

Speaker 0 00:00:05 Welcome to the Clear Impact podcast brought to you by PGTI University. Thanks for joining us today. My name is Sherri Connor, and I am your host.

Speaker 1 00:00:19 You'd be able to, as you think about your budgeting process, or you think about your actual results, the key to your success long-term is the ability to control your variable costs.

Speaker 0 00:00:32 Running a successful business is a little bit like a playlist. It's definitely a mix with people, leadership, sales, and numbers. On today's Clear Impact podcast. We have a great conversation with Brad West, our CFO. Not only does he share about the three keys to financial success, he throws in some bonus content just for the music lovers.

Speaker 1 00:00:52 Even though I probably could make millions by selling this idea, I'm willing to share it with my dealers right now.

Speaker 0 00:00:57 Be sure to listen all the way to the end on this helpful and entertaining episode. Good morning. We are here on the Clear Impact Podcast today with Brad West. Morning, Brad. Good morning. How are you? I'm doing well. How are you doing?

Speaker 1 00:01:10 Life is just fantastic. We live in Florida and it's beautiful weather and a great business environment. How can anything be better?

Speaker 0 00:01:18 Well, I'm glad that you're here today. We are in this series, Running a Successful Business, and really that's all about numbers for a large part, and you're a numbers guy. So I'm excited that you're going to come share some of your wisdom. Tell our audience a little bit about who you are, what you do, what your title is, what your responsibilities are here.

Speaker 1 00:01:36 Sure. So I've been with PGT since 2006. I know many of our dealers have had a chance to see me or interact with me at different events over that time. I basically joined the company in a finance role, kind of a financial analysis role eventually became the controller and had more responsibility and then became the CFO. And I was CFO for about five years. Then I moved into an M & A role, and it was focusing on our acquisitions for a couple of years. And right now, I'm back as the interim CFO, while, as you know, we are replacing our current CFO. I'm kind of doing dual duty right now. Hopefully we'll get a new CFO soon, and I can go back to what I was doing before in the M & A world, but I have had a lot of experiences and opportunities to work with our dealers in the past, and, on finances and successful business. So this is a good topic.

Speaker 0 00:02:23 Awesome. So M & A stands for merger and acquisition. That's correct. That's fantastic, Sherri. And CFO is Chief Financial Officer. That's great. Ding. Okay, I'm two for two, I'm going to stop while I'm ahead. So one of the things that we're trying to do on the Clear Impact Podcast is to leverage some of the knowledge and expertise that we have under our own roof to maybe give dealers some information and advice that they may not be able to access in other spaces. So tell us what are some, like maybe, three key things that are really going to help them stay afloat and thrive?

Speaker 1 00:02:58 Well, I think any leadership situation Sherri, the key is really a willingness, and as time goes, on a better ability to predict the future and so that you can favorably alter it. And I guess what I mean by that is we spend a lot of time typically kind of reacting to our present or our past. And we certainly have to do that. And there's many times where that's all you can do, but to be overly effective and to be able to grow your business in an effective way, you'll find it much more efficient if

you think about the future ahead of time, and then put the things in place you need to, to make the changes ahead of time and to alter your future. And you're going to be wrong when you do that, like you can't do that and be a hundred percent accurate.

Speaker 1 00:03:41 I mean, it's literally impossible to, so you have to embrace the fact that you're going to be wrong.

No crystal balls? Right, exactly. But just the attempt, right? Just the process of thinking about it that way is where the value is. So if you predict something's going to happen and then it happens differently, generally, what that means is there's some truth that you didn't know, that now you need to know, and you've just learned it. Or there's something that you thought was true that wasn't. Either way, gaining that knowledge makes you better takes you forward in the future and will make you more prepared for the next time. So I think that as we think about, you know, Florida circa 2021, how that manifests itself is where we were a year ago when the pandemic first started, if you were predicting the future, I don't think people would have predicted what we got in Florida, which is incredible demand right?

