

Differentiate Your Products With Your Service

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In the face of a continuing strong housing market nationally, many prices for lumber and panel products continue to find painfully low levels. While the reasons for this can be debated at length, there is nothing in the economic winds to indicate price levels will increase meaningfully any time soon. With operating margins eroding, you can continue business as usual and hope to survive, or you can look for creative ways to increase your margins, increase your business and thrive.

I remember in the early 70's when President Nixon imposed wage and price controls in an effort to bring inflation in check. Random length green 2 x 4 was pegged at \$165 per mbf. We had just come off a couple of banner years, and having only been in the business a short time, I was surprised to learn how quickly things could change. After bemoaning to my 75-year-old uncle how bad business was, he looked at me, smiled, and said, "you know, this business can go along like this for quite awhile, and, it can still get worse."

His statement shook me to the core. Fortunately, we figured out how to move from producing so many commodity products to more specialized products that could be cut to customer order. Not only were we able to survive, we found a way to create a new niche for our business and new customers that were willing to pay premium prices in good times as well.

Well, it looks like things could even get worse than they are today. Given that scenario, now is the time to make arrangements with your customers that will not only keep you in business today, but will also lay the groundwork to grow your

business in the future. Instead of just going about business the same way, differentiate your product from your competition with service. Price is not the only driver in a purchasing decision. Leverage the long-standing relationships you have with your best customers - Deepen your relationships by enhancing the way you do business with each other.

Most of your customers recognize that they truly grow their business through increased sales, not through squeezing you on price each day against your competitors. But, that is the only world they have been offered, so they work the procurement end trying to save some dollars each day. This is valuable time your customers could be using to increase their sales by spending more time with their best customers (or cultivating new ones) – time they have been looking for, but not finding due to their focus on procurement. So, you unlock this time for them, and coincidentally, save some time for yourself to grow new relationships with more customers.

This is where supplier (vendor) managed inventory comes in. Get your customer to understand that since they are going to buy from you everyday anyway, you will cover all their needs in certain products delivered to certain locations, on a daily, weekly or other agreed to interval, at a fixed pricing structure. The price might be guaranteed for a time, or predicated upon some base price structure from a price-reporting guide, like Random Lengths. But, the gist of it is that you, as the supplier (vendor), will manage the inventory level of certain products for your customers at their various locations and give them superior service. This way they are assured of the inventory when they need it, at a price you both can live with, and they don't have to worry about procurement for those products. They can focus on selling them, and you know you have a sale, day in and day out. Now, this is truly a relationship. And, one that is a win for all involved. You will survive the hard times you are facing today, your business will thrive now and into the future, and you will have a smile on your face at the same time.

How you structure the business process of your supplier managed inventory relationship can take on different forms, and is a subject for another time. But, there is only one efficient way, and that is to be electronically connected with your customer – either by receiving electronic Purchase Orders from your customer on a regular basis, or by receiving your customer's inventory information daily (or in real-time) so you can really manage the inventory requirements against your product availability. This process is best enabled through a secure Internet connection between you and your customer in conjunction with a secure browser-based software application designed specifically for this purpose.

To learn about supplier (vendor) managed inventory programs in more detail, contact Thomas J. Westbrook, President/CEO, of World Wide Wood Network, Ltd., at tjw@wwwood.net or 360-458-9800.

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