

Use an “Up” Sales Philosophy

To be successful, salespeople must show up, listen up, follow up, and live up

The idea for this month’s column comes from my co-worker Donny Drennan. He developed what I call the “Up Philosophy to Sales,” and he stresses it to his team at every opportunity. Drennan believes great salespeople show up, listen up, follow up, and live up.

Here, I’ve put my own spin on the strategy and I hope you’ll find it useful.

SHOW UP: It’s often said that showing up is half the battle. Showing up means you work hard every day, seek new business opportunities every day, and work efficiently every day. When things go sideways, as they do from time to time, show up also means don’t hide from a negative situation. Get in front of it, attack it head on, fix it, and move on. Nobody likes bad news, but people generally deal with bad news better when they know about it early and can plan for it. Working through bad news is also easier when the customer knows the salesperson is not hiding from it, but instead is working diligently to fix it.

The word “hustle” can have both positive and negative meanings, but I’ve often heard it used to describe a good salesperson who shows up every day. Be a hustler ... in the best sense.

LISTEN UP: Listening is easily the most overlooked skill that salespeople need to develop. Many salespeople believe they already listen very well and are not in need of improvement, but when meeting with customers, they spend an inordinate amount of time talking instead of listening. People will tell you what to sell them and how to sell it to them, if you ask the right questions and listen keenly to their responses. But that’s easier said than done. As salespeople, we have our own agenda, and we listen through our own filters, which

are obstacles to true listening. When speaking to people, try to clear your mind and focus on understanding their message. People have a natural desire to be understood, and when we, as salespeople, let others know beyond a shadow of a doubt that we seek to understand them, it draws them nearer. It builds trust and deepens connections, which facilitates the rest of the selling process.

FOLLOW UP: Many skills are needed to be a successful salesperson, but at the top of that list are a person’s organizational skills, especially in the world of building materials distribution sales. Most people I see struggling in this business do so because of a lack of organizational skills, which will follow them from job to job until they figure it out. Following up is all about an individual’s organizational skills, and it’s all-encompassing: notes taken during sales calls, updating task lists, calendar management, territory management. Basically, it’s the ability to get things done. When you agree to do something for a customer, how do you document it to ensure it gets completed? People like to deal with people who can get things done. This also puts you in a strong position to fend off any of your bottom-feeding, riffraff competitors who are out there selling against you.

LIVE UP: Working every day to improve your aptitude on the first three “ups” will be all you need to accomplish the “Live Up” process. The challenge is to not be satisfied with the status quo; understand that you can always improve; and know that your hungry and unscrupulous competitor is not satisfied either. It’s a mindset that you’ve not only reached the mountaintop, but now you have to fight like heck to stay there. **PS**



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ERP Software Value in M&As

The costs of an ERP solution and the benefits it delivers can significantly affect an acquisition

The presence of effective and fully integrated enterprise software can heighten a buyer's interest in a business and even result in a better valuation for an LBM dealer. Having a well functioning enterprise resource planning (ERP) system, like owning a large fleet of vehicles or having excess space in current facilities, is a sign that a company is positioned for growth. Of course, the opposite is also true.

Valuing companies is an art as much as a science, and most buyers add their own unique twist to traditional valuation methodologies. One buyer might see outdated systems in the same light as a superannuated fleet, facilities that require maintenance, or other signs of underinvestment. These shortfalls might cause a buyer to decrease the overall EBITDA multiple for the business. Other buyers might value the company with a market EBITDA multiple and then deduct the cost of the new system that they perceive must be implemented after the transaction closes.

Even among acquired companies that have ERP systems, the critical issue might be the extent to which that system can be integrated with the buyer's own system. Most acquisitive companies prefer to integrate the data and technology assets of newly acquired businesses into their own systems as soon as is practical.

When an LBM company has chosen not to invest in an ERP system, they often do not have a robust fleet scheduling system in place either. Modern fleet software helps optimize the loading of trucks, eliminating wasted labor and fuel. Additionally, these fleet management programs feature GPS tracking of individual trucks. This capability helps companies comply with DOT requirements regarding the hours that drivers

travel between rest periods. They also provide a layer of monitoring that prevents employees with company vehicles from using those vehicles for personal driving.

