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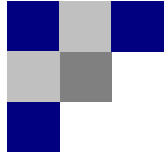
# Digital Strategy for Roofing Distributors

## Turning Data into Dollars

David Levy

Principal - Consult Levy

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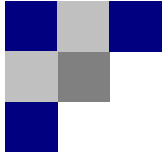


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## The Reality of Customer Expectations

- Customers want speed, clarity, and transparency
- “Where’s my order?” calls are symptoms, not problems
- Digital expectations are now the norm

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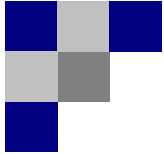


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# What's Changed in 3–5 Years

- Shrinking labor pool
- Greater jobsite pressures
- Increased reliance on suppliers
- Digital comfort → higher transparency expectations

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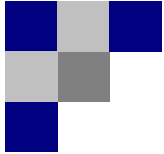
**Contractors want:**

- Speed
- Accuracy
- Availability
- Simple reorders

**They do NOT want:**

- Complicated apps
- New logins every month
- Training sessions

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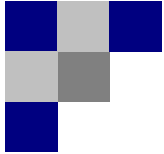


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## Reframe Digital: Not “Tech”, Just Better Distribution

- Fewer phone calls and errors
- Faster quotes and orders
- Better service without more headcount
- Competing with larger players on **speed**, not price

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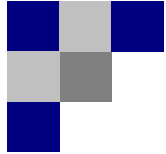


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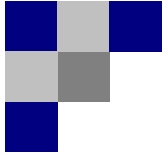


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**Digital Does Not Replace Relationships**

**Digital handles the orders. People handle the relationships.**

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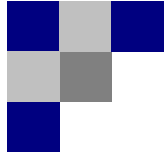


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**Remember**

**Evaluate for profitability,  
not for convenience**

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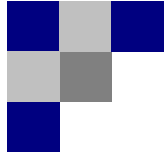


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**Distributor Pain**

**Simple Digital Fix**

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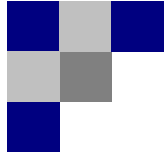
## **Distributor Pain**

Phones ringing non-stop

## **Simple Digital Fix**

Online ordering/text ordering

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## **Distributor Pain**

Phones ringing non-stop

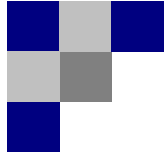
Wrong items shipped

## **Simple Digital Fix**

Online ordering/text ordering

Barcodes + pick confirmation

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## **Distributor Pain**

Phones ringing non-stop

Wrong items shipped

Counter staff overwhelmed

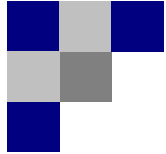
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Customer self-service

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## **Distributor Pain**

Phones ringing non-stop

Wrong items shipped

Counter staff overwhelmed

Sales reps chasing prices

## **Simple Digital Fix**

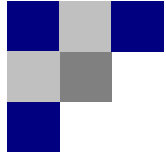
Online ordering/text ordering

Barcodes + pick confirmation

Customer self-service

Standard digital price lists

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## Distributor Pain

Phones ringing non-stop

Wrong items shipped

Counter staff overwhelmed

Sales reps chasing prices

Inventory surprises

## Simple Digital Fix

Online ordering/text ordering

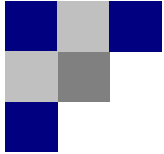
Barcodes + pick confirmation

Customer self-service

Standard digital price lists

Basic real-time inventory

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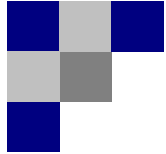
## **The “3-Phase” Digital Strategy**

### **Simple Roadmap (12–18 Months)**

#### **Phase 1 (0–6 months):**

- Inventory accuracy
- Clean pricing
- Basic reporting

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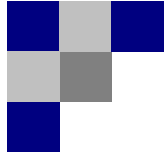


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## **Phase 2 (6–12 months):**

- Online ordering
- Digital invoices
- Order notifications

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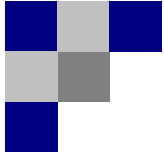


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### **Phase 3 (12–18 months):**

- Customer analytics
- Margin insights
- Smarter stocking

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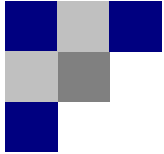
## Phase 1 – Get Organized (Foundation)

*Every distributor should be here*

- Clean item master & pricing
- Basic ERP used consistently
- Inventory accuracy
- Simple reporting (top SKUs, dead stock)

➔ **Payoff:** Fewer mistakes, better purchasing, less chaos

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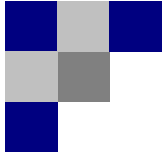
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## Phase 1

### Benchmarking (Simple & Safe):

- Inventory accuracy
  - **Below average:** <90%
  - **Typical:** 92–95%
  - ★ **Best-in-class:** 97%+
- Dead stock as % of inventory
  - **Typical:** 15–25%
  - ★ **Best-in-class:** <10%

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## Phase 2 – Make It Easy to Do Business

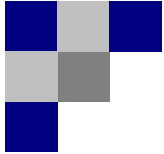
*This is where ROI shows up fast*

- Online ordering (web or app)
- Customer price visibility
- Order status notifications (text/email)
- E-statements & digital invoices

### → **Payoff:**

- Counter relief
- Happier contractors
- Orders placed after hours

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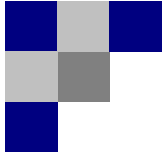
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## Phase 2 – Make It Easy for Customers and Staff

### Benchmarking:

- % of orders placed digitally
  - 🟡 **Early adopters:** 10–20%
  - 🟢 **Strong performers:** 30–50%
  - ⭐ **Best-in-class:** 60%+
- Cost per order
  - **Phone/Counter:** High
  - **Digital:** 30–50% lower

