



Give Customers What They Really Need To Buy 2-3x More Of Your Product

By Ken Peterson, CKD Co-Founder & Chairman

I have been in the kitchen/bath industry for over 50 years now. As a sales designer, sales manager, kitchen firm owner, consultant, business/sales trainer, KBDN columnist, speaker, and buying group owner. And I am still amazed that 50 years later the industry has *not* advanced that much. Why is that?

First, in my view, there has been far too much industry emphasis and focus on design professionalism and fashionable product development. Not enough on financial, business and sales management. As a result, kitchen/bath and design/build owners have developed a healthy ego exempting them from learning what they don't know about running a successful business.

Second, they also don't have to answer to anybody. No board of directors. No executive coach. Third, if they actually came around to admitting that they didn't know some things, many lack the self-discipline to fill those voids in their education and skill sets. In this current booming market, dealer/owners say they are simply "too busy" to get away to learn better business practices. That's been a decades-long, reliable excuse for remaining in their comfort zones.

What Kitchen & Bath Dealer/Owners Don't Know

Those educational and operational voids include most dealer/owners not having *written sales processes* in place that all their personnel must follow. They also don't know how to successfully recruit, hire, train, and nurture additional sales designers from scratch to be wildly successful, preferring a quick-fix with hiring veteran CMKBDs with questionable selling skills. And they don't know how to financially scale up their operations with multiple showrooms, even spilling over to nearby states.

So they keep doing what they have been doing all along. Grinding away six days a week working *in* their businesses, *not on* them. Relying on a strong economy and referrals to keep leads coming in the showroom doors. Proudly wearing a veneer of success, but not compiling 12 months of fixed expenses in an Emergency Fund to finance an expansion opportunity. Or survive the next recession.

Pretty much operating the same way as owners did 50 years ago. Unwittingly, holding back their own growth as well as industry growth.

Yet these designer/owners still seem to drive the direction of the U.S. kitchen/bath industry. They want more design courses, more design contests, and more certifications. From their favorite cabinet manufacturer, they want more door stylings, wood species, construction variations, finishes, and interior accessories. From distributors of product, they want more competitive pricing with better, friendlier service and quicker deliveries. And the industry has responded accordingly.

Why The European Kitchen/Bath Industry Is More Advanced

By contrast, the European kitchen/bath industry is far more advanced. The industry is driven by kitchen firm owners that are more business-oriented. As a result, the typical kitchen dealer owns a chain of 15-20 showrooms often spanning a neighboring country or two.

Cabinet brands in Europe are as well known to consumers as BMWs and Mercedes-Benzs are. That's because companies like Poggenpohl and Siematic have advertised directly to consumers for 60+ years. And the dealers who carry these brands build on that awareness. They buy far more product – conservatively estimated to be at least 8-10x more per brand – from their respective cabinet manufacturers than the average American dealer.



Additionally, European dealers generate much greater revenue levels while earning 47% gross profit margins. By comparison, American dealers average a paltry 29% gross profit margin as reported by RICKI (*Kitchen & Bath Design News*, June/2017 issue). That's proof positive European kitchen owners are better businesspeople, better marketers, and better skilled - with deeper pockets - to survive a severe recession like the 2008-2009 one in this country.

As a sidebar for U.S. cabinet manufacturers, it's been said that a cabinet product is only as good – and successful – as the people that design with it, sell it, order it, and install it. Cabinetry is therefore more an intangible product; it only becomes tangible when finally fitted like a glove in someone's home. One key reason that manufacturers like Poggenpohl have gained only a negligible share of the U.S. market is that American dealers handling its products are not nearly the businesspeople and marketers that the Europeans are. So they don't buy nearly as much cabinetry from these global suppliers.

Putting Your Customer's Interests Ahead Of Yours

A long time ago, I learned a marketing principle that goes like this: *Put your client's interests ahead of yours, and you will get what you want.* It applies to both dealers and vendors alike.

