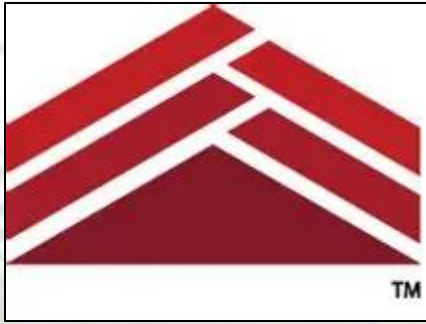




CONSTRUCTION
SUPPLIERS
ASSOCIATION



Mike McDole | FiringLineLBM.com

Owners & Managers: Stop Giving Away Profits

*“Practical Strategies to Price Smarter,
Sell Value, and Improve Profits”*

Boston to English Translation:

Boston

Bah
Cah
Chowdah
Cullah
Eyein
Liberry
Mock
Pahdee
Pahk
Paypah
Speakah
Wicked
Wotta

English

Bar
An automobile
Clam chowder
Color
Iron
Library
Mark
Party
Park (i.e., Fenway Park)
Paper
Speaker
Extremely good
Water





Mike McDole

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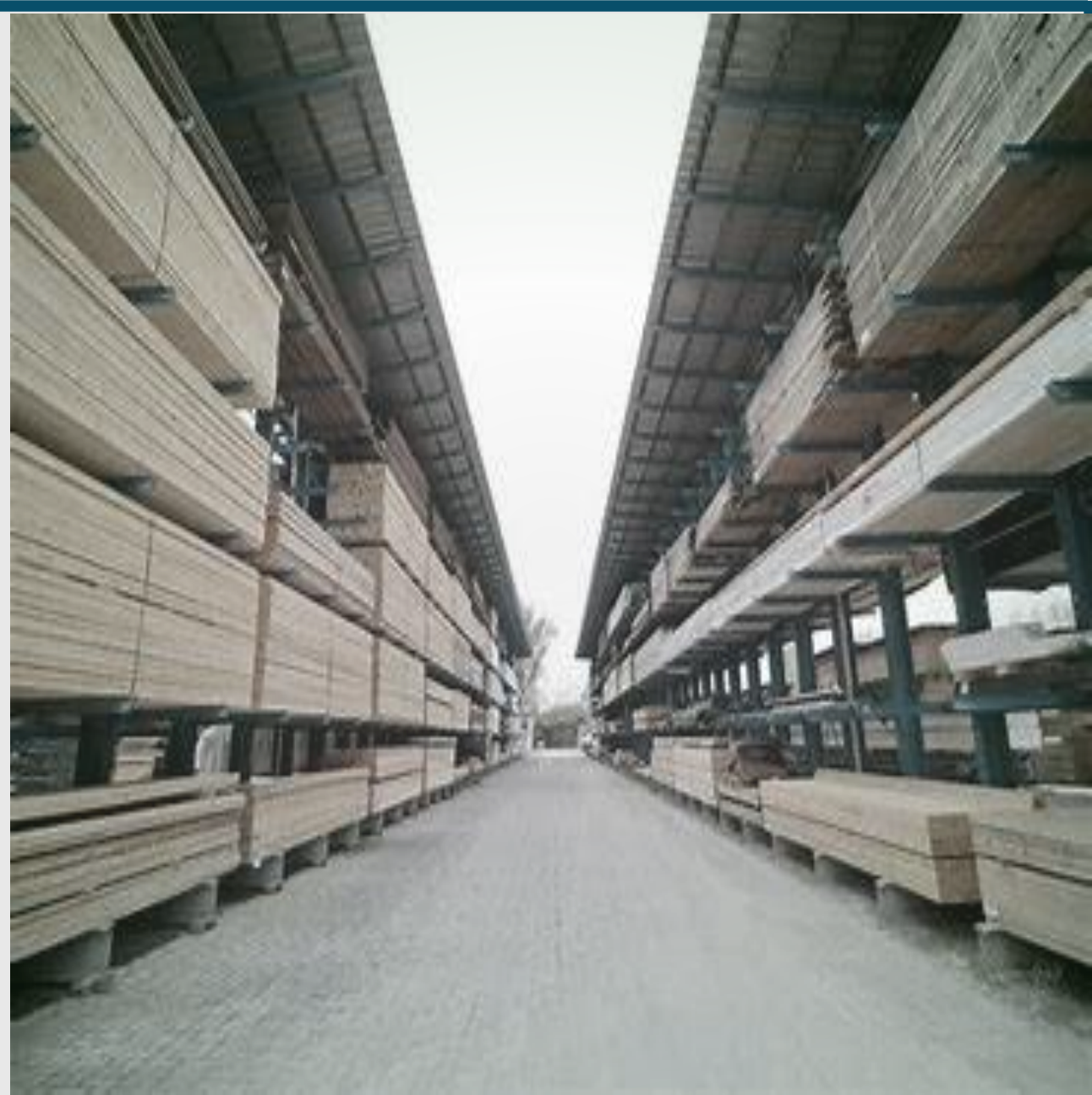
mike@firinglinelbm.com



