

## Effective Sales Strategies for Today's Market



"Don't worry, he buys everything from me," says the outside salesman. Yet, two weeks later a competitor's truck is delivering to the jobsite and your salesman has no purchase orders. That's a common refrain at many dealers today. It's little wonder that traditional selling strategies and tactics have been largely ineffective in securing business today. The market has changed significantly and the old rules don't apply.

Increased competition and unprecedented margin pressure have combined to create the LBM industry's most challenging sales environment. Add persistent unemployment, lack of credit, and low consumer confidence and you're describing the perfect storm. Yet some LBM dealers have made aggressive and innovative moves to capture sales—and they're working. These dealers are creating their own success in an unpredictable market. Here's what's working now, and how you can adopt these successful strategies.

### VALUE AND VALUE-ADD

Foreclosures have fundamentally impacted the housing market. House prices have dropped and are still declining in many markets. An average 30% premium on new construction has builders grappling to come up with a compelling

value proposition to compete with existing homes. The net result is that margin pressure is increasing for them—and LBM dealers too. There must be a sharp focus on value and value-add for both. Without a differentiator of some type, it's all about price.

Keep the focus on time and/or cost savings. Everything else is just noise right now. Demonstrating how you can help the customer make money or save money is compelling. Quote a project as requested and supply another version with energy-efficient products that can save the homeowner money over the long-term. Suggest products that can lower labor costs. These relatively simple moves show that your goal is to help the customer be successful. Show them, don't tell them.

### TARGETING THE CHECKBOOK

There's enormous effort in our industry today focused on selling—to the wrong person. Builders don't have access to credit today. They're not going to have access to credit tomorrow, next month, or next year. If you're negotiating a deal negotiate with the decision-maker. More often than not, that's the homeowner.

Take a step back and consider this: Do you want to control your own destiny or do you want your builder to control your destiny? In today's market, jobs are bid by numerous builders. For the sake of example, let's say your builder is one of five bidding a job. He's got a 20% chance of landing it. If he is awarded the job, your chances of supplying it may be 50% or less. Ultimately, your company resources are invested in bidding this job for which you may have a 10% chance (or less) of winning.

Viewed this way, our traditional selling strategy doesn't look that robust. Is supplying that builder the goal or is supplying that job the goal? One of my clients puts it this way: "The customer is vitally important; the job is more important."

Focus your sales effort on the project owner. Tighten up your networking with architects

and target permits for wells, septic systems, or teardowns—anything that gets you involved in a project early. Use those contacts and information to approach the project owner. If you can't get to the project owner early consider targeting all the builders bidding the job.

It's not unusual that competing builders will come to you with the same set of plans to bid. Salespeople are targeting all builders bidding the job. After all, if you're working with four of the five builders bidding the job your chances of supplying it are dramatically better.

How does that work? Won't that alienate customers? Are you crazy? I know, many of you are thinking that. I've heard it from many of my clients. Here's my response: This approach works. It's increasing sales (and adding new customers) for these innovative dealers. Isn't that the bottom line?

It's a different strategy to be sure. It requires strong communication skills to navigate successfully.

"Our customer base has grown, despite the fact that several of our builders are no longer in business for various reasons," says one LBM dealer. "The first year of the downturn our total sales declined, but not nearly as much as they would have had we not changed our strategy to include a strong focus on supplying the job."

If you're concerned your team may not have the communication skills to make this strategy work for you consider Sales Activity Management (SAM).

## SALES ACTIVITY MANAGEMENT

Sales Activity Management (SAM) focuses on helping salespeople spend their time on the right things for the right amount of time to drive desired results. It introduces accountability for activity and results where we've typically only had accountability for results. What if the salespeople are compensated on collected gross profit dollars? Doesn't that drive the performance you want? In a word: no.