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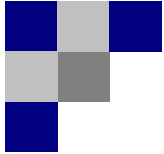
### **Phase 3 – Get Smarter Over Time**

*Only after Level 1 & 2 are solid*

- Customer buying pattern insights
- Stock optimization by branch
- Targeted pricing / promotions
- CRM for sales follow-ups

→ **Payoff:** Margin improvement, not just volume

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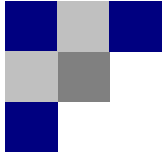
## Phase 3: Get Smarter Over Time

### Use Data to Protect Margin

#### Benchmarking:

- Gross margin improvement from analytics
  - **Typical opportunity:** +1–3 points
- Stock turns
  - **Typical:** 3–4x
  - ★ **Best-in-class:** 5–7x

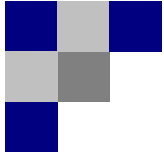
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	<u>Typical Nemeon Distributor</u>	<u>High Profit Nemeon</u>	<u>Sales Under \$10 Million</u>	<u>Sales \$10-\$25 Million</u>	<u>Sales \$25-\$75 Million</u>	<u>Sales Over \$75 Million</u>
Inventory Turnover (times)	4.4	5.2	2.9	6.2	3.3	3.9

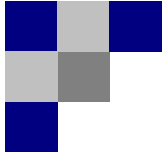
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	<u>25th Percentile</u>	<u>Typical Nemeon Distributor</u>	<u>75th Percentile</u>	<u>High Profit Nemeon</u>
Inventory Turnover (times)	2.7	4.4	6.0	5.2

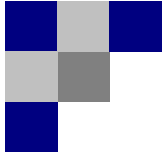
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**How To Get The Other  
\$70  
Out Of My  
\$100  
IT Investment**

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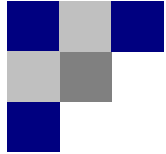


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Research shows that most people use no more than **30%**<sup>\*</sup> of the functionality of their IT systems.

<sup>\*</sup> Gartner Research

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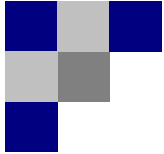
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## **Common Digital Mistakes**

### **Why Many Digital Projects Fail**

- Buying software before fixing processes

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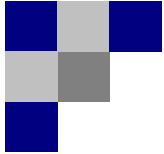
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## **Common Digital Mistakes**

### **Why Many Digital Projects Fail**

- Buying software before fixing processes
- Letting one tech-savvy employee “own everything”

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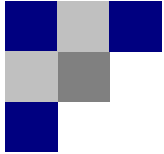
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## **Common Digital Mistakes**

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- Buying software before fixing processes
- Letting one tech-savvy employee “own everything”
- Rolling out too much, too fast

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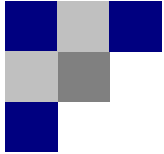
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## **Common Digital Mistakes**

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- Buying software before fixing processes
- Letting one tech-savvy employee “own everything”
- Rolling out too much, too fast
- Not training customers

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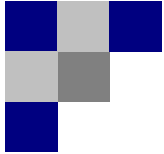
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## **Common Digital Mistakes**

### **Why Many Digital Projects Fail**

- Buying software before fixing processes
- Letting one tech-savvy employee “own everything”
- Rolling out too much, too fast
- Not training customers
- Assuming older contractors won’t use digital (they will, if it’s simple)

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**Digital Advantage = Easier to Do Business With**

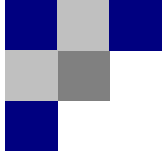
**Contractors Don't Want Apps—They Want Speed**

**Digital strategy for distributors isn't about being cutting-edge.**

**It's about being easier to do business with than the guy down the street.**

**If Digital Doesn't Reduce Friction, It's Not Worth Doing**

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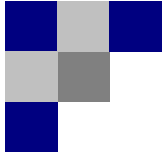


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## Your Digital Maturity at a Glance

- Inventory Accuracy
- Dead Stock
- Digital Orders %
- Cost per Order
- Contractor Experience
- Margin Opportunity




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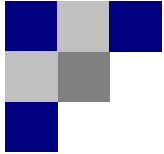
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## **% of Orders Placed Digitally**

### **Digital Orders: How Much Work Are Customers Doing for You?**

-  < 15% – Phone Heavy
-  15–40% – Transitioning
-  50%+ – Efficient

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## How Easy Are You to Do Business With?

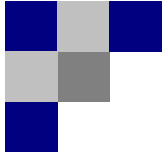


**1–2 stars:** Slow, frustrating

**3 stars:** Acceptable

**4–5 stars:** Preferred supplier

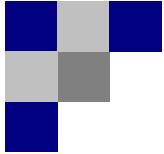
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# Core Financial Benchmarks That Matter Most to Roofing Suppliers

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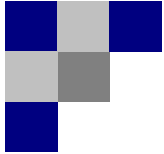


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## **Gross Margin (by product & customer)**

- **Overall gross margin vs. peer range**
- **By category:**
  - Residential
  - Commercial
  - Shingles
  - Accessories
- **By customer type:**
  - Large contractors
  - Small contractors
  - Retail / walk-in

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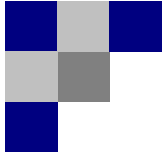


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## **Operating Expense Ratio (OpEx % of Revenue)**

- Total OpEx %
- Labor as % of revenue
- Delivery / fleet costs %
- Facility costs %

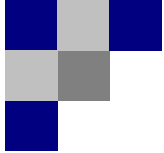
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<b>Total Payroll Expenses</b>	<b>13.1</b>	<b>13.5</b>	<b>13.8</b>	<b>13.1</b>	<b>11.5</b>	<b>13.6</b>