I leveraged that principle in a small family kitchen business in Connecticut some 40+ years ago with amazing results. Eight years into selling kitchens, I took a risk of making a major change in handling prospects. To save *them* time in making a buying decision, and in return save *me* time as well, I decided to extend the second prospect meeting in their home. And “go for the no.”

During the extra 1-2 hours at this appointment, I interactively developed a verbal design concept (that was sometimes sketched) and a project budget (accurate within 8% +/-). I later learned the valuable psychology behind why this strategy was so successful. But here are my empirical results:

- My time in earning a client commitment *decreased* by 2/3's – from 10-12 to 3-4 hours
- My sales volume *doubled*; in 10 weeks time I had either closed, or been retained, on 2x the amount of business that I produced from January 1st through May 10th of 1976.
- My closing ratio on all leads increased from 35% to 75%
- My gross profit percentage increased from 35% to 51.5%

I was both stunned and thrilled that consumers could make an expensive kitchen purchase on the strength of just a conceptual plan, not a precise drawing to scale. And on the strength of a budget, not a precise estimate. Keys to that success were face-to-face client interactivity and pricing transparency.

Experts say SPEED kills the competition. Witness the Amazon phenomenon as proof. That was my lesson learned too. By delivering what my target clients wanted – a plan and a price – FASTER than anyone else, I was able to effectively eliminate my competition. At the end of these home consultation visits, where prospects were able to sample my expertise in apparently a meaningful, educational way, I asked for – and was rewarded with - a substantial retainer check. That was a great feeling!

This breakthrough selling system opened up new horizons for me. By teaching this methodology to rookie sales designers, and nurturing their development in our flagship showroom, I could expand into other Connecticut markets. Ultimately, during the 1980's, I leveraged this interactive selling system into three additional 2,000 square foot showrooms – each staffed with 3-4 sales designers. By centralizing key operational functions – like marketing, training, purchasing, warehousing, and administration – I was able to achieve economies of scale where the satellite showrooms were earning 14-17% pre-tax net profits. Much like the European kitchen dealers I met in the early 1990s.



The Transformative Power Of A Consumer-Friendly Selling System

When I launched the industry's first buying group for independent kitchen/bath dealers in 1994, it was the first time that I revealed the raw power of this selling system to other colleagues. Quite a few SEN Design Group members embraced the system with highly successful results.

In fact, they enhanced the methodology! It evolved into a 3-column budget where prospects could effectively *shop within* their companies for different price points in cabinetry, countertops, decorative hardware, plumbing fixtures, lighting, appliances, flooring, etc. Consumers loved the combination of the smorgasbord offering, pricing transparency, and speed of getting a realistic "price" for their project. As a result, members experienced increased sales volumes and higher gross profit margins *simultaneously* – a strong indicator of effective marketing.

Today, this *Good-Better-Best (GBB) Selling System* is embedded as the centerpiece of the CompuTool Connect dealer operating system. Leveraging this technology, under a private label called NMS Express, *SEN Members are developing accurate cabinet budgets with consumers within ONE (1) Minute*. And complete projects typically within 30-40 minutes of interaction during a prospect's very first showroom visit. And getting retained on the spot! These members are averaging 37.95% gross profit margins. That's 31% higher than the reported industry gross profit norm of 29%.

Today, SEN Members are putting a lot more money into their bank accounts than their competition.

Give Your Customers What They Need, Not What They Want

Why am I sharing all this with you? Because, as a cabinet manufacturer or a distributor of kitchen/bath products, you are in the unique position of filling many of the educational and operational voids, mentioned earlier, that dealer/owners in your customer network probably don't know they have. Literally giving them the opportunity to transform their businesses into engines for genuine wealth. *And, in that process, simultaneously securing an organic pipeline of ever-expanding sales for your company.*

Sure, dealers may be asking cabinet manufacturers for more new finishes so they can make more sales. Or a better multiplier from a distributor to include plumbing fixtures, for example, in their bathroom sale and make as much profit on them as they do on cabinetry. But that's what they may want, *not what they really need* to make a lot more sales during the course of a year. Remember, so busy in their operations, most dealers don't know what they truly need.

