Distributors Are For Leaning On

Buying Direct Often Misses the Benefits That A Good Distributor Can Provide When it Comes to Managing Materials

By her own admission, she got the itch to run her own show.

So, for the past decade, North Miami Beach’s Carolyn Ward has been fast tracking her wall and ceiling distributor business S & C Supply, Inc., pushing it up to between $6 and $10 million volume annually.

The end isn’t in sight and the success formula—aside from hard work and follow-through—remains the same: a fine organization is in place but the personal touch remains responsibly and emphatically Carolyn Ward.

A native Miamian who now lives in the Country Club of Miami area, Carolyn had worked for a supply house for six years when the itch suddenly developed. With a fellow employee, Steve Nesselorte, and a borrowed $30,000, S & C Supply was born, primarily as an acoustical distributor for U.S. Gypsum Company and Flangeklamp (now Donn Products).

By 1978, Carolyn had bought out Steve in an amicable arrangement, and Carolyn’s husband, F. Norman Ward, a former executive with the Harry Rich Construction Company, had come out of retirement to assist. Within a short time, the company added facilities at Riviera Beach—and from these two locations cover the entire state of Florida.

Lately, Norman, an avid private pilot, has been involved in developing Pine Shadows Air Park near Fort Meyer, a fly-in community where the Wards eventually hope to retire. But right now, the focus is on the distributorship with its main headquarters housed in a stone front metal building featuring some 22,800 square feet of warehouse and 2,000 square feet of office area.

The company promotes its ability to handle the complete interior package for contractors including insulation and flooring. This same package is also offered and on an international basis in drywall.

Such no-holds barred business aggressiveness won Carolyn the Miami Chamber of Commerce Business of the Year Award (1982). Her firm is a long-standing AWCI member and Carolyn chairs AWCI’s Distributors & Suppliers Committee.

DIMENSIONS: The first question any contractor might ask of a distributor, Carolyn, is why pay you
“For a contractor trying to produce savings, I politely ask: you figure out what it really costs you to put material on the job . . . is it by railroad or by trucks? . . . I spend hours checking on deliveries.”

extra for logistical help that a contractor can handle himself?

WARD: The profit making contractors don’t ask that question in those kind of terms because they know a distributor can take away some of the risk element, provide predictability in materials—and thus help ensure a profit, other things being equal—

DIMENSIONS: —for example?

WARD: A contractor makes money by managing the job . . . making the costs match up with the estimate. He simply doesn’t have the time to trace material orders and shipments. When a contractor places an order for materials, he knows what he wants and when he wants it delivered where and at what time.

Now that’s basic. Yes, a contractor can do all that himself, but he usually won’t be saving himself any money and certainly won’t be avoiding unnecessary headaches which translates into risk.

DIMENSIONS: And you can relieve the contractor of all these worries?

WARD: I can relieve him of the management of his materials. I operate differently from a lot of distributors in that we’ll handle direct shipments when the profit margin is low . . . and we’ll stock and distribute. In short, we’ll work it out with the contractor what is best for his job. Now that’s a service.

DIMENSIONS: When something goes wrong, he can “call Carolyn.” Right?

WARD: Absolutely. He needs to go to one person to resolve a problem. And he knows if it’s me I’ll go to work on it right away. Actually, we never stop working on an order from the time it’s called in with a purchase order. I personally spend a lot of my own time along with other people in my organization tracking down orders, hassling with truckers and other freight handlers in behalf of our contractor customers. Consequently, they know we’ll deliver. Our reputation is as important to our business as a contractor’s reputation is to his customers . . . because we’re really a service business.

DIMENSIONS: Still, though, there are foul ups, aren’t there? Murphy’s Law operates in construction, too.

WARD: There are fewer material mix-ups working with a distributor than working the deal yourself.

Look, I realize it’s pride for a contractor to tell his colleagues that he buys direct. Not every contractor can do that.

But even the best contractor will admit that waiting until the last, desperate moment to place a material order happens more times than it should. As a distributor, I’m in an excellent position to accommodate the problem caused by this last minutitis. A distributor normally carries an extensive inventory so I can get something rolling moments after a telephone receiver goes down.