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*PointSIX from Ainsworth represents a new approach to the age-old problem of edge swell, thanks to a patented tapered-edge technology that offsets the effects of moisture. The result: floors that go down flat and stay that way—guaranteed.*

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Here's your test. Look at how many of your salespeople are on plan. Most dealers have several salespeople who are struggling to hit their plan, even 100% commissioned reps.

## HOW IT WORKS

Generally, we focus on two things: 1) Maximizing sales with existing customers; and 2) acquiring new, credit-worthy customers.

**Maximizing:** Conduct a strategic review of current purchases and purchase history with each salesperson for all of his or her accounts. Identify products and services that each customer uses (and that you sell) but doesn't buy from you. Quantify the potential sales

increase for each opportunity identified. Sales managers can help salespeople prioritize these. Then the salesperson is tasked with selling your whole basket to your existing customer base.

Data from several dealers suggest that targeting three to five product penetration meetings per week is optimal. Here's how this works. The salesperson requests a meeting to present

a product line that the customer is not buying from you. Sales staff has a chance to prepare a solid, persuasive proposal to sell the targeted product or service. Meetings are in person and take place at the yard or at the builder's or remodeler's office.

Increasing sales with an existing customer base should be the easiest way to grow sales. Systematically working through identified opportunities will have the largest and fastest impact, if your current customers have jobs.

**Acquiring:** Every business needs new customers. Prospecting and cold-calling are the steps to do that. SAM helps salespeople

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and sales managers understand how much prospecting is required to add that new customer. I often see salespeople who are making two to five calls a week to potential customers. I've found that the number of prospecting calls needs to be much higher to secure new business.

On average, it takes 14 attempts (voice-mail messages, e-mails, etc.) to make contact (phone conversation or e-mail exchange) with a prospect. Consider how often you would normally call or e-mail in a week. That's probably two or three times. It can easily be six weeks or more before a salesperson has an actual phone conversation with a prospect. Many salespeople give up before then. So, making two to five calls per week is an ineffective drop in the bucket. Successful sales reps today are targeting 40 calls or more per week.

Rather than focusing on the number of calls per week, perhaps a better way to think about prospecting is to maintain an active prospect list. This is a list of "live" prospects that a sales rep is engaged with through phone conversations and face-to-face visits. A good list should include 10 to 15 active prospects at all times. As soon as a prospect is converted the sales rep adds a new "live" prospect to his list. The goal is conversion, not simply prospect cultivation.

Where do the prospects come from? One good source is your inactive account list. Review the list for customers that are no longer in business or are not creditworthy and eliminate them. Make the rest of the list available to your sales team or assign certain customers to sales reps. Task sales reps with contacting all on their list and give them a deadline.

Permits are often a better source because these jobs are likely to happen. Most markets have permit data available. Depending upon the type of permit the building process may be well under way. Target permits that precede building (i.e., tear-downs, septic systems, and wells) and can offer an opportunity to secure an active job. It's important to pay attention to what you're targeting here: the builder or the owner of the project (and checkbook). Choose carefully.

What nearly four years of working with clients on SAM has shown is that prospecting must be relentless. Relentless prospecting delivers more new customers and more sales. It's that simple.

Another vital component of SAM success is quote tracking. Many sales reps get the ball down to the 10-yard line but then walk off the field. They've done the prospecting, secured an opportunity to bid, and submitted a quote. But that's where they leave it. Quote follow-up is inconsistent and often not timely. Don't stop

selling until there's a signed P.O. in hand. If you didn't get the business, determine why. Use that information to make subsequent quotes and follow-up more effective.

#### **MAKING IT WORK**

Implementing SAM requires that activity be tracked. Some companies do this with Excel spreadsheets; others use Customer Relationship Management (CRM) programs such as those offered by Salesforce.com or their own in-house programs. Keys to success include: The tracking program must be easy to use, not take too much time, and offer real-time information that's important to the sales rep.

Typically that's visibility on sales, GM%, GM\$, special orders as a percentage of sales, special order GM%, quote success, and active quotes, etc. The information can become overwhelming. Keep it simple and stick to the basics, especially when starting.

