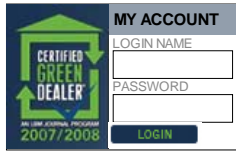


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## How To Sell To Remodelers

Worth the extra effort, remodelers tend to stick with LBM dealers that offer good service and display sensitivity to nuances of deliveries and other extras.

By Patrick L. O'Toole

Michael Otagawa-Anschel of Otagawa-Anschel Design/ Build in Minneapolis is planning to be one of the winners in the remodeling business in 2009.

This year the company is applying a growth stance to slower market. "I plan to grow my revenues, the number of jobs we do, and improve our profit," says Anschel. A big part of that plan will be to ramp up a new "small projects" division and to continue to burnish his company's growing reputation as a leading green remodeling company in the Twin Cities area.

These goals are certainly refreshing amidst a sea of justifiable negativity. But there is going to be hard work involved and Anschel is expecting innovation and creativity on the part of his team as well as his business partners—including his LBM dealer—to accomplish them. Like most remodelers Anschel has been very loyal to his primary LBM dealer, Scherer Brothers Lumber. For the past 12 years, the dealer has provided good service and at fair prices. "It would be bad Karma," says Anschel, to look upon this relationship as anything other than a long-term relationship going forward. That said, in the new economic reality, low prices are figuring into the equation in a much more prominent way.

### PRICE VS. SERVICE

"Right now I would say that price would play a larger role in my relationship with suppliers than it has in the past," Anschel explains. "If someone was to offer some really aggressive discounts and pricing on materials that would help give us a competitive edge, that would make a big difference, even if it meant a little bit of loss on some of the customer service. In the past it has been more about the service."

And like most remodelers who have a track record, Anschel's company is fielding a steady stream of calls from suppliers who want to initiate a relationship. Recently, says Anschel, his interest was piqued by a new company that is "partly brick and mortar" and partly catalogbased. Working out of a small local showroom, the company would be able to offer deep discounts—20-30%—on everything from plumbing fixtures to countertops. Some discounts being offered are large, citing the example of a \$200 faucet on sale for \$90. "That makes a big difference," he says.

"Until recently, we were in a market where [LBM dealers] were trying to outperform everyone, so there was a very high quality service quotient and the differences were intangible," says Anschel. "Right now, however, the primary concern is getting the work, and getting it in a budget with your clients so you keep the job."

And while price has asserted itself as a major factor in the remodeler/LBM dealer relationship like never before, there are real "light engineering" needs that really make Anschel's life a lot easier and add a tremendous amount of value.

### VALUE-ADDS ARE KEY

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"I don't need to be taken out golfing. I don't need a friendly check-in everyday. If the lumber gets dropped in the wrong spot, I will probably complain about it, but it is not going to make or break the relationship," says Anschel. "The thing that I think is important, especially with a lumberyard, is their ability to help with identifying issues with materials, helping with takeoffs, how much materials you need, truss designs, load calculations for beams, tall-wall construction, etc. Remodelers simply don't have an engineer on staff. And a lumberyard that is able to provide those types of light engineering services and can double check your work to make sure that you are going to be building it properly—that you have the right size joists specified—there still is a real value for that."

Indianapolis remodeler, Steve Gray of Steve Gray Renovations, is much less focused on price these days. His goal, as it has been for the four years that he's run his own company, has been increasing professionalism in his relationship with all of his business partners—from trade contractors and bankers to LBM dealers and other suppliers. Gray's approach when entering new relationships with any business has been of list a set of performance expectations in writing and to ask for "sign off" ahead of time on those points. Gray, whose business billed \$1.2 million on 17 jobs in 2008, has been working with Carter Lee Lumber in Indianapolis who were happy to sign his performance expectations agreement.

"We have always set our expectations up front with them," says Gray. "This is what we expect. This is what we'd like to see out of a vendor. There is a certain amount of professionalism that we expect out of a supplier if they want our business. We are fortunate enough here in Indianapolis that people here want to be associated with us. They want to do business with us."