What if your company had the exclusive opportunity to offer this Good-Better-Best (GBB) Selling System technology to all your customers? You would be giving them a tool of substantial value and, by extension, to your company as well. Something that could empower your customers to:

1. Easily and enthusiastically bolt onto their operations
2. Greatly enhance the showroom experience for their consumer prospects
3. Discipline personnel to follow best business practices, including a quick client retainer
4. Shorten the sales cycle from lead inception to product ordering by 50-75%
5. Streamline operations and team productivity for a better balance and quality of life
6. Drive their top line revenue by at least 2-3x
7. Increase their gross profit margins by up to 30% - a means to build an Emergency Fund
8. Increase their product purchases from your company by 2-3x
9. Serve as a training platform for developing new sales designers
10. Enhance their sense of loyalty to your company in appreciation for the technology use
11. Use platform data and analytics to make sharper marketing and business decisions
12. Leverage and scale up operations with multiple satellite showrooms



Technology Differentiation Delivers An “Unfair Competitive Advantage”

Marketing experts say that is virtually impossible to differentiate a product or a service. After all, particularly in the cabinet industry, a lot of product lines can look the same regardless of the price point.

Do you remember some 30 years ago when NKBA was getting high profile sponsors to finance and build huge kitchen displays to inspire trade show attendee/designers? I can recall back then walking into one gorgeous exhibit complete with an angled island - that featured a pet-feeding station - and a cozy sitting area with corner fireplace. It was a well-designed space with an appealing mix of high-end products, finishes, colors, and textures. When I went up to check out the expensive-looking cabinetry, I expected to see a Rutt, Plato, or Wood-Mode logo in the drawer. Instead I was stunned at the Merillat logo, a production grade cabinet line at best!

Those same marketing experts say that the *only way* to differentiate a product or service is in how it's delivered to the customer. *The delivery makes the difference*. In the case of that KBIS experience, the “delivery” of the Merillat cabinet line in the high-end designer kitchen exhibit made all the difference in my appreciation for the product.

Now imagine being the only cabinet manufacturer in your quality grade, or the only nationwide distributor of plumbing products, that can offer the GBB Selling System to its customer network. Your respective competitors no doubt have a similar looking product line-up. But they can't offer this unique technology to their network as part of their added value service.

Leveraged properly, this product delivery differentiation can become what marketers call “an unfair competitive advantage.” Your older customers can use it to drive 2-3x more product purchases. Your younger, more ambitious customer/owners can use it as the main vehicle to attract millennial sales designers and plant new satellite showrooms, while maintaining control of their high quality customer service. And your reps can use this powerful, moneymaking business tool to open up new accounts.

Together, these drivers will have your company zooming past competitors to gain the dominant share of the market in your respective niches. SPEED of sale kills the competition.

operateIT Channel Partnership Adds Enterprise Value 2 Ways

After 50 years in this industry, I am looking for just a few forward-thinking cabinet manufacturers and distributors to make a real difference in the lives of their customers. By giving them what they *really need* to prosper – an automated management system that features the GBB selling system. In so doing, they would help lead the way in bringing 21st century automation to the entire kitchen/bath industry. And add enterprise value to both their loyal customers as well as their own companies.

operateIT, the owner of this software, is a technology services company that specializes in web-based, workflow solutions for the construction trades. Nearly 30 kitchen/bath industry professionals are equity partners because they perceived that automation was pivotal for their continued success; several just helped to develop the new Express variant to speed up fellow dealer adoption rates. The company markets its products through exclusive channel partnerships.

SEN Design Group, a 200 member kitchen/bath buying group, was its first partnership and served as an incubator for perfecting the program and accompanying implementation and training services. The second was Custom Wood Products, Inc based in Kansas, with 5 retail showrooms and a 100-dealer network. Together, they represent tangible proof of concept. *To learn more about the many benefits of a Channel Partnership, and experience an online live software demo, please contact me directly at kpeterston@operateit.net or 919-933-7121.*