With SAM, salespeople have to record their own activity. The most successful practice requires recording a day's activity by 8 a.m. the next day. Sometime during the day or evening or next morning a salesperson will have to log on to your tracking system and note his prospect calls and penetration meetings. This is something salespeople can do with just a few mouse clicks.





*Help your clients cut costs by pointing them towards products that reduce installation time and decrease callbacks; Ainsworth's pointSIX Flooring, for example reduces the need for sanding, and the company's pointSIX Durastrand Flooring comes with a 180-day no-sand guarantee and lifetime warranty.*

It's not surprising that salespeople aren't initially excited about SAM. A common objection goes something like this: "It'll take too long and I should be out selling." SAM requires a change in behavior and that's never easy. But it is worth it. "I can't imagine going back to the way we used to do it," says one outside salesman. "I use this information every day. It helps keep me focused on the highest priorities and that's made me more successful. I'm actually selling more now than I did before the market turned."

Activity is tracked so that it can be managed. It allows sales managers the visibility to effectively coach and guide the sales team to achieve the best results with your most limited resource—time. Sales managers and executive management should get on the road with salespeople every week. It's a great time to coach and provide assistance. More importantly, it demonstrates to all—employees, customers, vendors—that your company is going to create its own success.

The market is fundamentally different. Traditional sales strategies aren't as effective as they once were. Often they're completely

ineffective in the face of extraordinary margin pressures. Doing the same thing isn't a sustainable strategy. Your job as owners and managers is to maintain a healthy business. Healthy means you're earning enough profit to reinvest at appropriate levels to maintain competitiveness AND deliver a return to owners.

One dealer had permits decline by more than 33% in his market. His sales declined 3% in the same period. No dealers exited the market. Yet this dealer gained enormous market share and made a profit. He attributes this success to diligently executing Sales Activity Management.

There's no silver bullet for achieving this. It doesn't require a charismatic leader, or a new showroom, or drive-through lumberyard. It does require persistence and discipline. There's grunt work involved. It's not exciting until you consider the results. For dealers across the country—in urban, suburban, or rural markets in the North, South, East, or West—Sales Activity Management is the only thing I've found that has consistently increased sales and profits.

## Make Prospecting Pay

It's a tall order to get a prospect on the phone today. Once you do success or failure is determined in the first 30 seconds. What's your opening statement? What are you going to say to get an opportunity to explore potential business? I ask those questions of clients a lot. Here are some of the most common responses:

"Hi, I'm Joe Salesperson from XYZ Lumber and I want to talk with you about supplying your next job."

"Hi, I'm Sue with XYZ Lumber and I want to tell you about a new product that can save you time and money."

"Hi, I'm Bob with XYZ Lumber. We've been around a long time and sell quality products and services. I'd like to talk with you about quoting your next job."

Would you talk with Joe, Sue, or Bob if you were on the other end of the phone? I wouldn't. First off, I don't care what they want. I'm trying to make a living and pay the bills. All of the above statements focus on what the sales rep wants. It's about the customer. What does the customer need to be successful?

If you want to talk about what the customer needs and wants you've got a shot. "I see you've got a project coming up. There are several new energy-efficient product options with different price points. Would you be interested in learning how they could help your homeowner save money over time and help you make more money on this project?"

Have your sales team polish their opening statements. Practice them one-on-one or in sales meetings. Have them actually voice their pitch. Saying "I'll introduce myself and then ask about his current project" doesn't cut it here. They actually have to say what they're going to say. Practicing with the Sales Manager or in a sales meeting will make them so much more effective when they've got a prospect on the line. If you can anticipate it, you can prepare for it. You've got one shot to get your foot in the door. Aim for the sale, not your foot.