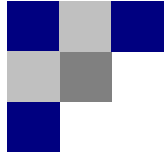




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	<u>25th Percentile</u>	<u>Typical Nemeon Distributor</u>	<u>75th Percentile</u>	<u>High Profit Nemeon</u>
<b>Total Payroll Expenses</b>	<b>11.0</b>	<b>13.1</b>	<b>13.7</b>	<b>13.5</b>

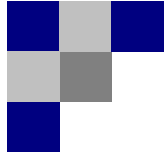




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- High-service models *must* earn higher gross margin—or they silently lose money.
- Benchmarking OpEx helps identify whether:
  - You're inefficient **or**
  - You're underpricing service

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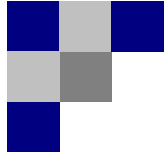
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**The “Why”:**

**Financial Benchmarking as a Survival Tool**

You don't need perfect numbers—just  
*comparable* ones.

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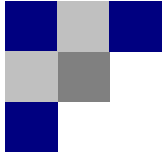


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# Benchmarks That Matter

## KPIs as Behavior Drivers

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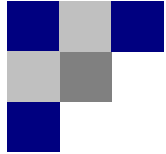


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## Key **Service Level** KPIs:

- Quote turnaround time
- Order accuracy
- On-time delivery
- POD completion
- Return/misload %
- Response time

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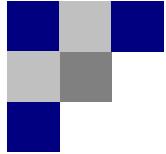


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## Key **Financial** KPIs:

- Profit Before Taxes
- Gross Margin %
- EBITDA
- Return on Net Worth
- Gross Profit per Employee
- GMROI

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## **Balance Sheet Benchmarks**

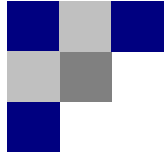
### **Debt Ratios**

- Debt / EBITDA
- Interest coverage ratio

### **Others**

- Cash to Current Liabilities
- Sales to Inventory

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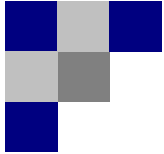


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## Working Capital per Location

- Working capital per branch
- Revenue per dollar of working capital

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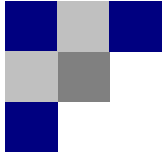
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## **Cultural Angle: Benchmarking Without Blame**

Ties into leadership & culture:

- Benchmarking  $\neq$  punishment
- Benchmarking = learning
- Best operators use benchmarks to:
  - Ask better questions
  - Share best practices
  - Set realistic targets

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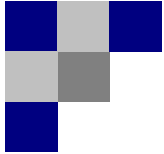


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## Common Benchmarking Traps

- Comparing revenue growth without margin context
- Ignoring regional freight or labor cost differences
- Using outdated benchmarks
- Benchmarking *results* instead of *drivers*

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## **Nemeon Benchmarking**

**through Profit Planning Group**

### **By size :**

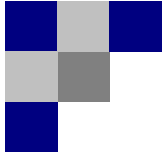
- **Sales Under \$10 million**
- **Sales \$10-\$25 million**
- **Sales \$25-\$75 million**
- **Sales >\$75 million**

### **By category:**

- **Residential Roofing**
- **Commercial Roofing**
- **Vinyl Siding**

### **By region**

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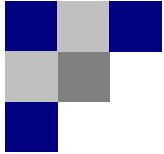
## Cash Flow Benchmarks    Cash Conversion Cycle (CCC)

- Days Inventory Outstanding or Inventory Turns
- Days Sales Outstanding
- Days Payable Outstanding

Why roofing suppliers should care:

- Inventory heavy
- Seasonal spikes
- Credit risk concentrated in a few contractors

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## Cash Conversion Cycle (CCC)

**Performance Level**

**Days**

● Cash-stressed

75+

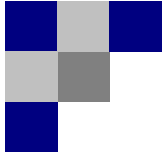
● Typical

45-75

★ Best-in-class

< 45

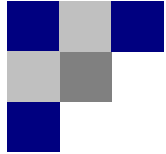
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	<u>Typical Nemeon Distributor</u>	<u>High Profit Nemeon</u>	<u>Sales Under \$10 Million</u>	<u>Sales \$10-\$25 Million</u>	<u>Sales \$25-\$75 Million</u>	<u>Sales Over \$75 Million</u>
Cash Cycle (days)	90.5	93.3	142.4	56.5	125.2	106.6

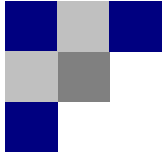




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	<u>25th Percentile</u>	<u>Typical Nemeon Distributor</u>	<u>75th Percentile</u>	<u>High Profit Nemeon</u>
Cash Cycle (days)	53.9	90.5	142.0	93.3



