

## Corner Office: Larry Judson of K-Designers

### **K-DESIGNERS USES ITS 30 YEARS OF SYSTEMS AND SUCCESS TO MAKE IT THROUGH THE DOWNTURN**

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After two years of semi-retirement, K-Designers' CEO Larry Judson has returned to run the company he founded 30 years ago.

It was 30 years ago next month that a major hailstorm hit Casper, Wyo. Golf-ball size hail left nearly every building in the city with significant damage. Local contractors couldn't handle all the repairs and insurance companies were desperate for help. So Larry Judson and his brother Lee decided to take their construction experience to Wyoming to capitalize on the opportunity.

"I called my brother and said, here's a chance to make some fast money," Larry Judson recalls. "I figured we'd move there, do this for six months, then split the money down the middle."

Larry moved from Colorado Springs, where he was selling additions for a small remodeler, while Lee stayed in Billings, Mont.

"After six months, we didn't do what we wanted, but we did OK, so we said let's go another six months," Judson says. "At the end of the year, we had a model that was working, so we decided to open a branch in Billings and try it for another year or two."

What was intended to be a short-term partnership ended up becoming one of the largest exterior remodeling companies, K-Designers, in the country, with sales of \$61 million last year out of 11 branches throughout the western half of the country. K-Designers opened a Denver branch in 1981, closed the Casper location in 1982 and moved into the California market in 1986 with the opening of the Sacramento office. In 1990, Larry bought the company (except for the Billings branch) from Lee, moving the headquarters to Sacramento.

"If you look at history, with most businesses, the original founder did not envision what it became," Judson says. "We just pushed and worked. There wasn't a grand vision in place."

### **Growth-Oriented**

Although the brothers didn't intend to launch a national brand, by the time Larry bought the company from Lee, he was ready to grow the company to other markets. After completing the long-term buyout with his brother in 1995, he quickly proceeded to open six more branches in 1995 and 1996. In 2000, he bought back the Billings branch from Lee and opened two more offices in Phoenix and Los Angeles, giving K-Designers its current 11 offices that serve 18 states.

"We had a good model in three cities and good procedures," Judson says. "We saw that if we took the same model, we could have success wherever we went."

Judson also recognized that a larger company had more buying power and could get better service and better pricing from suppliers. K-Designers now buys all of its products directly from the manufacturer, down to the nails. Everything is delivered to the headquarters in Gold River before being sent to the branch offices for individual jobs.

"There's warehousing costs whether we warehouse there or warehouse here, but by running things through here we get the distributor's profit," Judson says. "We're selective with what we bring in, so hardly anything sits on our floor for more than 30 days."

The branch model also offers considerable savings in other overhead expenses. Marketing, financing, payroll, accounting and other services are all handled out of the corporate headquarters. The local branches are responsible for little beyond installation and sales, and even those associates and employees receive training at the headquarters before going into their local markets. The company has systems in place for all aspects of sales and installation, making it relatively easy to expand to new branches.

However, with 11 branch managers and 19 sales managers, along with hundreds of other employees, keeping everybody on the same page can be difficult. One of Judson's priorities for this year is increasing uniformity in the branch offices and making sure all the systems are being followed. With the rapid growth and strong remodeling market of the last several years, it was easy to let those things slip, he says. Last year was the first time in 11 years that revenue dropped, declining from \$63 million in 2006.

"Our biggest weakness is holding people more accountable for following those systems," he says. "If we can do that, we'll see 10 percent growth right away."

Judson now has a weekly conference call with all of the branch managers to make sure they are up to speed. The company's chief financial officer, three vice presidents (of marketing, production and sales) and the operations manager are also in constant communication with local branch, sales and production managers. Four times a year, the branch managers come to Sacramento for a company meeting.

"Everyone is trained to a standard, and if they deviate from that standard, it's not something we taught here," Judson says.

### **Working the Base**

The market downturn has not only helped expose some weaknesses in the systems, it's also presenting an opportunity for K-Designers to grow.

For its entire 30-year history, K-Designers has focused on installing siding and, since 1990, windows. This year the company is rolling out a nationwide entry-door program. With an average price of \$4,000, it makes a nice add-on to siding and window jobs, Judson says.

Although the company has seen great growth by adding branches over the last decade, Judson says the company could have done even better by adding more product offerings.

"Selling to the existing customer has a lower cost, and it's also just a better way to increase revenues," he says. "What happened is we were making money, revenues kept going up and we didn't need it."