Speaker 1 00:04:29 In the last 12 months. It's just been really, really amazing to see at the same time. And this has been ongoing a little bit longer than pandemic just in general, but there's a struggle to get the labor that you need to meet that demand. And that's true for our dealers. That's true for us. That's true for our suppliers. It's true for everybody. So I'm not necessarily saying that it was easy and we should've seen this demand growth coming, but clearly just the thought process. Okay, what is this going to mean? What is, what is this likely to do, this pandemic? What is this going to have on demand? Just the thought process is what's valuable. I think another thing I would say is when I was talking to a lot of our dealers a few years ago, I was doing kind of an education class for a lot of our dealers.

Speaker 1 00:05:10 And one of the things I noticed is that not all of our dealers were really doing a budget process. Which to me, the term budget for a lot of people would just seems like a pain in the rear end and something that doesn't add value. But really what a budget does, is it cements what you believe to be true about your business in the upcoming year and puts it down financially. So you can compare against it as a year goes on. And you want to do that every year. And you want to involve your key leaders. Because your leaders within your business are the ones who are going to go forth and execute that plan. And you want to involve them because they're going to turn around and be, in theory, accountable for that result. And they're not going to be willing to be accountable for something that they had no part in creating. Right? So that's why it's a very critical thing to do is, have a budget and involve your key leaders. And of course, when you go through the budget process, you 'll start back to my first point. You'll be asking questions of yourself that will help you predict the future for the next year. That's a good part of it as well,

Speaker 0 00:06:09 Because a budget is essentially just a spending plan.

Speaker 1 00:06:12 Well, it's spending and revenue, right? I mean, you're also predicting the revenue. So it's both, right. There's certainly a spending plan to it, but you're also deciding how much revenue you can do. If you're a dealer who installs, uh, how many install crews do you need? Where's the business going to come from? Do you need more salespeople, all those things. So I think the revenue side is actually just as important as the spending side. And typically the beginning of the process of a budget is to come up with a good revenue budget that will help determine the spending that you need to be successful.

Speaker 0 00:06:40 Hmm. That makes sense. So the first one is kind of knowing and predicting the future. The second one is doing a budget. Is there a third key? You know there is, Sherri. Ah, great. I don't go anywhere without three keys. I love that you're prepared today. If you only have two, what is that? It's nothing. Right.

Speaker 2 00:06:57 So you got to have three.

Speaker 0 00:06:58 Be sure to tune in for upcoming episodes to help you understand the fenestration industry, what you need to know when buying windows and doors and other related topics, you can find out more about us at pgtiuniversity.com. You can also find us on Facebook and LinkedIn.

Speaker 1 00:07:16 So you said spending. A good understanding of what you spend your money on and we'll call those expenses. And, and what I mean by that is there's basically two categories of expenses that you deal with in your business, and we'll call them fixed and variable. Okay? Your fixed costs are typically your investments that you need to support growth. A second location, a bigger warehouse, a bigger footprint, a bigger showroom, whatever it may be. Those costs are generally fixed in nature, meaning and fixed in this case, means that, from month to month, they don't change much, right? Regardless of your sales level, they don't change often, right? They might change every once in a while when you add a second location, but for the most part, they're the same. And then variable costs, variable costs are the costs on your P & L that are specifically tied to what your revenue is.

Speaker 1 00:08:01 Like the material costs, your install labor costs, commissions for your salespeople. Those are directly tied to sales, and you need to be able to understand the difference, and you need to be able to, as you think about your budgeting process, or you think about your actual results, the key to your success, long term is the ability to control your variable costs. Okay? And ultimately, your sales minus your variable cost, is what we call contribution margin or incremental margin. And the value of your business ultimately is a function of your variable margin. How much money do you make on every dollar that you sell? There are some businesses out there that struggle because they have very thin or low contribution margins. And in that particular case, you can sell as much as you want, but it's still just a struggle because you're making very few cents on the dollar. But what's nice about the window and door industry,