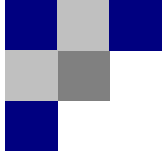


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## What to Do Next

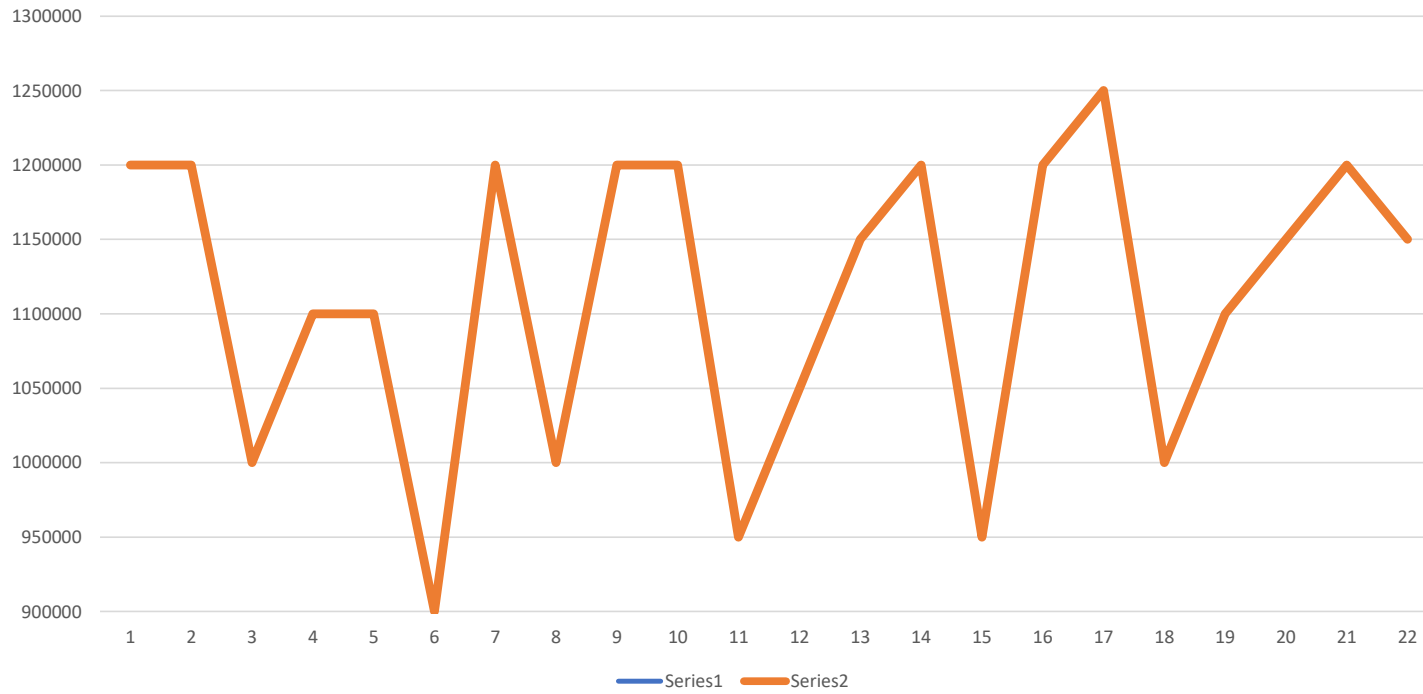
- Pick **5 core financial benchmarks**
- Review quarterly, not annually
- Tie benchmarks to decisions (pricing, inventory, hiring)
- Track trends, not just snapshots

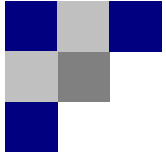
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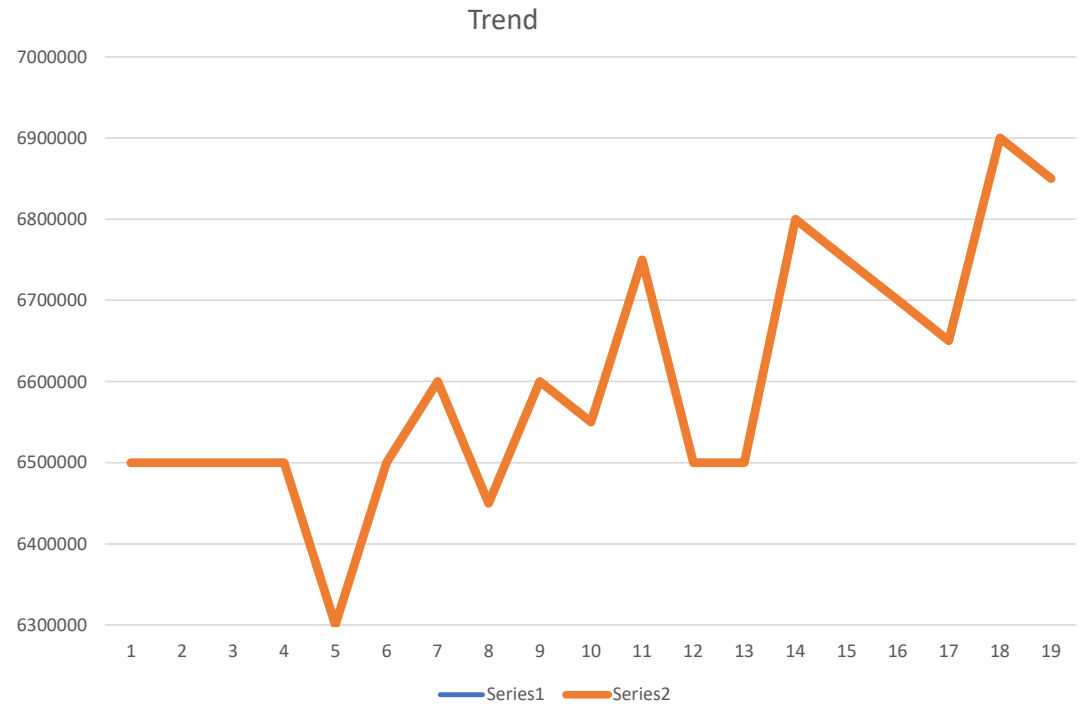
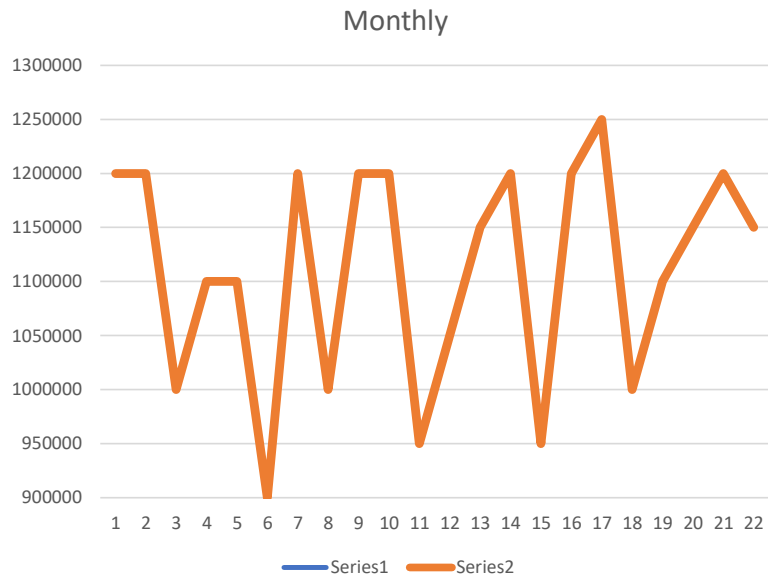
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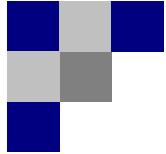
Monthly