- **40+ years in the LBM business**
- **Former SVP of largest independent pro-dealer in Northeast US (*14 locs; 4 states; 2 truss & 1 wall panel plants; custom millwork; 52 OSR's; 25 ISC's*)**
- **Columnist – Various Trade Associations**
- **Featured guest - podcasts/webinars ... Craig Webb, *Bradley Hartmann, Rick Davis, LBM Journal***
- **Principal of *Firing Line LBM Advisors ... Clients throughout the North America***

***“Top line sales is
for egos ...
It’s the bottom line
that counts!”***

- Mike McDole



Sales vs. Margin: Which is Easier?

- Higher sales requires more customers and orders
- Higher volume requires more inventory
- Higher volume requires more vehicles and people
- Better margin improves profit on business you're already doing



**Increased Sales is great. Getting Better Margins is great.
The best dealers don't choose between them --- *they relentlessly pursue both!***

Gross Margin versus Mark-Up

- The majority of lumberyards prefer to use Gross Margin, as opposed to Mark-Up.
- The reason is *psychological*. Too many salespeople feel they're taking advantage of customers if they think the markup is too high, even though the GM% is much lower.

Mark-Up

COGS: \$100.00

Mark-Up %: x 50%

GM\$: = \$50.00

COGS + \$100.00

Sell price = \$150.00

Gross Margin
= \$50.00
(50% Mark-Up)

