How Paz Interiors Found Its Niche in Interior Mall Work

CAPTURING THE INTERIORS MARKET

By Michael J. Major

How would you like to be 22 years old, head of your own interior wall and ceiling firm and discover a way to capture your market without the need of any marketing or advertising efforts or dollars?

That’s the story, in a nutshell, of Michael Paz, now 31, who runs Paz Interiors, Inc., Farmingdale, N.Y. After graduating from college with a degree in economics in 1989, Paz went to work for his father, a general contractor, when one of the latter’s subcontractors passed away. With help from his parents, he purchased the equipment. The employees came along soon after and, in January 1991, he was running his own company.

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Paz started by doing a lot of miscellaneous work, including some drywall repair on the arcades at the Green Acres Mall in Valley Stream, N.Y. His predecessor didn’t have any particular focus on mall work, nor did Paz, initially. But in his very first year of operation, the Green Acres Mall manager felt he had done such a good job, he invited Paz to be on the mall list for preferred subcontractors. Paz accepted.

ON THE “A” LIST

He soon found out that 99 percent of the general contractors checked this list. “We started to see plans coming through the door of general contractors, so it did not take a genius to see the power of that list.” He soon got on the Roosevelt Field Mall list in Garden City, N.Y. He’s maintained an ongoing relationship with these two malls since 1991 and has since added three or four more, and is on almost all the mall lists in his Long Island marketing area.

“Each of the five or six malls I’m listed with has 200 to 300 stores each,” Paz says. “So they constitute a significant amount of work.” He adds that sometimes it will take a year of good work to get on a list. Other times it might be a single job. “Once you get a reputation in this business, especially locally, it is set, whether it’s good or bad. If your reputation goes bad, it will spread like a plague.” Opportunities expand in a number of different ways. For instance, work done for a particular retail chain in one mall often will result in work from other stores in that chain. Paz has just completed his fourth significant American Eagle Outfitter job in the last six months. His interior work can be found in multiple locations for Rite Aid, Barnes and Noble, Eddie Bauer and other name brand stores. General contractors, even if they might be inclined to hire someone else, will stay with the list because they don’t want to offend their clients. Moreover, after a general contractor hires someone like Paz for a mall job—if he likes the work, he will often hire him again for non-mall work.

“In our market niche, we like to work with select general contractors, preferably those who gives us repeat business,” Paz says. “If we do four or five of the same type of store in the area, we don’t have to repeat a learning curve. We can maintain high quality but work much more efficiently, which benefits both the general contractor and us.”

Although Paz has a solid, locked-in market through his presence in most of the malls in Long Island, expansion in this area is finite. The typical store is 4,000 to 8,000 square feet, and neither
the number of malls or stores is likely to grow. “Since the early 1990s, office construction here has been, for the lack of a better word, in a state of depression. But now it’s coming back,” Paz says.

He reports doing a recent 20,000 square foot office project for IBM and a 50,000 square foot printing facility. He’s also entered the institutional arena in a $400,000 job, which involved hand-painted coffered ceiling tiles for a Catholic cemetery.

**WEARING THE UNION LABEL**

But Paz is not interested in any significant expansion, either into other types of work or geographically, to get himself onto other mall lists. He’s comfortable at his current $3.5 million annual volume. He does project management, along with Steve Takats. Those two, along with an office manager, constitute the office staff. His is a union shop. He maintains 12 men in the shop, but that number growing up to 50 during busy times. Unions are strong on Long Island, and many of the malls were built with contracts requiring union labor for ongoing work.

The union affiliation is one reason Paz is careful about not growing too big. “The higher the cost, the greater the pain when something goes wrong,” he says, “Bigger in not always better.”

But small is not always beautiful either. “Being small is a virtue in terms of the service you can offer,” Paz says. “But many companies my size have gone bankrupt over the past five to seven years.” This is due in part, Paz explains, because smaller nonunion outfits can
do jobs for $25 to $30 less than what the union wage requires. “I can’t blame someone for getting a job done at a cheaper price; I would do the same thing myself,” Paz says. “We have to charge $78 an hour for labor and our costs are $60 to $65 an hour, so we’re not getting rich off that $78. Those contractors who come from out of town and see what we’re charging for

year gets seven weeks vacation. I get only two weeks.”

Paz has had some other problems with unions and others, which he acknowledges were due to his youth. “Chalk it up to naivete,” he says. “I was certainly naive about unions and have been taken advantage of by shop stewards and employees in general, not to men-

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labor have a heart attack. Things have gotten better because of the recovery. But the next downturn may see significant losses in union work.”

There are some improvements taking place. The local union is allowing some flexibility in allowing subcontractors like Paz to compete for work that otherwise would go a merit shop. “But a major improvement that can and should be made is in the area of healthcare reform,” Paz says. He explains that if you are not a union contractor, you are obliged to pay about $6,000 for full-family healthcare for an employee who works 1,000 hours or more a year. This is according to federal law. However, due to the union rate, the more you work beyond those 1,000 hours, the more the contractor is obliged to pay. “The average carpenter works about 1,700 hours a year, so if you’re paying $6 an hour for health care, that works out to $10,200 a year. The economies of scale don’t make sense once you go up these scales. The same holds true for pensions and vacations. A carpenter who works 1,700 hours a

WISDOM COMES WITH AGE

On the other hand, Paz has been careful not to let his youth and inexperience be a detriment to him in his work. “I think the true test of an individual is that he understands his shortcoming and knows how to rely on others more experienced than him to get the job done.” Paz says. “For instance, I’ve had no field experience, except for some supervision. So I, as well as Steve Takats, rely heavily on our foreman concerning the actual work. I try not to shove a decision down anybody’s throat; if it doesn’t feel right to the people doing the job you won’t get the production or quality you want. Ultimately the decision is mine, but I try to build a consensus. If you can get everybody on board, you’ll do a better job. From a personal standpoint, if somebody can support his position over
mine logically, I’ll change my mind. And I expect the same from my foreman.”

How has he been regarded by his peers, being the head of a business at so young an age? “It’s getting better now that I’m getting some age,” he replies. “But as a economics degree rather than a strictly construction background has been a benefit. “Because of the new technology and increasing sophistication in the industry, if you’re not skilled in legal terms and can’t conduct yourself in writing and speaking, you may as well close the

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20-something executive in an industry basically dominated by 30- to 50-year-olds, it’s natural to assume I wasn’t experienced enough to do a good job. Fortunately, a lot of work comes over the phone. When the person sees me, he’s shocked, but by then the job has been completed.”

On the other hand, he believes that coming to the industry with an ecodoor,” he says. “I think a young person getting a college education should get a liberal arts education to hone your writing and other communication skills. You have to be able to articulate your position strongly and clearly.”

Although Paz does some exterior metal framing and sheeting, he, as his company name indicates, focuses primarily upon interior work, drywall, acoustical ceilings and round and finished carpentry. This focus, he says, “can be a negative, for I’m not offering full one-stop services. But it seems that, around here, people generally specialize in either one area or another. I’ve seen exterior contractors who were butchers inside, and with metal framing you can cover your mistakes. But when you do interiors, the details are extremely important.”

Paz joined AWCI in 1990 and notes one immediate benefit has been the International Agreements #1 and #4, which now allow him to send two key employees out to do small jobs without the needs of carrying an additional union man. “I enjoy Construction Dimensions, for it provides me with a lot of new ideas for products and tools and it helps me keep up with what’s going on in the industry.”

About the Author
Michael J. Major of Anacortes, Wash., is a free-lance writer for the construction industry