## Consult Levy



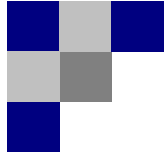


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## What Should You Focus On?

- Gross margin
- EBITDA margin
- Inventory turns
- DSO
- Debt / EBITDA

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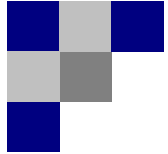
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## **EBITDA (Reality Check Metric)**

Why it matters:

- Used by lenders and buyers
- Great indicator of *enterprise health*

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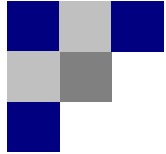
## Performance Level

- Strained
- Stable
- Strong
- ★ Best-in-class

## EBITDA %

- < 5%
- 6% – 8%
- 8% – 12%
- 12%+

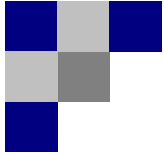
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EBITDA	6.9	14.8	3.5	7.8	6.9	7.4

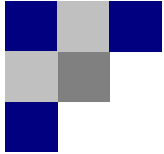
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	<u>25th Percentile</u>	<u>Typical Nemeon Distributor</u>	<u>75th Percentile</u>	<u>High Profit Nemeon</u>
EBITDA	4.1	6.9	11.1	14.8

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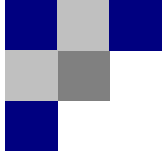


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## Gross Margin Gauge

- Ranges:
  - 🟡 <25%
  - 🟢 26% – 30%
  - ⭐ 30%+

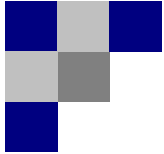
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<b>Gross Margin</b>	<b>27.3</b>	<b>32.9</b>	<b>27.3</b>	<b>27.3</b>	<b>24.6</b>	<b>27.8</b>

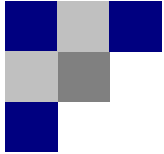




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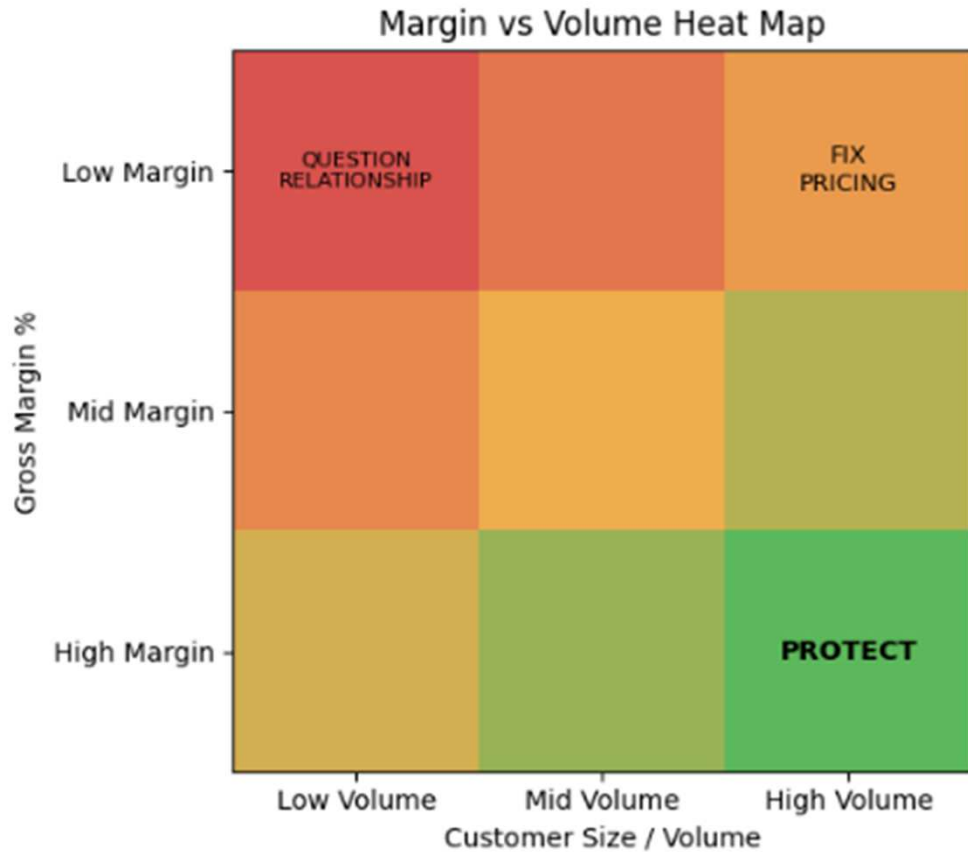
	<u>25th Percentile</u>	<u>Typical Nemeon Distributor</u>	<u>75th Percentile</u>	<u>High Profit Nemeon</u>
<b>Gross Margin</b>	<b>24.4</b>	<b>27.3</b>	<b>30.5</b>	<b>32.9</b>

