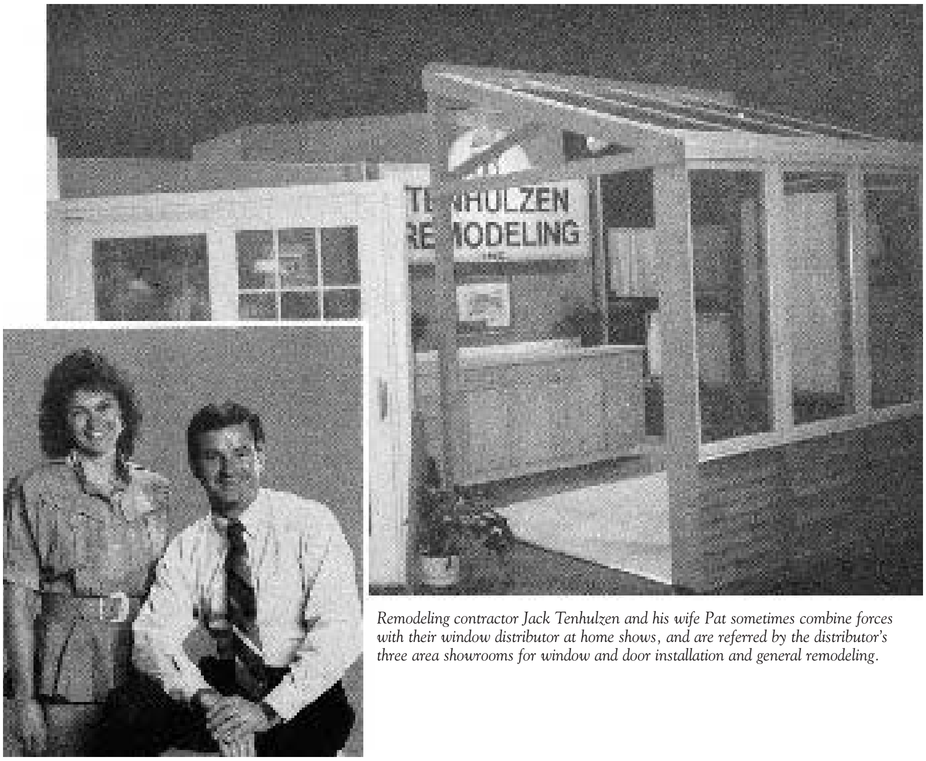
INTERVIEW

Teaming up with Distributers

Remodeler Jack Tenhulzen explains how working closely with the local distributor of a name-brand window has given him an edge



Remodeling contractor Jack Tenhulzen and his wife Pat sometimes combine forces with their window distributor at home shows, and are referred by the distributor's three area showrooms for window and door installation and general remodeling.

Redmond, Wash., remodeler Jack Tenhulzen is one of a growing number of contractors whose business plan relies in part on referrals from suppliers. His working alliance with the local distributor of a nationally known window manufacturer gives Tenhulzen an exclusive source of qualified sales leads; it gives the distributor a reliable name to recommend to his customers. Here are his thoughts on establishing and maintaining a "network" relationship.

JLC: *Don't you have to be a big volume remodeler to make deals with distributors?*

Tenhulzen: Not necessarily. If you're asking for referrals, your primary selling point is your ability to perform. We were only in our second year when we approached a window and door distributor that was setting up here in Seattle. That was nine years ago. Our volume wasn't quite $250,000 at the time, and our primary work was window and door replacement.

JLC: *What's your volume now?*

Tenhulzen: We'll write nearly $1 million this year, and we've expanded beyond that original niche to full-service design/build. We have three two-man crews in the field with a production manager over them. I handle all sales and estimating, and my wife Pat takes care of the office and the bookkeeping.

JLC: *Why did you approach that first supplier?*

Tenhulzen: To quickly expand our customer base. The distributor had a showroom, but they were small enough that we knew we could handle the business they sent our way. I asked them to display my business cards on the counter, and in return, I agreed to buy all my doors and windows through them to the extent that I could.

JLC: *Is this relationship still intact?*

Tenhulzen: Yes. But as we took our business to the next level and branched into upper-end design/build, I began looking for a nationally-known product that we could align ourselves with that would, in a sense, prequalify the clientele we were after.

