

Knowledge is Power



"The Power of Gatekeepers: Local Marketing" by Kirk Grundahl

In this issue we concentrate on marketing/advertising/promotion as it relates to our industry. When thinking about this topic, the first thing that often comes to mind is the sales side of our business. But marketing is far broader than sales. Given this fact, a good place to start is the dictionary definition of marketing: "An aggregate of functions involved in moving goods from producer to customer."

During my MBA days in the early eighties, we used the Philip Kotler marketing text which defined marketing as four P's: Product, Place, Price and Promotion. Based on this theory, I have always believed that when one takes a look at the broader marketplace issues, to focus on sales can be contrary to the best interests of a company. As an example, how often do you have a salesperson that comes back to you with the comment, "We can get this sale but we have to lower the price." Obviously, this is one approach to your marketplace that may increase sales, but can also easily lead to reduced profitability. Let's take a look at several items that at first may not appear to be marketing issues, but we believe clearly are.

FIRE SERVICE BANS/RESTRICTIONS ON TRUSSES

Our entire industry is looking for a silver bullet to take care of the perception problem we have with the fire service. After working on this issue since 1986, it is very evident to me that no such bullet exists that will solve this issue overnight. Maybe a little good marketing would go a long way toward beginning to reduce the impact of the fire service perspective; BUT, it is going to take some hard marketing work.

For example, what is the key ammunition the fire service has at its disposal?

- A local presence that can attend any city council meeting and relationships that have already been formed with the city fathers.
- All the emotional drivers are on their side. It is impossible to argue with a position that has at its emotional core the preservation of the lives of both firefighters and your loved ones.

What marketplace activity can we undertake to provide balance to the fire service goal of eliminating what they call the "killer cleats" we use to manufacture our product?

Consideration should be given to the following suggestions:

- Every company manager needs to be involved in the local community that your business serves. Attend city council meetings. Provide an open house for the city councils of the cities you serve. Show them what you do and have all the people you employ available to talk with them. In other words, make your business real to the communities that you serve and reinforce the fact that you provide jobs and a tax base (not only with your business but with the houses and commercial buildings that you build) that every community needs in order to pay for the services it provides, including the fire station.
- Every company manager needs to get involved with the local building and fire departments and educate them on our business so they get to know how our businesses function. This is the reason we have set up an educational process called Truss Technology Workshops™ and

"There are three kinds of companies. Companies that try to lead customers where they don't want to go (these are companies that find the idea of being customer-led an insight); companies that listen to customers and then respond to their articulated needs (needs that are probably already being

have created 13 educational slide programs. These are often done through one of our chapters and have included truss plant tours. Our experience indicates these programs are a very successful way to exchange information and develop relationships. The work of emotional spinmeisters is made far more difficult when facts are available for people to use to check the accuracy of statements that are being made and that they can understand and embrace for themselves. (To download and read the fire facts and use them in your efforts, go to our web site at www.woodtruss.com.) Additionally, individual companies can include building and fire departments in the open houses they provide. These can be combined events or a company could invite each group as a separate function.

- Even though the facts are on our side that trusses do not kill firefighters, this does not counteract the emotions that are used against us. Given this, it is imperative that we put a human face on our businesses and make sure our communities understand that actions taken to hurt our businesses, without good factual support, can also hurt our friends and neighbors.

On the surface, this type of work may not appear to be more important than generating sales or making sure production gets out the door. However, if we leave it to others, we can easily wake up to the day when a local ordinance either places a restriction on our products that takes them out of the running as an economic alternative, or worse yet, just outright bans the use of our products. The problem then is that the amount of money and work it will take to change this reality may never get the job done. So which marketing job is easier: preventative maintenance along the way or crisis management after the fact?

IS EDUCATION MARKETING?

For quite some time WTCA has been involved in what we call Truss Technology Workshops for architects, engineers, building officials, fire officials and builders. Our goal with these programs is to work with our chapters to educate our local markets on the wood component industry. I'm always amazed how little is known about the components we manufacture and sell. Often, what we think of as common knowledge is information that is in great demand by the market—information that would aid in a better understanding of the component industry. WTCA's goal is to support our members in every way we can to get the information into the marketplace that will help build understanding and encourage the more effective use of components.

