfer, to make the entity closest to the activity (and thus with the most control over the situation) financially responsible for any injury that occurs.

So far the contractual risk transfer is operating as planned, but a few more facts must be known before the unveiling of the end of the story and the ultimate subjugation of the contractual risk transfer provisions.

The injured employee of the sub-subcontractor was tacking down a floor or roof from a height of about three stories - walking backwards; he physically lifted up the safety guards to get outside of them so he could complete the job. Continuing to tack while walking backwards he fell and was paralyzed. Drugs were found in his system upon required testing. The subcontractor delivered the material and left the job site. Not returning for any reason. They were not charged with the supervision of the job, and they were not even on site in the days leading up to or on the day of the injury.

Contractual risk transfer had done its job, it placed the burden on the party closest to and best able to control the work methods and means, the sub-subcontractor. However, this is not how it ended. The case never made it to trial; it was settled by the insurance carriers involved. The sub-subcontractor paid \$2 million, the subcontractor (who was not even there) paid \$1 million and the general contractor got out paying only \$200,000.

Had this case gone to trial and had the contractual provisions held up under state law the entire burden would likely have been borne by the sub-subcontractor. The general contractor may have had to ante-up if it were proven they failed to maintain a safe work environment (a requirement that cannot be transferred away); but the subcontractor would likely not have had to pay anything.

If laws were upheld, the employee should have received nothing for violating safety rules and regulations and testing positive for drugs. But we will never know how it could have turned out had the court heard the case.

Continued

Workers' Compensation, Contractual Risk Transfer

By: Chris Boggs

Waiver of Subrogation

Construction contracts of recent years have tried to require lower tier contractors endorse a "waiver of subrogation" onto its workers compensation policy in favor of the upper tier contractors. Many insurers have historically refused this request for reasons outside the scope of this article (although this trend is changing in some states). Waiver of subrogation endorsements should not be necessary if the contract between the parties already waives such rights.

Subrogation rights flow from the harmed party's right to be made whole by the party responsible for the loss. If the right to subrogate against the upper tier contractor is waived by contract prior to an injury, the insurer of the injured worker's employer (the transferee) has no right to subrogate either. Waiver of subrogation should be a part of the indemnification and hold harmless section of the contract, not provided by an endorsement to the policy.

If a particular state's statute affects the level of indemnification allowed, waiver of subrogation wording may need to be addressed in a separate paragraph within the contract to lessen the chance that the provision will be voided if the level of transfer is outside of allowable transfer provisions.

Conclusion

If a worker is injured, he or she likely will sue everyone within reach; this cannot be avoided. The goal of contractually required insurance and the use of contractual risk transfer are simply to place the ultimate financial burden on the party most directly related to and responsible for the injured party.

(Some information for this commentary sourced from "Knowing and Managing Your Workers' Compensation Risk for Employees, Independent Contractors and Subcontractors" by Christopher J. Boggs published in the Fall 2006 edition (Volume 16 No. 1) of The Journal of Workers Compensation published by Standard Publishing Corp., Boston, MA. www.spcpub.com.)

NRCA Smart Brief

NRCA's weekly free electronic newsletter, NRCA E-News, offers brief stories about events and issues in the roofing industry and involving NRCA. NRCA E-News subscribers obtain information about educational classes, industry meetings and conferences, current industry news, technical advancements, and environmental and legislative issues, among other topics.

To register for NRCA E-News go to <http://www.nrca.net/register.aspx>

Tax Tip, Meet Home-Office Deduction Rules

Establish exclusive office space if you work at home. If you use a portion of your home exclusively and regularly for business, you may be entitled to a home-office deduction. Satisfying the strict requirements lets you deduct depreciation, insurance, repairs, and utilities for the business part of your home. Be sure to consult with your CFP® and CPA for guidance.

New General Liability Program for Members

The San Diego Roofing Contractors Association (SDRCA) and Coronado Insurance Wholesale Services are proud to present a new General Liability option for contractors who are members.

The construction industry is critical to any growing economy. The nation has experienced a decrease in the economic environment while at the same time the insurance industry has become more competitive. Insurance is now available and cost effective for many contractors in California. Competitive programs providing lower premiums, varied coverage limits, and financially stable carriers are the foundation for the current marketplace.

Through Coronado Insurance Wholesale Services, roofing contractors who are members of the SDRCA will have access to premium discounts, a loss control program and financially stable carrier.

At Coronado Insurance Wholesale Services, our fundamental goal is to provide a new, unique and stable market for contractors through profitable underwriting, superior claims service, and risk management programs through your local independent agents and brokers.

Risks Insured: Residential & Commercial Roofing Contractors

Program Features:

- Admitted, Rated Carrier
- \$1200 Minimum Premium
- Tracts, Apartments, Condos & Town homes, & Hot Work available CG 20 10 11/85 available - Commercial Work only

Coverage: Limits of Coverage: Up to \$1 million per Occurrence
\$2 million General Aggregate

- Deductibles: as low as \$2,500 per claim
- Rating Basis: Gross Receipts
- Maximum Policy Term: 1 (one) Year

Inspections: A telephone inspection is made on all accounts

- Completed & Executed applications only

Download application at www.SDRCA.com

Completed Jobs: Jobs completed prior to policy date are not covered

New General Manager for Roofmaster

Roofmaster Products Company based in Monterey Park, CA (Los Angeles) has announced the promotion of James S Yundt from Operations Manager to General Manager, effective July 1. James has worked both part-time and full-time at Roofmaster over the past 13 years while going to school. He graduated from the USC School of Business with a BS in Business Administration in 1999.

James has been involved in several business ventures outside of Roofmaster including a start up specialty chewing gum company that is still thriving. Over the past 2½ years he has been performing the duties of Operations Manager at Roofmaster overseeing Shipping, Repair, and Purchasing and helping to implement improved procedures in all departments.

His promotion to General Manager is a natural transition from his previous duties. He will now be responsible for all departments within Roofmaster including operations, manufacturing, engineering, production, all warehouse operations throughout the US, and sales & marketing. His background from his years of working in all departments both part-time and full time will enable him to impart his first-hand experience in streamlining efficiencies in all areas.

Entering its third generation of family leadership, Roofmaster has been a manufacturer of roofing equipment for over 56-years and distributes tools for the roofing industry. Roofmaster Products Company is based in Monterey Park, Calif. If you would like additional information, please call Roofmaster at **(800) 421-6174** (Nat'l) or **(800) 372-6409** (CA Only). Roofmaster has branch offices in Hayward, CA **(510) 429-1160**, Kent, WA **(800) 442-7562**, Atlanta, GA **(888) 321-3847**, Las Vegas, NV and Buffalo, NY **(800) 421-6174**. Visit their website at www.roofmaster.com and send e-mail to roofmaster@roofmaster.com.

Correction Notice

Last month's newsletter incorrectly identified the author of the article on "Seven Stupid Things Contractors Do". The correct name of the author is Monroe Porter.

Board of Directors

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SDRCA

SPRING VALLEY ROOFING WHOLESALE SEPTEMBER PRODUCT SHOW

ON SITE THIS MONTH:

VERSI WELD



VERSICO WILL BE HOLDING A HANDS
ON TPO TRAINING
IF YOU HAVE YOUR OWN HAND HELD WELDER
PLEASE BRING IT

THURSDAY SEPT. 18TH
11:00 A.M. – 2:00 P.M.

FOOD CATERED BY: TACOS Y GORDITAS