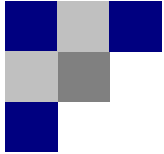




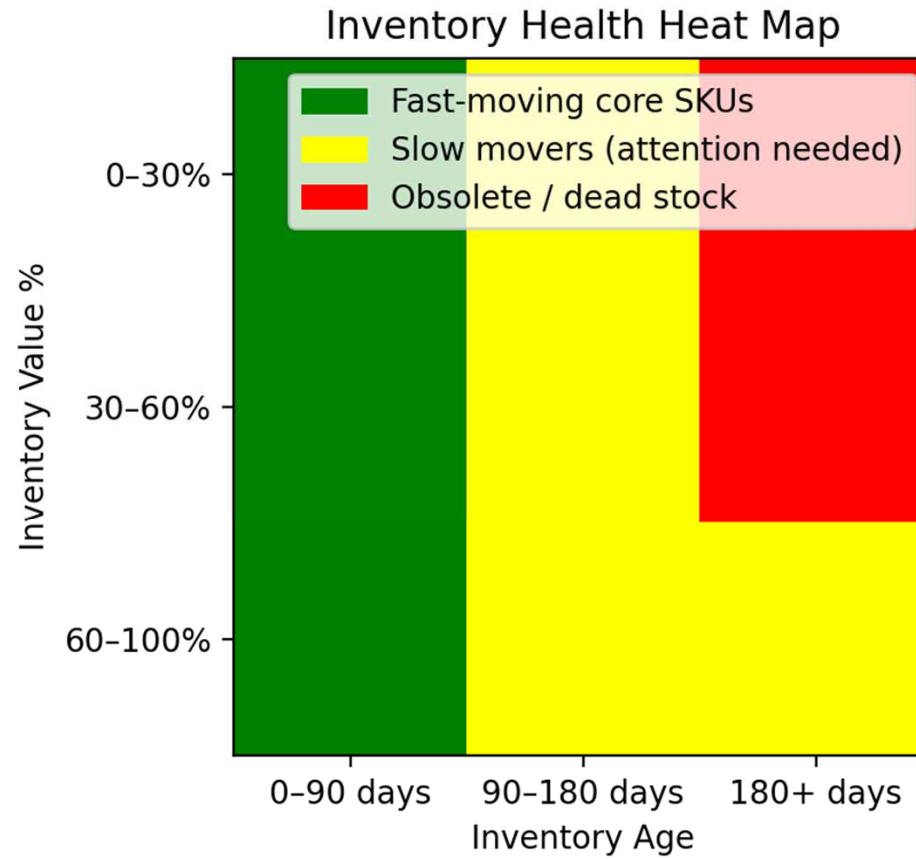
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# Where the Money Leaks Are

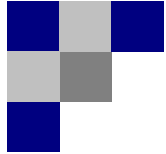




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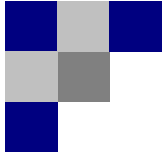


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## Dead Stock: Cash Sitting on the Shelf

- 20%+ – Draining Cash
- 10–20% – Manageable
- < 10% – Healthy

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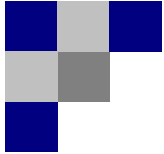
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## Service Model vs Profitability

This ties **culture + operations + finance** together.

- High service / low margin = **underpriced heroics**
- Low service / low margin = **broken model**
- High service / high margin = **intentional strategy**

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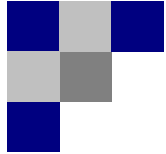
## **Single-branch**

The goal is a business that serves your life—not one that consumes it.

## **Multi-branch**

The goal is consistency—so growth creates value, not complexity.

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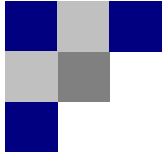


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## **Multi-Branch: Capital Allocation & Consistency**