On that basis, I chose Pella. Over time, I got to know their local sales people, and developed a personal relationship with the president of the distributorship. For example, we've had him and his wife over to dinner. A "network" relationship like this is based on mutual trust, and that means developing and maintaining a personal as well as a business relationship.

JLC: *What was the nature of your agreement?*

Tenhulzen: It was fairly simple at first, a chance to show them our reliability. A lot of contractors were turned off by Pella's "Window Store" marketing concept, because it offered the builders little protection for their profit margin. So in addition to their showroom referrals, I asked for reassurance that price structure would be kept confidential. In turn, I agreed to place all of the window business I could with them, and to provide the customers they referred with a timely and quality installation of their product.

JLC: *Didn't they already have some kind of installation program of their own?*

Tenhulzen: They did have their own crews at first, which meant we were actually competing against each other in the service area. After a couple of years I was able to call their attention to why it didn't make sense for them to be in the construction business.

I began by asking where they were actually making their income—sales or installation. The answer was that their profits came from sales, and their biggest headaches from installation. They just weren't set up to be efficient. Their crews would go out to jobs that only the salesman had seen, and have to turn right around and come back once they found out they didn't have the proper siding material or had been given the wrong measurements.

I was also able to impress them with the fact that a full-service remodeler can often come away from what starts as a simple window or door replacement with a kitchen or bath remodel, just by asking the appropriate questions and offering the necessary services. This in turn, stimulates further door and window sales.

JLC: *And they began turning over their installation work to you after that?*

Tenhulzen: A couple of years after our involvement started, Pella introduced their Preferred Contractor Program, which spread the work out again. But most of the guys ended up making the fatal mistake—not performing. No matter how booked up your summer is, you just can't tell a referral that you're busy and don't need the work. You pay overtime, you work weekends, and sometimes you price the job higher, but you always make the contact.

JLC: *But it's not a one-way street. You sell Pella windows to your clients but then give that business to the distributor?*

Tenhulzen: Right. And though I'm

giving away the commission in a sense, I feel as though I have all 12 of their people selling Tenhulzen Remodeling.
JLC: *Do you have a written contract with them?*
Tenhulzen: It's a handshake deal and I prefer to keep it that way because it puts the emphasis where it belongs—on trust and mutual performance.
JLC: *Do you do any other kinds of marketing with Pella such as co-op advertising?*
Tenhulzen: Not so far. We're to the point where we just don't do much advertising unless we're coming out with a new service, or we've really got a growth bug and want to push through a certain level by canvassing an area.

We have helped staff the Pella booth at local home shows. Either I go myself, or I have one or two of my carpenters put on their ties and Hush Puppies. They're real apprehensive at first, but they usually have a good time and find they have a knack for selling or at least gabbing.
JLC: *Do you sell only Pella windows?*
Tenhulzen: No. But I have a lot of confidence in their line, so if a customer requests another product, I'll point out some differences.

But I'm not interested in twisting arms. I really see selling as a process of educating and using my product and design knowledge as a resource. I haven't had it happen yet, but I wince to think of a homeowner coming in with a magazine at the end of a project I thought went well, and saying, "Gosh, I wish I had known about this."
JLC: *The Seattle area is experiencing a tremendous explosion in new construction, and that represents a lot of dollars to a window distributor. As a remodeler, do you feel like you're having to compete for attention with builders?*
Tenhulzen: At one point I thought the distributor was focused too much on new construction and we talked about it. I've been very encouraged to see them assign a salesperson in each store who specializes in remodeling.

In general I think distributors are becoming more aware of the short lifespan of a booming new home market, and the importance that remodeling plays in their long-term success. And suppliers of high-end products have also seen what happens when a new construction market loses steam and builders turn to remodeling. Like anyone trying to get started, they tend to use less expensive products and mark them up a lot. It makes suppliers appreciate established remodelers.
JLC: *Do you have problems with a salesman on the floor giving low-ball estimates of your installation prices to reassure customers?*
Tenhulzen: No. I don't let them price installation, nor do we give them details. I look at every job after prequalifying the customer on the phone. I ask for some basics: Are the windows going in on the ground floor, or higher? Is the exterior masonry, wood siding, or a combination of these? And how close are the openings to standard sizes? Then I can give them a ballpark figure, and if they're comfortable in that range, I go out and measure.
JLC: *You also install Pella sunrooms. Does this work the same way?*
Tenhulzen: No, they were a quantum leap from doing window installations. Sunrooms are complex, engineered systems. They are seldom alike, and can easily look like a wart on the end of your nose if they aren't designed and installed with skill on an existing home.