Closely associated with our Truss Technology Workshops is our work with Wood Solutions Fairs. This is a national program whose specific focus is to educate architects and engineers. To date we have had shows in major metropolitan cities such as Chicago, Los Angeles, Orlando, DC/Baltimore, Boston, Charlotte, Cincinnati, Phoenix, St. Paul and Dallas. These events generally attract approximately 600 attendees who are interested in specifying the products we manufacture and sell. Our experience indicates that there is a big need for information in the market and if we provide it, our products will be appropriately specified.

ARE THE CONTRACTS WE SIGN MARKETING?

One of our Board of Directors' objectives in developing WTCA 1-1995 was to help truss manufacturers define clearly the scope of work. Additionally, we have suggested that WTCA 1-1995 become part of

satisfied by more foresightful competitors); and companies that lead customers where they want to go, but don't know it yet. Companies that create the future do more than satisfy customers, they constantly amaze them."

—Gary Hamel and C. K. Prahalad (*Competing for the Future* [Boston: Harvard Business School, 1996] 109.)

"Customers are notoriously lacking in foresight. Ten or fifteen years ago, how many of us were asking for cellular telephones, fax machines, and copiers at home, 24-hour discount brokerage accounts, multi-valve automobile engines, video dial tone, compact disk players,

every truss manufacturer's contract in the industry. Why have we done this?

It is very easy for our customers to ask us to do work on their behalf that they do not have the skill to do or that they do not have to pay for when someone else does it. In our zeal to serve our customers and get the contract for the truss sale, our salespeople say we can throw in the design of the header or beam, the design of the connections, inspection of the installation, etc. This expands our scope of work and provides valuable services that suddenly get included in the cost of the components that we ship. Additionally, it is the most quiet and insidious way of reducing our profits.

The reason we should all desire to have well-defined scopes of work by contract is we then clearly define what work we are going to get paid for. By default we then also define what work we are not going to do unless another contract is written to provide the specific services in question with a specific price attached to each item.

We may even want to consider in our costing the risk involved in expanding the services we provide, since we may have a responsibility for the product during the installation process as well as long after it is installed. Who do you think gets the to pay for the problem with the trusses two years down the road?

Isn't great marketing supposed to include making a reasonable profit on ALL the work we perform and ALL the risk we take on behalf of our customers?

cars with on-board navigation systems, hand-held global satellite positioning receivers, automated teller machines, MTV, or the Home Shopping Network?"

—Gary Hamel and C. K. Prahalad (*Competing for the Future* [Boston: Harvard Business School, 1996] 108.)

LUMBER INDUSTRY MARKETING

Over the last seven years that I have been Executive Director of WTCA, I have been both amazed and baffled that the lumber industry is not more aware of the power we have in the marketplace to help them change the perception of lumber products and actually expand the use of lumber. Let's lay out some groundwork on this topic:

- A survey of 1998 lumber consumption by 509 truss companies yields approximately 4.317 billion board feet of lumber used in roof, floor and wall components. Various sources then estimate the entire truss industry uses in the range of 6 to 8 billion board feet of lumber.
- WTCA members also sell approximately \$0.6 billion of
- I-joists, LVL, glulam and panel products. Overall this probably translates into another \$1 billion in total sales by truss manufacturers of these products.
- WTCA members have very close relationships with the builders that build America, since most use some components in the construction they undertake.
- Our industry consists of about 1733 truss company locations overall. Each manufacturer probably deals with, on average, at least 100 builder/contractors in their local markets. This means that our industry can reach 173,300 builders quite easily with already-established relationships.