Cost =
\$100.00

Math Equation: **Cost x 1.50 = Sell**

Gross Margin

Sell price: \$150.00

COGS: - \$100.00

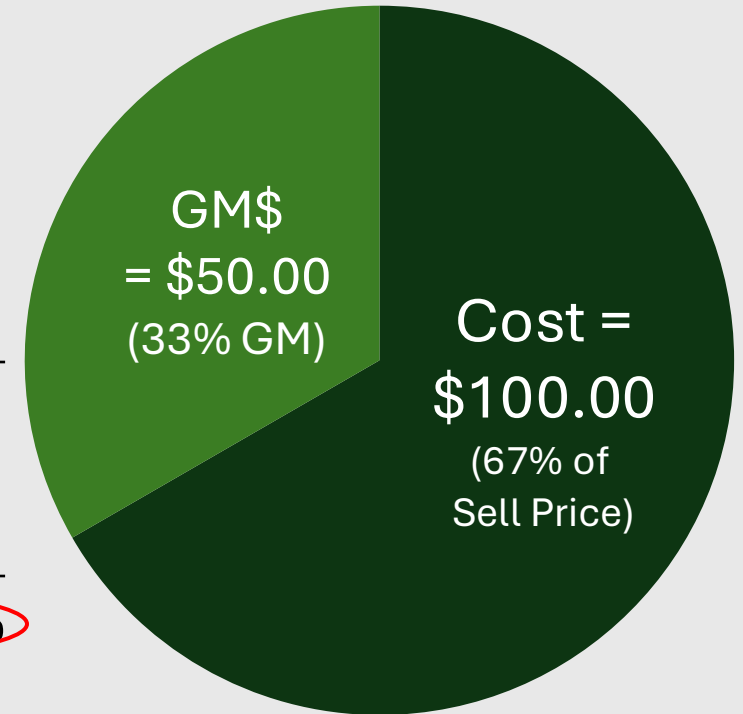
GM\$: = \$50.00

Sell price ÷ \$150.00

Gross Margin% = 33%

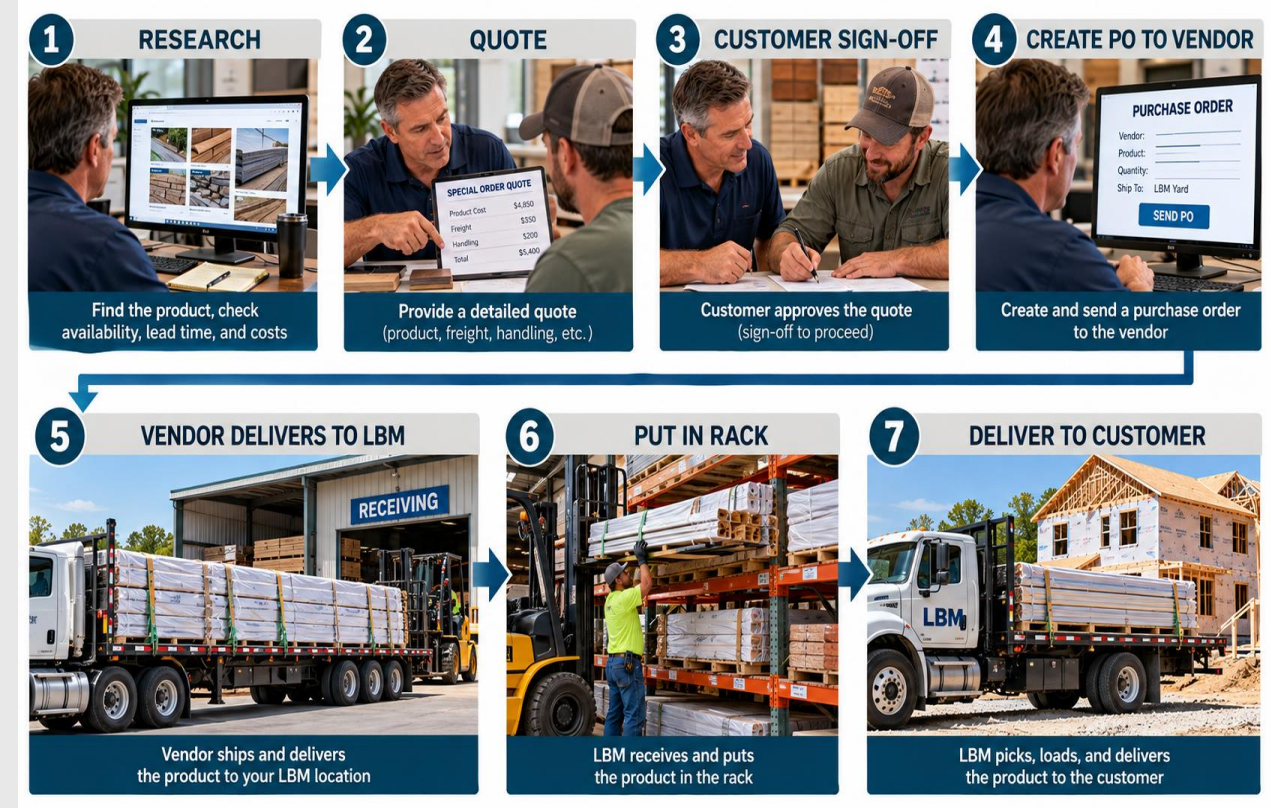
Math Equation: **Cost ÷ .67 = Sell**

[reciprocal of 100]



Why Special Orders Should Have Higher Margins

- Understand the **TRUE COSTS** of special orders
 - Product cost PLUS quoting, selling, handling, & delivery
- Make special orders “special”
 - What’s wrong with a higher gross margin?
- S/O GM% should be higher than Stock GM% on similar items



Margin Killers ... *Where the Money Leaks*

What are the reasons margins “leak” with your salespeople?

- Over-discounting / “price panic”
- Poor quote discipline
- Poor product knowledge
- Not knowing their market / competition
- Don’t fully understand their value and/or their company’s value



How salespeople can KILL profits

- Not treating customers as they deserve to be treated
- Not fully knowing the products they're selling
- Pricing at lower 'price-level' than should be
- Selling on price only
- Inaccurate delivery information
- Making mistakes on stock orders
 - Double the work of the company, delay the project, customer's get upset, etc
- Making Special Order (S/O) mistakes
 - A \$1,000 S/O mistake actually costs
\$25,000



How a \$1,000 Special Order Mistake ... Actually Costs \$25,000

Credit to Customer	(1,000.00)
Cost in System	0.00

GM\$ LOST	(1,000.00)
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** Comes directly off Profit*

Average LBM Dealer makes ~4.0% Net Profit (2025)

In order to recoup the \$1,000 loss, the company must do an additional \$25,000 in sales ...