A manufacturer will tell you to expect your order to be shipped in 3-4 weeks. They aren’t being unreasonable: that’s the nature of the manufacturer. I can move it much quicker.

DIMENSIONS: Is there a premium price for last minute orders taken from your inventory? After all you must floor plan—that is, pay the interest—on your inventory, mustn’t you?

WARD: I’ve heard that argument many times. My stock answer has always been: tell me the number you have to pay and see if I can beat it. After all, we buy millions worth of materials a year from a supplier and that gives me a discount buying power benefit that I can pass on to my customers.

We handle standard material and acoustical orders right out of my warehouse almost 100% of the time. Thus, a contractor doesn’t get involved in a push and shove match. They can call me and I can deliver—and if we don’t, we pay show-up time. That’s quite a risk to get off your shoulders—certainly worth the small percentage or so that a distributor normally tacks on for the service.

DIMENSIONS: If inflation did nothing else, it certainly slammed home the lesson of the cost of money and the importance of cash flow. Has this promoted the idea of working with a distributor or gone the other way and chipped at your services as a strategy for conserving cash?

WARD: The smart, big contractors for a long time have known about the cost of money—and they almost invariably work through a distributor. We remove the risk and improve material flow to the jobsite; that’s a highly desirable service.

For a contractor trying to produce savings, I politely ask: you figure out what it really costs you to put material on the job . . . is it by railroad tracks or by trucks? It may sound like simple problems but where do the railroad
tracks take your materials . . . and
truckers will give you short shrift
often to accommodate their schedule
and not yours. When truckers know
you’re checking—and screaming where
appropriate—they’ll deliver. As I said,
I spend hours checking on deliveries.

**DIMENSIONS:** All right, let’s ac-
cept the validity of the function that
a distributor plays in the scheme of
things. How does a contractor obtain
the full impact of your service? What
can he do to get maximum benefit?

**WARD:** Realize that we know our
products and that we’re profitable
when the contractor is profitable.

That means that we enjoy some
reasonable lead time, too. We can’t
always be putting out fires.

Furthermore, because we do have
product knowledge and sales ability,
we can help provide substitutions.. A
contractor can bid a job with an “or
equal” clause and we’ll go in and get
the approvals from the architects—
and we’ve got the numbers for every-
one involved. As a matter of fact,
we’ll work along right on the job—
coordinating deliveries.

**DIMENSIONS:** How about deliver
and scatter?

**WARD:** We’ll distribute the
materials throughout the worksite if
that’s what the contractor wants. It
costs extra, of course, but, yes, we’ll
take on that function.

I’ve said it earlier and I’ll repeat it:
when it comes to a distributor—my-
self or someone else—check us for the
numbers. If we’re competitive why
worry anymore? Get rid of your ma-
terial headaches and go on with esti-
mating, selling, bidding, install-
ing—that’s where your money and
profits are.

**DIMENSIONS:** How about training?

**WARD:** We perform training. Not
all distributors do, of course. But if
we have a drywall contractor who
wants to go into acousticals, we’ll help
on the training.

**DIMENSIONS:** Price protection?
Now that’s a mean one for a contrac-
tor bidding out into the future on to-
day’s prices and projections. With
drywall taking their recent jumps, that
problem is more severe than ever.
What can you do to help?

**WARD:** We can do what we’ve
always done; provide price protection.

**DIMENSIONS:** You’ll guarantee a
future price?

**WARD:** Yes, we do it all the time.
We give price protection up to a
year—and even farther than that. I’ve
gone to three years . . . given a top
number. Remember, I’m in the mar-
ket constantly and I keep extensive
records and averages on prices. I can
project prices with the best of them—
and my customers know that I’ll back
up the price given.

**DIMENSIONS:** The recent drywall
escalations were particularly severe,
weren’t they?

**WARD:** Yes, but there’s no reason
for any contractor claiming he was
cought unaware. There was plenty of
warning that these increases were on
the way and that they would have to
“Many contractors are still figuring and bidding jobs like they did 5-6 years ago. Then they were making their 15% profit and today’s environment allows that kind of figuring only 5%. That’s the difference and most contractors claim it’s the competition that’s doing it to them.”

be big ones. The gypsum companies were hurting bad on the cost-price situation. That was well-known throughout the industry.