#### UNDERSTANDING EXPECTATIONS

Some of the specifics in Gray's agreement with Carter Lee include: a dispatcher or driver to must communicate with Gray or a member of his team while en route with deliveries. "This way we can be on site to direct drivers where to load and unload," says Gray. Second, any weather related materials left outside must be covered and protected. If the material becomes damaged, it is the responsibility of the delivery company to replace free-of-charge. Lastly, the supplier must use extreme caution with vehicles on client's property.

"Vehicles with any type of fluid leak will not be allowed on the owner's property," says Gray, whose company prides itself on seamless relationships with its clients. "Trucks with fluid leaks have to be hand unloaded. Also, any type of fluid leaks found on the driveway will be the responsibility of the delivery company to remove the stains to the client's satisfaction."

Gray's company also places a high premium on face-to-face contact on the jobsites with the LBM dealer's representative. The idea is to create a high level of communication between the dealer and the finish and framing carpenters with the goal of knowing more precisely when materials will be required on the jobsite based on how fast or slow they work—how jobs typically flow at each juncture.

"I think just showing up on the jobsite and seeing how the job is run is very important," says Gray. "Every framer or trim carpenter does their job differently. They do their work at different speeds and we expect our LBM dealer to keep up with them and to not let them sit out there onsite with no materials. This is how they learn how we work. And that enables them to give us better bids when the next project comes along. We want them to be pro-active, just like we are."

John Sperath, owner of Blue Ribbon Residential Construction Inc. in Raleigh, N.C. has a similar mindset with regard to what it takes for an LBM dealer to earn his business. "We look for competitive pricing but not necessarily the lowest."

Whereas builders used to get all of the attention from LBM dealers, times have changed, says Sperath, and there is no lack of attention from suppliers who'd like to earn his business. Right now, the company does business with three LBM dealers in the Raleigh area, but the firm primarily relies on Professional Builders Inc. of Mooresville, N.C.

#### JOB SITE SERVICES

"There are a lot of folks chasing us right now because remodeling is the only thing that is moving," say Sperath. "We look for 24-hour delivery, we ask that their drivers and the warehouse watch and cull out the really bad stuff for us. And from a driver's standpoint, we try to be as specific as possible about their directions and where to

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leave it. They follow those instructions and don't just dump the load on someone's brand new driveway. In most cases our current supplier uses an all-terrain, three-wheel forklift, a Moffet. That is almost a requirement in my world to have some kind of a vehicle that can bring the materials very close to where the workers need it."

Quick turnaround and responsiveness are hugely important to Sperath, whose business organized around a design/build model where they move their customers through a compressed 30-day selection making process, "and that forces our suppliers to get back to us very quickly," Sperath explains. "I think our representative really works hard for us. We don't ask him to do takeoffs and that sort of thing.

"We tend to do that in-house. And if, for some particular reason, his price is out of line, he is willing to work with us and margin it down a little bit. We don't ask him to do that a lot," Sperath adds, "because we understand that he has got to make a margin as well."

With the dramatic fall off in the new construction market, remodelers, to a degree feel like they have, in a way, moved up the pecking order in terms of the service they are getting from their LBM dealers over the past few years. But the dramatic financial downturn has also tainted their outlooks forcing them to find ways to earn money on lower-priced remodeling projects. Price matters now more than it ever has before. So it should come as no surprise to LBM dealers when some of their loyal remodeling customers come to them looking for opportunities to save money, or even to be cut into the deal in terms of co-op dollars.

TV home-improvement expert Adam Helfman of "Every Homeowner's Best Friend," a program that airs in Detroit and Boston, summarized in a post on the Qualified Remodeler group site on the LinkedIn professional network.

"Co-op dollars is the answer: a real program, something more than 1% of sales," says Helfman. "LBM dealers should invest in the contractors that are loyal to them. I have wanted that for years."

**PATRICK O'TOOLE is editor and publisher of Qualified Remodeler Magazine, a publication that covers best practices, products, and design ideas for the remodeling industry.**



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