With more than 100,000 past customers, that's a huge group of potential clients to market new services to, Judson says.

To take advantage of that, by the end of the year, Judson wants to have four product lines at each branch, including siding, windows and doors. The fourth line may differ from branch to branch depending on local needs. With locations as diverse as Phoenix and Minneapolis, there are going to be differences in what customers need as well.

The company also taps its past customers with a coupon program it instituted last year. K-Designers sent coupons to 37,000 past customers, offering \$1,000 off of a job of at least \$2,500. The program generated \$6 million in repeat business in December and January from about 900 customers. The company saw a 25 percent increase in

business for those months, which typically see a 20 percent decrease. Judson plans to conduct another campaign this year, with the only change being raising the minimum price to protect its profits.

"One thing we want to do is capture more repeat business from existing customers," Judson says. "Every year, we add 6,000 new customers, so it's a very powerful tool for us. If we had started this campaign three years ago, we'd probably be at \$70 million."

This is all part of an aggressive three-year plan for K-Designers to get back on a growth track. The plan calls for the company to do each of the following every year: add a new product at every branch, open a new branch and acquire a smaller company.

"Some markets where we want to go, we'd consider buying a smaller company that has a presence there," Judson says. "We could take a company with a good reputation and take our experience in marketing and sales and use that to grow."

This plan to get refocused on growth is also what's brought Judson out of what was essentially a semi-retirement to focus full-time on the business in 2008.

"I've always been able to grow the business, so as the business has become a little tougher, I wanted to be back in it," he says. "The drive is what I bring to the table — a consistent drive to stay consistent and ambition to stay on track."

Besides a dip in 1996 when K-Designers briefly partnered with Sears (also the only year the company lost money), it has seen business steadily increase before it plateaued at \$63 million in 2005 and 2006 and dropped to \$61 million last year.

"Whenever you flatline, overhead continues to rise and that eats into your profits," Judson says. "We are still profitable, but our best year was in '05. '06 dropped a little and '07 dropped more. My job really is to assist the management team and guide them along their path."

## Executive Summary

### K-Designers

**Headquarters:** Gold River, Calif., with 11 local branches

**President/CEO:** Larry Judson

**2007 projects:** 5,639

**2007 volume:** \$61.4 million

**Projected 2008 volume:** \$73 million

**Employees and associates:** 970

**Founded:** 1978

**Biggest challenge:** Making sure all 11 locations follow the company's systems

**Web site:** [www.k-designers.com](http://www.k-designers.com)

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## A Week in the Life

How K-Designers CEO Larry Judson spends his average 40-hour week

Weekly senior executive meeting	4 hours
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Meetings with VPs (sales, marketing and production) and staff	25 hours
Meetings with operations manager and team	4 hours
Consulting with finance manager and team	2 hours

### **Marketing After Do-Not-Call**

It wasn't that long ago that K-Designers relied on telemarketing for 98 percent of its business. Now, in the wake of state and federal do-not-call lists, about half of all the company's business comes from outbound telemarketing.

"Telemarketing is still a huge part of our business," says Kim Renstrom, vice president of marketing. "We're, if not the only, certainly one of the only people still doing the amount of telemarketing we are."

Working out of its call center in Gold River, Calif., the company operates 48 stations, working 12 hours a day, six days a week. The call center goes through 250,000 names a week.

The biggest change in the telemarketing operation is that K-Designers can't work an area as long as they once would. Where they once would make calls in a town for a couple of weeks, they now burn through the lists more quickly.

Each of the 11 branch offices cover huge territories that include cities, rural towns and everything in between.

"We've always run appointments and made sales in those tiny little towns where a lot of contractors don't even bother to go to market," Renstrom says. "That's been a saving grace for us in the wake of the do not call list."

Besides a smaller list to work from, the no-call lists have changed the type of customers that the company can call. As a group, those not on the list tend to be more likely to have credit problems, which presents another set of problems for the company's in-house financing department.

To make up for the drop-off in telemarketing sales, the company has turned to other marketing sources. K-Designers has increased its investment in direct mail and is also using its Web site to drive interest and collect names. The company is also heavily investing in advertising as K-Designers tries to find ways to make sales with inbound instead of outbound calls.

K-Designers uses about 35 categories in tracking leads to see what's most effective. The idea is to figure out what brought every customer to the company for each of the 6,000 jobs the company installs every year.

"We track every dollar we are spending to see what business we get back with every marketing effort," Renstrom says. "Really it all comes down to a return on investment."