Sales	\$ 25,000
Avg Net Profit %	4.0%

Avg Net Profit \$	\$ 1,000
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Ways to Respond to “*Your Price is Too High*”

- Compared to whom?
- Are there specific products you’re comparing?
- I’m sure you believe it’s apples-to-apples, but may I see the quote so I can make *sure* they’re quoting the exact same quantities & products?
- We may be a little high, but keep in mind ...
 - ✓ We guarantee 24-hour delivery
 - ✓ Our On Time In Full Rate is over 94%
 - ✓ We only buy from high-quality vendors
 - ✓ Online account access 24/7
 - ✓ You get *me* to service your account



All Sales Should Be Prepared to Answer the Following ...

**If your customer
could buy from only
one supplier, why
should it be you?**



Margin Ruts

A **margin rut** occurs when salespeople consistently sell products at lower GM% than they should, often due to habitual practices.

They often use the same GM% on same products regardless of customer, or situation.

Not all items are price-sensitive!



Do Your Salespeople Think They Can't Get Higher Margins?

Let me guess why ...

- *They think your market is different*
- *Customers are too price sensitive*
- *Competition is fierce*
- *They're afraid the customer will think you're screwing them*
- *They're afraid to lose the sale*



Alternative Ways of Thinking

a) Interior Pre-Hung Doors

Cost \$140 @ 27.0% GM = \$191.78 Sell Price

If you add just \$5, to sell them at \$196.78 ...

it equates to a 29.0% GM

b) Composite Decking 16'

Cost \$31 @ 28.0% GM = \$43.06 Sell Price

If you add just \$1, to sell them at \$44.06 ...

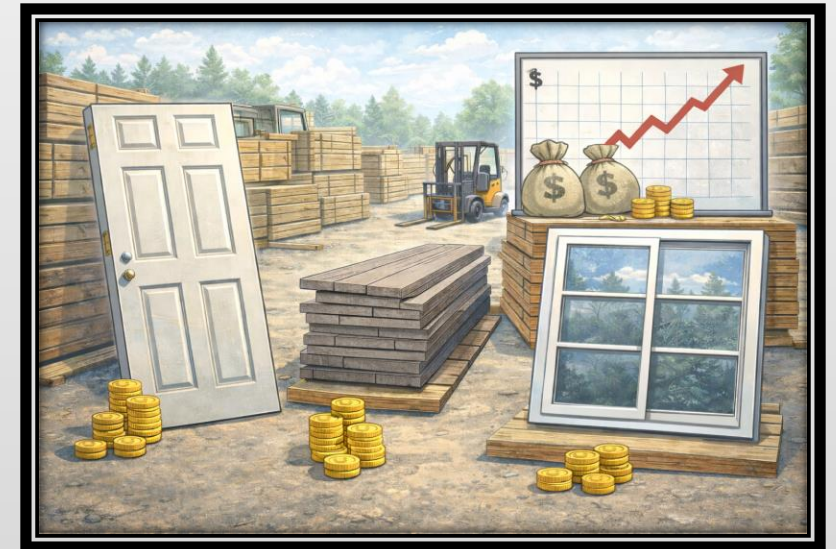
it equates to a 29.6% GM

b) Vinyl DH Window

Cost \$235 @ 27.0% GM = \$321.92 Sell Price

If you add just \$8, to sell them at \$329.92 ...

it equates to a 28.8% GM



*If you sell a job at an aggressive Price Level / GM,
must you sell non-quoted items at same price level?*

NO !!!

Let's assume your company has 4 price levels. If you sold the job at the most aggressive level 4, you can sell non-quoted items at level 3, or even level 2.



Sell VALUE ... Not Just Products

What do Builders & Remodelers want?