- Variability
- Scalability
- Control
- Where to invest next

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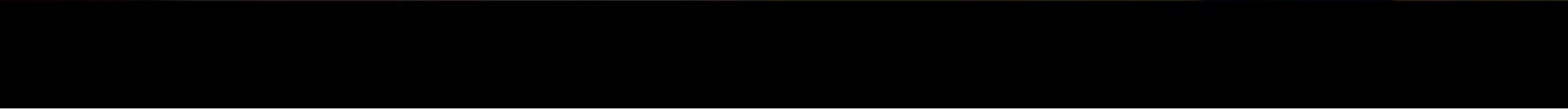
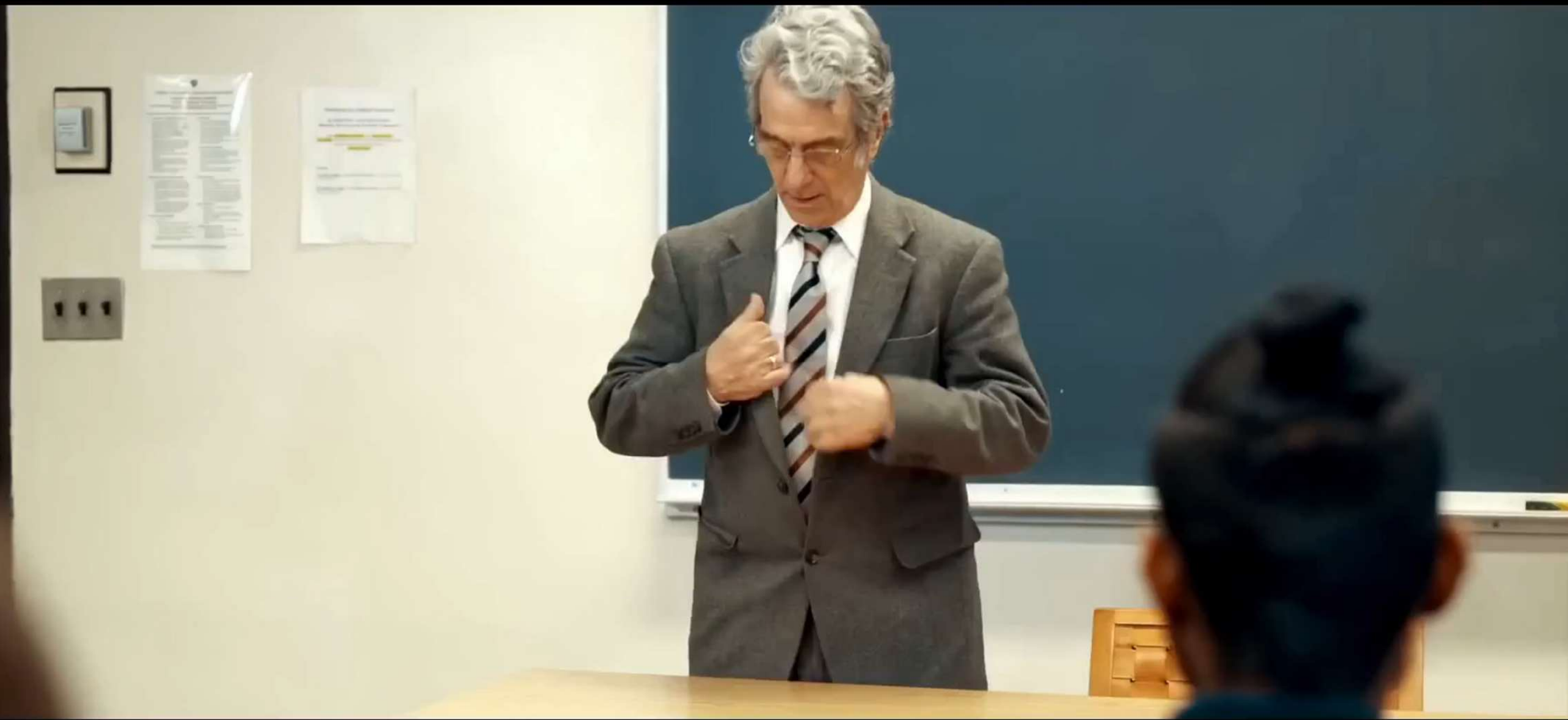


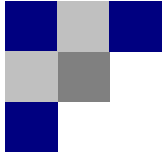
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## Why Culture Is the Missing Link

- Tech adoption is a cultural issue
- “We’ve always done it this way” mindset
- Proactive vs. reactive service

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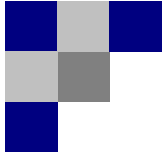


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## How much do your people know you care?

- Create an atmosphere where they know who to go to
- Create an environment where they know that good suggestions will be accepted
- Create a system where suggestions that result in improvement will be rewarded (with something that they value)

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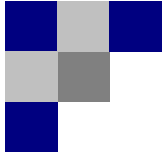
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## **Culture: The Missing Link**

### **Cultural Habits That Support Good Service**

- A tool doesn't change behavior — culture does

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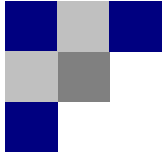
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### **Cultural Habits That Support Good Service**

- A tool doesn't change behavior — culture does
  - Inside sales must buy into accuracy

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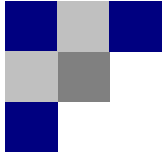
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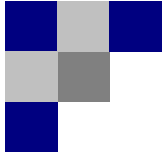
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  - Drivers must buy into documentation

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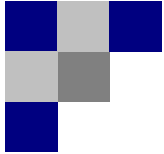
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- The biggest cultural shift is from reactive to *proactive* service

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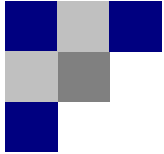
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  - Inside sales must buy into accuracy
  - Dispatch must buy into communication
  - Drivers must buy into documentation
- The biggest cultural shift is from reactive to *proactive* service
- Great culture = great habits

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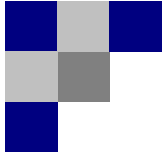
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## **Culture: The Missing Link**

### **Cultural Habits That Support Good Service**

- Daily huddles around metrics turn numbers into action

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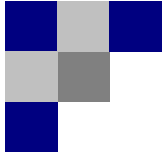
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### **Cultural Habits That Support Good Service**

- Daily huddles around metrics turn numbers into action
- Shared dashboards

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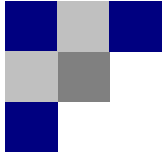
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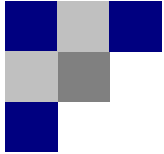
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- Daily huddles around metrics turn numbers into action
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- High performers use tech because they know it makes their lives easier — not harder
- Celebrating wins

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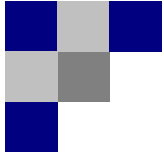
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## **Culture: The Missing Link**

### **Cultural Habits That Support Good Service**

- Daily huddles around metrics turn numbers into action
- Shared dashboards
- High performers use tech because they know it makes their lives easier — not harder
- Celebrating wins
- Consistent process expectations

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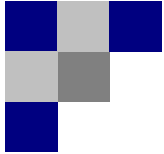


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## Case Examples

- One branch cut customer complaints by 40% simply by enforcing POD photos and adding a 2-minute handoff rule for dispatch.
- A distributor with 20+ branches reduced misloads by 60% by using benchmark dashboards.
- A cultural shift example: Drivers resisted taking photos until they saw it protected them from unfair claims.
- Result: reduction of returns/complaints