DIMENSIONS: Carolyn, you said you keep “extensive records and averages on prices.” As a multi-million dollar operation, you obviously have a lot of number-crunching needs. Are you—or to what extent—computerizing your business?

WARD: This computer thing is almost to the point of being overblown. As for S & C, we’ve been totally ADP (automatic data processing) for the last three years. We had to: we do indeed have a lot of number-crunching requirements.

DIMENSIONS: But you went the ADP route. You’re served by terminals lashed to a mainframe computer service and programming outside your headquarters. Why that route?

WARD: When you’re on your own computer system with your own software and hardware, that’s it. You have the whole cost load—and the total task of facing up to obsolescence to hardware, software, systems, breakdowns. I don’t want and don’t need that kind of nonsense. By buying the service we have the benefit of anything new in computers and the ancillary services or functions. When we have a breakdown, the computer service has a technician here immediately—or as near to immediate as you can get.

The service stores our records—and they guarantee them against loss, damage . . . that sort of thing. If we need a program to operate more efficiently that’s all part of the service.

I think contractors should carefully examine their needs before they get deeply into a computer involvement. It takes study . . . and a bit of distance from all the computer hoopla to realize the benefits of a computer system in a business.

DIMENSIONS: How does a distributor go about the diversification element . . . the adding or deleting of products? Is it a unilateral decision on your part or a response to contractor needs?

WARD: The latter one—response to contractor needs—is the major approach. Our business is, and must be, based on customer requirements. They tell me what they want and need and I warehouse it for them.

Take demountable partitions for example. Many contractors inventory out of necessity because of the need to respond quickly to customer demands. But, depending on the situation, I can see where we might be interested in inventorying for contractors who’d like to enter the business but don’t want to tie up cash in stock. I’d need to look carefully first—but any arrangement that’s good for everyone involved usually works out best.

DIMENSIONS: You’ve spent nearly two decades in this business. What’s the major obstacles from the viewpoint of a distributor?
WARD: surprisingly enough, I don’t think it’s inflation so far as materials are concerned. Despite opinions to the contrary, they haven’t changed all that much.

Labor is the major factor in any bid—From the percentage standpoint it continues to represent the biggest, most volatile element in any bid price. Truth is, I’m essentially selling board for little more than I did six years ago, but the labor and overhead factors have increased tremendously. That’s why you’re seeing all this controversy between open shop and the union shop . . . it’s the labor content.

DIMENSIONS: They can’t pass on the increases as readily as before. And there is the additional problem of bids driving the profit margins down dangerously low, isn’t there?

WARD: The bidding is indeed vicious. But many contractors are still figuring and bidding jobs like they did 5-6 years ago. They were making their 15% profit—and today’s environment allows that kind of figuring only 5%. That’s the difference and most contractors claim it’s the competition that’s doing it to them.

Some contractors are making their profit levels . . . the ones they want. They must be adjusting to the new construction buying world out there.

DIMENSIONS: Yet, bidding is a legitimate factor. Jobs are going cheap . . . too cheap. The old joke about the contractor who gets the job is the one who made the biggest mistake is no longer a joke. What answer do you see?

WARD: I’m a distributor, not a contractor. When the manufacturer tells me the price goes up, it goes up accordingly—as it does with other distributors.

As for contractors, someone has to start the process of getting prices up. I suspect a boom will be the force—when getting good contractors to bid a job isn’t such a free-for-all.

Right now, contractors are telling the market they can do it cheaper. The good contractors certainly aren’t giving their work away.

Truth is, I’m often surprised at the amount of money that’s being left on the table. When a contractor takes a job on the rationalization that “. . . I’m just trying to keep my men on the job . . .” he must understand that one mistake means he’s about had it.

DIMENSIONS: —a recession or depression in ’85?

WARD: No, I didn’t mean that. The country—and especially Florida—has been living off inventory so the need to re-stock has arrived. It’ll go for another two years and then soften up.

DIMENSIONS: And S & C Supply. Where will it be?

WARD: Right where I want it to be. Right in the thick of things.