

Construction companies operating in a COVID environment

We are looking at a possible second wave of COVID-19 in Victoria, with all the attendant uncertainty, stress, economic consequences and possible lock-downs. Construction and building-related companies in Victoria need to take proactive steps to mitigate the risks while operating during this lingering pandemic.

There are certain changes that seem likely during this phase of the pandemic:

1. A continued slow-down in consumer-led demand for construction
2. Banks and lenders tightening their lending policies making loans harder to secure for both consumers and businesses.
3. Higher unemployment as a result of business closures putting more pressure on consumer-led demand for non-essential items
4. Management of the virus becoming more 'heavy-handed' by authorities to protect against avoidable continuation of lockdowns as this can compound uncertainty, anxiety and economic damage
5. Supply chains of materials and supplies becoming less reliable
6. Compromised availability of labour and the efficient scheduling of people on site
7. Devastation of selected markets, combined with the thriving of others
8. A fundamental shift in what works as effective marketing, lead generation, site management and OHS procedure
9. Government intervention to cushion the blow for consumers
10. Government support for industries and market segments thought to help the economy and society.

If you accept the likelihood of the above assumptions, your action plans should incorporate these changes and your business should pivot to address the associated challenges. These are things you can do now to put your business in a better position:

1. Cash-up!. Access as much equity and finance as you can now while it's still available, to act as a safety net for unforeseen expenses or foreseeable downturns
2. Identify target markets that will offer continuity of demand and the ability to pay for your services
3. Tailor your image and profile to best suit this market and relay your value into your quotes and tenders.
4. Mitigate the market risks by changing your contracts and policies to accommodate for these. This includes on and off-site procedures and methods of operation.
5. Look to offset possible supply challenges by passing them onto your clients to purchase at the beginning of the project.
6. Price reasonably, but do not remove your profit margins with the aim of 'buying jobs' merely to keep going.
7. Re-assess your fixed overheads and whether this new business environment requires fewer overheads. For example restructuring to accommodate a lower or higher work volume.



8. Be ruthless with your cash-flow management; implement strategies to invoice on time and follow up owed invoices early.
9. Ensure you have clear performance goals for your projects, people and financials.
10. Have a COVID-19-ready company, incorporating processes to keep the virus off your sites and away from your teams. Include your suppliers, trades and clients into these procedures.

Obviously, many of these measures are foreign to most managers and business owners. Therefore, if you would like guidance, support and advice on how best to accommodate this new environment, please reach out to Harry Pontikis for assistance on 0411 258 058 or harry@chocolatemoney.com.au