- Professional salespeople with strong industry knowledge
- Timely responses
- “OTIFUD” (On Time AND In Full AND Undamaged)
- Fewer issues
- Reduced delays
- Competitive prices



Your Largest Customer May Not Be As Profitable As You Think

- Lower Gross Margin
- # of small deliveries
- Lots of returns ... especially S/O returns
- A/R issues
- Service requirements
- “PITA” factor



You Cannot Manage What You Don't Measure!

What Drives Profit?

- ✓ Gross Margin discipline
- ✓ Wallet Share
- ✓ Purchasing & Inventory Management
- ✓ Delivery & Operational efficiency
- ✓ Labor Productivity ... Sales & GM\$ per employee
- ✓ Returns, errors, and rework
- ✓ Hold Salespeople Accountable
- ✓ Management Accountability --- Measurable expectations, constantly review correct KPIs, take action when needed

Revenue gets attention. Gross Margin pays the bills. Operating Profit keeps you in business.

Return Rates: Industry Averages

Survey of LBM Dealers across the US based on 2025 data

Stock Material Returns as a % of Total Sales	3.7%
Special Order Returns as a % of Total Sales	0.3%
	=====
Total Returns as a % of Total Sales	4.0%
~~~~~	
Stock Material Returns as a % of <u>Stock</u> Sales	5.3%
Special Order Returns as a % of <u>S/O</u> Sales	1.4%
	=====
Total Returns as a % of Total Sales	4.0%
~~~~~	

*** Price corrections should NOT be lumped into Credit Returns**
... Credits should have specific reasons.

2025 Survey Results (124 independent dealers)

METRICS	
Sales\$ per Employee (top line sales ÷ # of full-time equivalent emps)	\$ 584,993
<i>Equivalent --- Full-time Emps = 1 and Part-time Emps = 1/2</i>	
OTIF: % of All Deliveries That Are On Time & In Full	92.10%
<i>On time/in full deliveries ÷ Total no. of deliveries</i>	
Average DSO (Days Sales Outstanding)	37.88
<i>(End of period A/R balance ÷ house charge sales) x days in period</i>	
Average DIO (Days of Inventory Outstanding)	65.94
<i>(Average inventory value ÷ COGS) x days in period</i>	
GMROI (gross margin return on inventory investment)	2.64

EXPENSES as a % OF TOTAL SALES	
Salaries & Wages (NOT including benefits)	13.72%
Payroll Taxes & Benefits	2.93%
CALCULATED: Total Payroll & Related	16.65%
Bank & Credit Card Fees	0.80%
All Non-Payroll Expenses (rent, insurance, utilities, etc.)	8.27%
CALCULATED: Grand Total of ALL Operating Expenses	25.72%

OTHER INCOME as a % OF TOTAL SALES	
Payment Discounts on Purchases as % of Total Sales	0.59%
Rebates on Purchases as % of Total Sales	1.46%

PROFIT as a % OF TOTAL SALES	
Net Operating Profit	4.10%
EBITDA	5.69%

Some dates stick in our minds more than others ...



SUNDAY - FEBRUARY 5, 2017



Patriots stun Falcons with historic Super Bowl comeback, OT win

Zak Keefer USA TODAY Network
Feb. 5, 2017 | Updated Feb. 6, 2017, 12:47 a.m. ET





***“Top Line Sales is for Egos ..
It’s the Bottom Line that Counts!”***

SALES TRAINING & ADVISORY SERVICES for the LBM INDUSTRY

Ownership/Management

- KPI’s and Various Metrics
- Salespeople Profitability Measurements
- Companywide Incentive Programs
- Commission Plans – OSR; ISC; SSP
- Increase efficiency; *and more ...*

Salespeople – Outside; Inside; Specialty

- 3-Pronged Approach to Prospecting
- Sell More Cat’s to Existing Customers
- Organization Skills & Time Management
- How to Improve GM%; *and more ...*

Not “canned”- customize to your needs!



Group Presentations



Management Meetings



Sales Meetings
(In-Person or Virtual)



Work w/OSRs in Field

“Time spent with Mike was very informative, educational and thought-provoking.” - President & CEO

“If you’re looking to work with an industry all-star and improve your business, Mike McDole is your guy!” – President

“Mike’s very knowledgeable and professional, with many years of real-world experience. His open discussion format makes the experience more enjoyable and informative than the normal format we see.”

– Director of Operations

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