Speaker 1 00:08:57 and specifically the impact, when we're selling impact windows and doors, the opportunity for good margins is there. Because there's a lot of value in the marketplace. There's a lot of it. We're doing a lot for our customers, our homeowners, they are getting a lot of value from the products that we sell. So for the most part, I believe that this is something that's easy for our dealers to achieve because we're in a great market and a great business. But I do think it's important to understand the distinction. Just because you can make it even better, if you can understand the difference between fixed and variable costs and how you would make them better

Speaker 0 00:09:28 and control them, right? Because if you're not going to profit substantially over a second location or a second install crew, and you're just incurring more expenses without generating the revenue to offset that. So it may not be worth the aggravation to expand if that margin isn't large enough. Exactly.

Speaker 1 00:09:47 I think what you said is very correct Sherri, but I would say that we don't find that too often in this state, with impact, because for the most part, that next sale will typically be, be profitable, right?

Speaker 0 00:09:58 So the more you can do, the more you can make. Sure. Nice. That's a great opportunity. Yeah, that's fabulous. Well, thanks for the three. So the first one, again, just to recap, first one was to predict the future. The second one is to have a budget. And the third one is to watch your, what did you call it?

Speaker 1 00:10:13 Incremental margin. To have a good understanding of your fixed expenses and your variable expenses, and how you manage them separately. Awesome.

Speaker 0 00:10:20 I love that you are able to break that down into such simple terminology because not everybody is a CFO or has that kind of a background. And a lot of times they are relying on CPAs. They're relying on bookkeepers, they're relying on QuickBooks, but if you don't know what all of those numbers mean and how to move forward, based on those numbers, then they're not really very helpful. So I think that's one of the reasons I wanted to have you in here is because you can help identify some of those things.

Speaker 1 00:10:45 And a lot of it's intuitive. I mean, I think anyone who runs a business, maybe without understanding the terminology, has a basic understanding of what I'm saying, but what the terminology does, is it at least allows you to formalize what you're doing and maybe talk with other dealers when you get a chance and share some advice or best practices with each other, you can speak the same language. And then certainly if you ever get to the point where you're trying to show your financials to a banker, to raise money or to, you know, to expand your business, these are the types of terms that they will use as well.

Speaker 0 00:11:15 Mm. That makes sense. So one of the things that I'm asking our guests on this series is around advice. Since we're giving advice, it's pretty clear that most of us have received advice at some point. So I would love to know what is a really great piece of advice that you could give to our dealer audience. And then what is a great piece of advice that you've received?

Speaker 1 00:11:37 In terms of our dealer audience, you know, it's very easy to get caught up in your local zip codes or the areas that you operate in. And certainly that's the area that you chose, it's the area that you know best, it's certainly the easiest thing to do. But I think specifically in Florida, you really have to be aware of what's going on, on the macro side, statewide, because what we've seen specifically in the last 12 months, have really at the state level, changed the demographics of our country. And we are expected to, I've heard some estimates of 4 million, you know, just as a case of reference, we are about 21 million people now, but 4 million more people are moving to Florida over the next three to four years. And Florida's a big state, so they have a lot of places they can go. But obviously they're probably going to target a lot of places where our dealers are currently operating.

Speaker 1 00:12:27 And we're already starting to see that demand. Obviously, I mean, housing starts this year are going to be 30, 40% up over what they were a year ago, single family housing starts. And, and, um, as you think about what's going to happen in your local area, there's probably going to be more influence to your local area that comes from what's happening at a national level than you probably appreciate. Like there's going to be more people moving to Palm Beach, because of tax policy

or whatever policy, you might think at a macro level than, okay, people who are going to be moving from Fort Lauderdale to Palm Beach. You see what I'm saying? So more people are going to be coming to your area from outside of the State of Florida. So you have to really have a good understanding of what I call like the macro condition, right?

