



Can You Walk the Talk?

-- Al E. Bavry, President Emeritus, Kimal Lumber

I was in a meeting with my peers years ago, during my other life with the big corporation. We were having heated discussions regarding price cutting, volume selling, and tiered discounts based on level of activity, etc. We discussed all possible formats for selling primarily commodity goods...at varying price levels. My boss at the time said something I'll never forget: "Remember folks...At the end of the day...We still pay our bills with margin dollars!!" Wow! When we cut away all the white noise, bovine feces, the varying strategies and so on, we still have to pay our bills with...Guess what! Real Dollars!

It was a powerful lesson to remember. And maybe a way to quantify it further: You sell one hundred thousand dollars' worth of goods at 25% margin...You bring twenty five thousand to the bottom line to pay bills, salaries, etc. (and maybe a bit of profit??). Another scenario: You sell one hundred thousand at 5% margin...Bringing five thousand dollars to the bottom line to spread around to pay the same expenses. Remember, that "expense" base changes very little! So before we go any further, think on how sometimes that down-and-dirty, direct ship, paper-only deal at five percent might make tons of sense. As a normal thing though, anemic margins aren't a very healthy way to survive long term. But the subject should boil down to, "What are your products and services worth?"

At a meeting I had years ago with a contractor who had come to me, the conversation went something like this..."Al, I'm looking to change suppliers. Service I'm getting from them is poor at best. They rarely ship complete orders, and the quality of some of their goods is marginal." And it went on...He continued, "Al, I know Kimal gives exemplary service. Your shipped deliveries are filled almost 100% complete. I know you buy better products, so your quality is just top drawer. But, here's the dilemma for me making a switch..."You're about eight percent higher than Company X that I'm buying from. So I guess what I'm asking, Al, is can you meet their prices?" I think my quick answer surprised him. I answered, "Sure, no problem. That's the easy part. But you have to give me a little time to get ready...I have to buy some lower quality goods...You know, those cheaper hardboard doors you despise...cheaper pine studs, etc... and my delivery service will probably be kind of hit and miss, 'cause I'll have to work those 'express' deliveries in as I can...And the quick response you'd like on special orders your customers demand, guess we'll also have to work those in also as we find time. Bottom line, I can duplicate what you're getting now, at their prices, but I thought that you're not happy there. We can give you everything you desire, but you'll have to pay a little more for what we bring to the table. That's why we stand out and simply are not the 'Cheepist' (No, my feet don't fit a branch! You know...Cheep, Cheep!)." I didn't land that customer that day, but within a year he began to test us with some tough orders. We prevailed, and now he's a regular customer and we work hard to earn his loyalty...every single day.

Here's another quick story. One of our salesmen called on one of the national builders recently. We knew the drill, and worked up their bid sheet with very aggressive (dare I say Cheep?) pricing. Our salesman was quickly told when the builder scanned the bid sheet, "Oh, you're about ten percent high!" When the salesman came back, kinda whipped, and told me the story...I said, "Look. It's probably the beginning 'dance' and since we probably won't get the business anyway, will you go back, and argue that you feel the prices really are in the ball park...and question why he won't consider us?" Emboldened, the salesman went back, pushed harder, and halfway through his second "presentation" the Project Manager started laughing. He told my salesman, "Oh, we tell everyone they're 10 percent

high! But some do come back, as you did. Now we can start talking.” Turned out in that case, he was pretty O.K. with our original pricing, but we couldn’t sell them anyway...When they got out their fourteen page “Sub-Contractor Performance Contract” (Lawyereze at its finest!), it was so onerous as to make it almost impossible to do business with them. Lots of lessons learned along the way!

I think my message today is simple. If you really do function from a high level of service, your quality is top notch, you personally bring a lot to the table, etc., etc., then you need to be able to “Talk” it, and be paid for it...Period! And when those tough comments come out about you “being too high,” do you then proceed to sell the company, yourself, the products you represent...Or, do you “apologize” that you’re too high? And maybe assure that customer that you’ll be back to see if you can find that discount or Cheep price he’s seeking? Remember...He’s been charged with “finding the best deal”...But the truth often is, the “Deal” may be great, uncompromising SERVICE. After “Talking the Talk,” now “Walk that Talk” and do (profitable) business. And always remember *what* dollars pay all those expenses! It just ain’t rocket science in the end!! Good Selling.