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## PROBLEM-SOLVING PRODUCTS GIVE DEALERS A SALES EDGE

In uncertain economic times, a dealer's strongest sales strategy is to serve as a trustworthy resource to its customers—to arm itself with products and product knowledge that builders and remodelers can rely on to help them complete their projects better, faster, and more affordably.

Dealer Daryl McGregor, manager of Lincoln Creek Lumber in Centralia, Wash., knew he had such an opportunity when he learned about Ainsworth's pointSIX™ Flooring, a product that acknowledges and addresses a well-known jobsite nuisance: Wood swells when it gets wet.

With a slight taper on its edges, pointSIX Flooring is engineered to accommodate the expansion that can occur when wood is exposed to moisture, eliminating the need for sanding, which adds cost and time to installers' already stretched budgets.

### PERFORMANCE TESTED, DEALER APPROVED

Efficiencies such as these provide a compelling message for dealers, but perhaps more important is the confidence that comes from the product's extensive R&D and unprecedented guarantees. PointSIX was developed after extensive testing that included subjecting panels to repeated wet and dry cycles to simulate severe jobsite conditions. In one test, the flooring was flooded for 14 days; after drying out, the average edge swell was

contained to .01 inch, not much more than a sheet of paper.

APA-approved pointSIX comes in a standard panel with a 25-year limited warranty against delamination. The premium panel, pointSIX Durastrand Flooring, boasts a 180-day no-sand guarantee and carries a lifetime limited warranty—the only lifetime warranty in the industry.

McGregor realized the potential benefits for his Lincoln Creek customers, but wanted to verify them himself to ensure the product would stand up to the notoriously soggy conditions of the Pacific Northwest. In his own test, the dealer subjected a sample of pointSIX Durastrand Flooring to three months of wet-and-dry cycles. "Over that time I never witnessed any measurable amount of swelling," he reports. "The product retained its original form."

Armed with Ainsworth's proof-of-performance testing data and an industry-leading warranty and guarantee, McGregor became an advocate for pointSIX Durastrand Flooring and began recommending it to his customers. "I know approximately 10 to 12 builders who are now using it, and any feedback I have received has been only positive," the dealer says. "Builders who previously had to dedicate labor and additional costs toward sanding boards that had swelled due to moisture exposure no longer have that problem. For building in rainy or snowy weather, where the subfloor is going to be exposed, pointSIX

Durastrand Flooring is what they are now using. It performs exceptionally well in high-moisture situations."

### A COMPELLING SALES STRATEGY

With the days of breakneck-speed building long gone, residential construction pros are focusing on quality—and are looking for guidance to help them select proven, trustworthy products that add value without adding cost. Ainsworth's revolutionary pointSIX Flooring, which recently was recognized with an R+D Award from Architect magazine, is changing the industry's long-held expectations of OSB—and positioning savvy dealers as resources in the eyes of their customers.



*Jobsites in the Pacific Northwest are commonly exposed to extended wet conditions. Because pointSIX Flooring offsets the effects of moisture, Lincoln Creek Lumber customers are able to avoid the extra costs of sanding subfloor edges.*

### ABOUT THE AUTHOR



#### Ruth Kellick-Grubbs

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### About Ainsworth

A leading manufacturer and supplier of engineered wood products for residential, commercial, and industrial applications, Ainsworth is known for its innovation, quality, and service. Based in Vancouver, British Columbia, Ainsworth operates four OSB mills in Canada, is the fourth-largest supplier of OSB in North America, and is the primary supplier of web stock to I-joist manufacturers in western North America. Ainsworth prides itself on providing customers with products that are reliable and consistent, including commodity OSB, recognized throughout the industry for its Turquoise® edge seal; pointSIX™ Flooring; AinsworthEngineered Thermastrand® radiant barrier roof sheathing; SteadiTred® stair tread panels; and Durastrand® OSL rimboard.

For product and distribution information, visit [www.ainsworthengineered.com](http://www.ainsworthengineered.com) or call toll free 877.661.3200.

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