Speaker 1 00:13:09 We're so focused on the micro, the close condition, understanding the macro conditions pretty important right now. There's just a, a lot of things that are kind of driving demand to our area. And of that 4 million people that are coming down here, I'm sure a large majority of them will be people who are buying windows and doors, but a very small minority of them are going to be people who will be involved in the production of windows or doors, or any of the suppliers, or installing windows and doors. In other words, are, they're bringing down a good bit of demand, but not necessarily bringing down a lot of supply. So what does that mean? Well, that just means that, uh, we need to figure out ways to grow and handle the growth that we're going to have. And it's expected to be a little challenging and try to get ahead of it.

Speaker 1 00:13:54 In terms of the piece of advice that I have, I would sum it up this way. I think the number one thing that maybe people can get frustrated with, or maybe give up, key takeaway here is, you know, you don't want to give up in this case. But people's minds can be changed. Okay. And there's ways to be frustrated. And there's ways to just bang your head against the wall, when you're trying to have a conversation with somebody, but people's minds can be changed. And if you come from a place where your intentions are good, you speak with a humble heart, you can absolutely influence people to make a better decision that's better for them, right? And that's the key, right? If they make a decision that's better for them, and you got them to change their mind, then everybody wins. And I think the easiest way, from an advice perspective to change people's minds, is to make sure that they know your intentions are good, and to do it with a humble heart. So that's, that's the piece of advice I got a while ago that I think is, you know, kind of a cemented my life, my career, and how I do things. Mm

Speaker 0 00:14:48 That's wonderful. I think people will really appreciate that. It is important to have humility. That's been kind of a common thread amongst the leadership that I've had the privilege to talk with in this space. And that was one of the key things that, um, was listed on the requirement when I interviewed, "You better have some humility walking in here," I was like, I don't know anything, of course I have a humility. I don't know, I have no clue about windows and doors.

So that's a great takeaway. Brad, I really appreciate your time today. Thank you so much for carving out a few minutes for us. And I'm sure we'll have you back when we need to talk maybe more nitty gritty around dollars and cents, and the left column and the right column and credits and debits and all of those fancy terms. That podcast would go viral.

Speaker 0 00:15:32 Well, that's the goal, right? We're going to try to get one, we will see who it is, but thanks so much for your time. Thank you Sherri. Have a great day.

PGTI University is the customer education team for an entire family of brands. We began with the original, Eze-Breeze, porch enclosure line then became PGT, America's leading brand of impact resistant windows and doors. We then added CGI, CGIC, WinDoor, Western Windows, New South Windows and Eco Windows and Doors. We create products built to withstand major storms, keeping people safe, secure, and prepared. Our exceptional brands give you the protection you need without compromising

design or functionality. PGTI University is here to educate you, our listener so that you can be a more informed consumer of window and door products.

Speaker 1 00:16:30 Sherri there is one other thing I'd like to, uh, consider as advice for our dealers. Do you, do you think we have time? Yeah, sure. Okay, I make the most awesome music playlists of all time. Really? I'm known for my playlists. Even though I probably could make millions by selling this idea, I'm willing to share it with my dealers right now.

Speaker 0 00:16:49 Okay. So before you go there, I have a question, cause I don't know how old you are, but I'm old enough to remember mixed tapes. Sure. So were you a connoisseur of that? Absolutely. Okay. Okay.

Speaker 1 00:17:00 In fact, if, when I hear it, when a song ends, normally what I hear in my head starting next is whatever that mix tape was going to be next. You know, it wasn't going to be what's on that album. I came up with this idea about five or six years ago. I wanted to go back and make a playlist for each decade. And I started with the eighties just because that would be what my age would tell me to do.

Speaker 0 00:17:20 I'm with you.