When the distributor first came to me and asked if we'd be interested in taking over the installation from them, I began to see what a different business it was. First, I needed a full-time, specialized crew; but the biggest change for us was the size of the territory. We were used to working within 10 miles of home, and now we were talking about half the state of Washington. That meant overtime, travel expenses, and completely changing the way we estimated and bid jobs.

It also involved working on a number of new homes, which took me out of my comfort zone of dealing with the homeowner and into dealing with builders.

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This requires things like preclaim notices for the material portion of the lien.

We have ended up with a unit cost system for sunrooms that works well for us despite the wide variation in installations. We use a setup fee of $1,000, and then charge a $100 per *unit*—a skylight, a window, a door—for the greater metropolitan Seattle area. Beyond that, I reserve discretionary allowance for travel, meals, motel, mileage for the crews, overtime, etc. We did nearly 20 sunrooms last year using this system where I did the sizing, specifications, and pricing and yet never saw the site. This beats one of the first ones we did where I made a 75 mile run to measure for a unit that was "ready to go," only to find that the forms hadn't even been built. I reassured the builder it would fit from what I could see of the footing trenches.
JLC: *Are you the subcontractor on most of these?*
Tenhulzen: Not always. I've given the salesmen the leeway to do whatever they feel most comfortable with at the time. If I sell the unit, I reserve a minimum 12% margin. That isn't enough, but these units are so pricey I can't justify my normal 60% to 70%.
JLC: *What if Pella sells the unit?*
Tenhulzen: In some cases, I deal separately with the builder or homeowner. In others, Pella sells the unit on an installed price basis using my unit figures, and then I subcontract directly to them.
JLC: *Which do you like best?*
Tenhulzen: We do well on any of them, but when it's a builder, my preference is to work as a subcontractor under the distributor. Otherwise, I end up spending a lot of time qualifying the builder, or going through two to three months of headaches badgering him to pay. And that takes all the fun out of business.
JLC: *But this is just on the sunrooms. On windows you estimate each job in person and deal with the homeowner directly?*
Tenhulzen: Generally, yes. And the reason for that is the same one that prompted me to propose the relationship—it's the best way of getting out and meeting the people.
JLC: *Which can lead to a bathroom or kitchen or…*
Tenhulzen: Or to another client, like a neighbor or a daughter.
JLC: *To finish up on the sunrooms, have they ended up being worth the trouble?*
Tenhulzen: They've been so profitable that it's the part of my business I would have the toughest time giving up. I would quit doing kitchen and bath remodels before I stopped doing the sunrooms.
JLC: *Do you have any other "networking" relationships on the horizon?*
Tenhulzen: We've had some conversations with a local kitchen showroom that's the distributor for a custom, modular cabinet line I like a lot. Again, they have a quality product with a very high degree of acceptance in the marketplace that makes money for them. But when they take on the installation themselves, they end up with nothing but headaches.

The seeds have been planted—we've talked with the owner and head salesperson—but neither of us is ready to jump in quite yet. When we do approach them with a proposal, we'll suggest phasing in—taking on one salesperson's referrals for a couple of months before we expand to the next.

The only way this volume would make sense is to use the same approach we do with the sunrooms—unit cost basis. In this case, we'd be establishing a lineal foot price for different cabinet installations. That means we'll make it big on some, come in a little thin on others, and lose on a few. But at this kind of volume, we'll do better than trying to estimate all of the jobs ourselves.
JLC: *Your business has grown to a dollar volume that remodeling analyst Walt Stoeppelwerth describes as "Never Never Land"—where overhead has increased greatly from the days when you used to do it all yourself, but volume has not yet reached the point where it can offset that rise. Does the "networking" you do with suppliers help or hurt in this regard?*
Tenhulzen: The way I see it, it's the low overhead, high volume boost that will help get me through. My closing ratio on these referral calls is 75% to 80%, compared to an industry average of around 20% to 25%.
JLC: *Do you see these relationships working long-term?*
Tenhulzen: Till death do us part. Although it's a handshake deal, my business relies on these networks and so does theirs. The distributor told me the other day that if I were to lose interest in the sunrooms I do for him, he wouldn't stay in it long himself. Relationships like these can't be taken lightly. ■