Companies without an ERP system should consider obtaining one, but they must account for the likely cost, time commitment, and disruption of fully implementing that ERP system, whose preimplementation planning takes several months. The total cost of an ERP system will run from the low hundreds of thousands to the low millions, depending on the size and complexity of the company implementing it. Companies with hundreds of millions in revenue and numerous locations will spend many millions of dollars putting an ERP system in place.

Because of the complexity of implementing an ERP system from scratch, companies sometimes take a second look at their existing software. We have encountered companies that were paying for functional modules they had never used. Other companies were using a software system for many years and had never downloaded any of the updates that were included in their hosted subscription plan. (Companies in these situations are likely to have an understaffed IT team as well.) The best intermediate solution for a company in a situation like one of these might be to update and optimize its existing system and attempt to add one or two bolt-on solutions that provide data output, reports, or analysis needed to take the business to the next level.

So, whether your company is looking to deploy its first ERP solution or upgrade an existing one, getting the most out of the software could make your business significantly more successful and attractive to suitors. **PS**



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Katerra's Mistaken Identity

Just because a big company stumbles, don't expect it to collapse

Man's first trip to the moon came within seconds of a crash landing. The Woodstock musical festival's organizers marvel at the many ways they narrowly avoided mass casualties. You can't count the number of snafus that stymied the Allied advance in World War II.

And yet the Eagle landed, Woodstock is remembered fondly, and we vanquished Hitler and Tojo. Time passes, and the boulders that jarred us and sometimes blocked our road to success fade away. Triumphs that were close calls then are remembered now as destined to be.

As for the failures, many might recall how mighty companies teetered and eventually crashed. Case in point: ProBuild in May 2015.

Today, the boo birds have their eyes on Katerra, the startup that has received billions of investment dollars based on its promise to revolutionize how we build. It's too early to tell whether Katerra will become a game-changing construction juggernaut or a giant sinkhole for Silicon Valley money. Much of the popular press treats Katerra like the former, but complaints have emerged. A friend who knows some people who joined and then left Katerra says those ex-workers cited lack of organization and a management team that still has much to learn about construction.

The rumors of gaffes probably are true. Katerra's giant-sized ambitions no doubt have made it clumsy, mistake-ridden, and less efficient than it claims. But committing mistakes is a painful part of becoming a winner. Rick Atkinson's history of World War II's European theater delves into how Dwight Eisenhower had to learn how to command and how American GIs needed many bloody lessons before they became a fighting force. In his latest letter to

shareholders, Jeff Bezos says that a leviathan like Amazon needs to be willing to make billion-dollar mistakes to keep growing.

Even as it stumbles, Katerra has several factors on its side. Lots of money is one, but even more important is that there is need. Labor shortages are crippling the industry. Studies suggest home construction is only a little more efficient than it was in the 1950s. The lack of affordable housing has reached crisis levels, as has concerns about sick buildings. In short, we need to learn how to build faster, cheaper, and better, and none of these problems are going away soon. Those continuing needs will provide impetus for Katerra and other innovators to keep stumbling toward solutions.

Battlefield histories are replete with tales about how one side lost, despite having a better plan, because the opposition had luck or timing on its side. Looking back, ProBuild failed not because it spent so much on poorly performing IT and not because of heavy-handed control by its investors. Those problems ultimately could have been worked out. No, ProBuild failed mainly because new-home construction plunged 75% during the Great Recession. Had the downturn been shallow rather than steep, you might still see the ProBuild logo across the country, given the advantages it could marshal.

One recent trend in football is the increased number of plays where teammates join to push the ball carrier through the defense and over the goal line. There's not much elegance to employing brute strength, but it works, particularly when the ball carrier was about to go down. Katerra's running backs might stumble from time to time, and its game plan might need tinkering, but when you have a massive lineup on your side, you can still win in the end. **PS**



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