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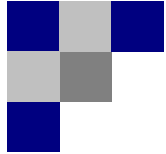


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## **Culture as a Profit Lever (not a soft topic)**

Culture shows up in margins, safety incidents, inventory accuracy, customer loyalty, and employee turnover

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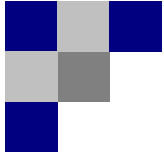


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## Distributor Realities

Mis-picks → customer frustration → lost contractor loyalty

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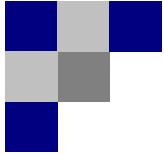
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## **Distributor Realities**

Mis-picks → customer frustration → lost contractor loyalty

Poor safety culture → injuries → downtime → insurance costs

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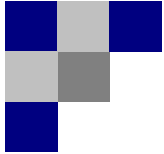
## **Distributor Realities**

Mis-picks → customer frustration → lost contractor loyalty

Poor safety culture → injuries → downtime → insurance costs

Low engagement → turnover → constant retraining → errors

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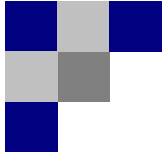
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## The “Branch-Level Culture” Reality

### **Cultural risks:**

- “Hero managers” who hit numbers but burn people out
- Inconsistent customer experience across branches
- Safety rules enforced in some branches, ignored in others

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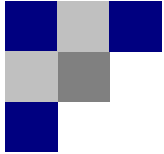
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High performers: clear expectations + local ownership

Low performers: culture depends entirely on branch manager personality

- = toxic but “profitable” (short term)
- = inconsistent
- = strong culture & results

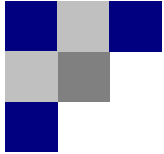
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# Culture Drivers That Matter in Roofing Distribution

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# Operational Culture

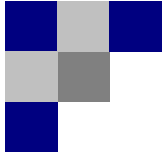
## **Accountability Culture**

Clear roles at yard, counter, delivery, and sales  
Problems owned, not passed upstairs

## **Diagnostic question:**

When something goes wrong, do people hide it or fix it?

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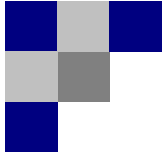
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# Safety Culture

Not posters — real daily behaviors

PPE use, load securement, yard traffic discipline

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## Service Culture (Contractor-centric)

Understanding contractor downtime = real money

### Benchmark metric tie-in:

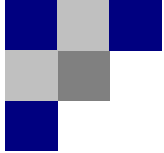
Order accuracy

Returns due to internal error

Same-day resolution rate

Counter staff empowered to solve problems *on the spot*

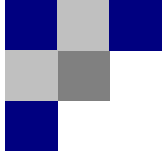
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**NEMEON**  
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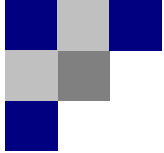


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**THE RITZ - CARLTON**

**NEMEON**  
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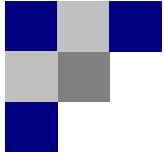
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THE RITZ-CARLTON



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# Continuous Improvement Culture

Front-line employees encouraged to suggest improvements

Small fixes compound (yard layout, staging, pick paths)

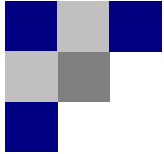
## **High performers:**

Many small ideas, acted on quickly

## **Low performers:**

That's how we've always done it

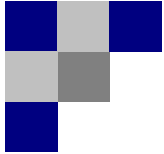
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PROSPER



Consult Levy

**We are not a team  
because we work  
together.  
We are a team  
because we  
trust, respect and  
care for each  
other!.**

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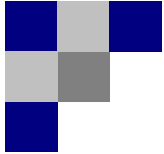
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## **Leadership's Role in Culture (Especially Owners & GMs)**

**Culture is what leadership inspects, not what they say.**

- Do leaders visit yards or just offices?
- Do they reward safe behavior or only speed?
- Are top performers promoted even if they're toxic?

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## Area

## Strong Culture Looks Like

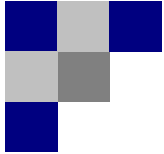
## Weak Culture Looks Like

Turnover

Stable crews, internal promotions

Constant hiring

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## Area

## Strong Culture Looks Like

## Weak Culture Looks Like

Turnover

Stable crews, internal promotions

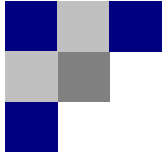
Constant hiring

Safety

Near-miss reporting

Injury-only reporting

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## Area

## Strong Culture Looks Like

## Weak Culture Looks Like

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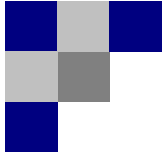
Injury-only reporting

Branch Ops

Consistent standards

Every branch is different

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## Area

## Strong Culture Looks Like

## Weak Culture Looks Like

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Consistent standards

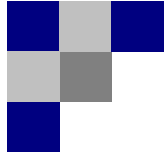
Every branch is different

Leadership

Managers coach

Managers firefight

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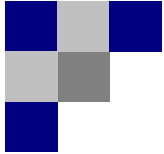
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## Your Culture Tomorrow

If you fixed just ONE cultural friction point per branch, what would EBITDA look like in 12 months?

Which behavior, if changed tomorrow, would most improve your branch performance?

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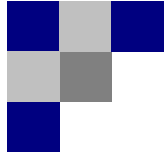
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Talk with some of your key customers.  
This can be done on a very low-key basis

**They love this!**

You are listening to them and making  
them feel important

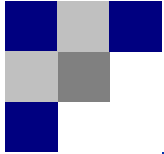
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- **Digital Strategy**
- **Benchmarking**
- **Culture**

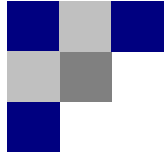
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