So what does this mean for a lumber industry that wants to expand the use of lumber and disseminate the message that wood is the environmentally responsible choice for all types of construction? We suggest that the lumber industry considers:

- Developing the tools that our industry's sales people can use to promote the environmental attributes of wood. We are always looking for ways to differentiate and promote the products we manufacture out of wood, yet we are typically the forgotten resource because we have no one truss manufacturer that commands the presence of an entity like "Home Depot." Our collective industry, consisting of 1733 entrepreneurs, buys more lumber and

- commands more respect from the ultimate builder customer than any big box ever will.
- Develop a plan to make lumber more profitable for truss manufacturers to use by:
 1. Helping truss manufacturers use lumber more cost effectively and efficiently.
 2. Defining the economics of the best products to buy for truss use and why.
 3. Teaching truss manufacturers to purchase lumber profitably.
 4. Teaching the use of the futures market and Internet buying.
 - Develop a plan to:
 1. Show us how to reduce lumber waste in manufacturing.
 2. Show us how to optimize lumber utilization in all phases of component manufacturing.
 3. Find better ways to grade lumber to improve utilization as well as real time lumber design properties and engineering in the future.
 4. Show us the best sizes and lengths to buy.
 5. Show us how to improve fire endurance performance of lumber.
 - Develop a program to create:
 1. A lumber inventory management model.
 2. An optimum lumber lengths model to aid in purchase decisions.
 3. An optimum lumber grades and sizes model.
 4. An environmental benefits model that our sales people can use to show our customers that lumber is the most environmentally responsible material.

Quite simply we should each focus on what we know best. The lumber industry should focus on lumber by market segment. WTCA and its members should focus on strengthening wood component sales to builders. The marketing strategy that our membership would like to see the lumber industry employ is this:

- Market lumber through us, not for us. We know our >markets well, we know how to market our products and we'd like supplier support in improving our strengths in our markets.
- Provide us with tools to help us sell the benefits of lumber at the same time we sell wood components to our customers.
- Do cooperative advertising with us if you want to reach our local markets with a lumber message. Each of us will greatly benefit by this.
- Support WTCA in its marketing strategy. We know how to help WTCA members sell wood components—partner with us so we can do it better. We think the return on your investment will be huge.

Finally, consider serving and supporting our industry in every way possible. This can only strengthen the bond between us and will help ensure that lumber will continue to be the product of choice for component manufacturing in the years to come.

WHAT BUSINESS ARE WE IN?

In most marketing texts, this is one of the fundamental questions that each business has to ask itself. The Pony Express had to ask if it was in the pony delivery business or the information delivery business, and define its vision and strategy for the future accordingly. One can quickly see that how the vision is defined will impact greatly where the business goes in the future.

To this end, how should we define our industry?

- Are we in the wood truss manufacturing industry?
- Are we in the wood component manufacturing and distribution industry?
- Are we in the truss manufacturing industry?
- Are we in the component manufacturing industry?
- Are we in the business that finds economic component solutions for our builder customers' structural building application needs?

Typically a company has one primary choice as to what business it is going to be in, so it is

"The continual stream of great products and services from highly visionary companies stems from them being outstanding organizations, not the other way around. Keep in mind that all products,

worthwhile to spend time thinking about it. Your choice will radically affect how you operate your business in the future, as well as what materials you use to serve your builder customers' needs. I won't say here what business I think we all are in, but many of you who know me will quickly figure out what option I would choose.

CONCLUDING THOUGHTS

On the farm, I learned early in life that everything we do has a marketing attribute attached to it, not just sales. If we don't use the right feed, our stock is not as valuable. If we go cheap on livestock care, we can easily lose all our profits through disease and death. If we have the right contractual relationship, we can secure a profitable future, even when the product we sell is a commodity.

The passion we have for our business generally yields better sales prospects because we want to learn and understand the business we are in. We can then more easily apply wise logic to the decisions we make and the passion carries over to the customers we serve. Even in the commodity-oriented farming business, passion leads to better-than-commodity profits because wiser business is transacted through the relationships that have been developed.

All our business actions truly demonstrate our core marketing values and maybe even our core personal values as well.

(For more information about the marketing tools WTCA has to offer to assist you in educating your customers and communities, visit the WTCA web site at www.woodtruss.com.)

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services, and great ideas, no matter how visionary, eventually become obsolete. But a visionary company does not necessarily become obsolete, not if it has the organizational ability to continually change and evolve beyond existing product life cycles."

—James C. Collins and Jerry I. Porras
(*Built to Last: Successful Habits of Visionary Companies* [HarperCollins, 1994] 31.)