Speaker 1 00:17:22 And I said to myself, okay, I'm wanting to do a top 50 songs of the 1980s. I want to do a playlist for the, for 1980 to 1989, right. Top 50 songs. And here's what I did, as a kind of work in progress, but at the end I used these rules for the other decades, playlist that I made. And it works out pretty well. Rule number one, no more than three songs from any one given artist. Okay. So in other words, the 60s playlist can't just be a tribute to the Beatles or whatever, that would be a Beatles playlist, right? That's not what this is. So no more than three songs. Okay. The second one is each year has to be represented by at least three songs. Okay. So now that would be 30 songs total. So that gives you 20 more to play with, you know, of your own desires, but each year has to have at least three songs in them. Okay. And then here's the, here's the kicker. Here's where the chocolate and peanut butter come together right here. I'm ready. If at any point in time, you're listening to your playlist and you want to skip a song, because you're just not feeling it, it comes out, it's not worthy of your playlist, find a replacement.

Speaker 0 00:18:25 Oh, I thought you were going to have a rule around, you can't have number ones on there. Or, you know, that's one of the frustrations I have with listening to classic radio is that they only play like the top two songs from any given artist. And there are so many other great songs that were played in that timeframe. And every now and then you get a rogue DJ, that'll throw one in there. And you're like, oh my gosh, I haven't heard this song in 30 years.

Speaker 1 00:18:48 You would benefit from this concept. So let me tell you what it did for me. Okay. Now the 80s is a little bit of an unfair decade for me to discuss in the sense, because there's a lot of nostalgia to me. There are some of the songs I'm listening to just bring back memories, you know, high school, college, whatever memories. But other decades where I don't have that nostalgia, I had to do a lot of research. And I was finding new bands that didn't know existed. Right. Especially recently, right? I mean like most people, my age, you know, I'm more knowledgeable of the 80s and 70s music than I am the 2010s. Right? So the 2010 playlist was really hard for me to do. Cause I wasn't even listening to the radio. I was honestly listening to my playlist.

Speaker 0 00:19:28 So, so

Speaker 1 00:19:29 Anyway, but I love my 2010 playlist and I've discovered just a whole bunch of bands. And what's interesting about music today is that it's not, um, you don't get music from listening to the radio. Like there's not top 40 stations. It's, it's a lot more compartmentalized to your individual listening needs or choices. So most of the bands that I have on my 2010 playlist, a lot of them, I bet people not even heard of, um, like Snarky Puppy, for example, they are on my 2010 playlist - fantastic band. And uh, anyway, the point is you will listen to your playlist. And maybe after a couple of years, there'll be a couple of songs that you're like, Hm, not feeling it anymore. It's time to replace it. You know, you're gonna have to do some work to replace them, but you're gonna find new bands, people that, you know, you'd never appreciated in the past. And each playlist is about three hours long. I have a playlist for the 60s, the 70s, the 80s, the 90s, the noughties as I call it (00s), the 2010s. And then I did a playlist for 1959 and before, oh, so, and my very first song is a monk chant from 1510. I actually let someone hear that monk chant. And they really said to me, "Really, they recorded that in 1510?" I paused for a second. And I just shook my head and moved on.

Speaker 1 00:20:43 That person, probably wasn't capable of doing a playlist.

Speaker 0 00:20:45 I would love to be able to host these playlist somewhere so that people could access them. I guess if somebody that's listening to this is really like flush and they wanted to, you know, offer up some cash. Maybe we could make that available. They can just send us an email and we'll see what we can work out.

Speaker 1 00:21:04 Yeah. Or we can, uh, you know, any upcoming events where we all get together, you know, we can talk about these playlists around the table. I'll give you an example of a song, like it doesn't just have to be songs like you wouldn't necessarily hear on the radio. For instance, my 1980s playlist includes the theme for Greatest American Hero. Do you remember that show? Believe it or not, I'm walking on air... So it's actually, it was actually a TV theme song made my playlist, but it was such a good song. Right, right. So expand your horizons. You don't have to just live with what's on the radio.

Speaker 0 00:21:35 Oh my gosh. That's such great advice. I love it. So a little bonus content from Brad West around music playlists. That's fun. Absolutely. All right. Thanks Brad.