

“We Need to Follow Two Parallel Paths at the Same Time”

Keynote Speech Recorded and Delivered
at a National Employee Meeting

EXCERPT 1: SPEECH OPENING

A year ago, inc.com ran a story with a shocking headline:

**“Blockbuster could have bought Netflix for 50 million dollars,
but the CEO thought it was a joke.”**

It was a fascinating story about a crucial meeting 20 years ago between three executives from Netflix and Blockbuster’s CEO: a guy by the name of John Antioco.

You remember Blockbuster, right?

How many times did you stand in line on a Friday night, eager to rent a movie, the latest New Release in your hands?

Twenty years ago, Blockbuster Video was printing money and flying high – a public company with plenty of capital and 25,000 employees.

Meanwhile Netflix, which began in 1998 as a service for renting DVDs by mail, was bleeding money. Unless something changed, Netflix was going down. An acquisition by Blockbuster was the lifeline Netflix needed.

For many months, three executives at Netflix had been trying to get a meeting with Antioco to make their pitch. When the call finally came, the executives chartered a plane from California to Dallas.

They arrived just in time at Blockbuster’s multimillion-dollar headquarters.

Their offer was pretty simple: Netflix would run the online business, and Blockbuster would focus on the stores. Synergies would result.

But Antioco didn't buy it.

He thought online businesses were a fad. They'd never make any money! And his team did not push back.

But still, they wanted to know: What would it take for Blockbuster to buy Netflix?

When a Netflix executive said \$50 million, Antioco tried not to laugh.

Soon, the meeting was over. No deal! And all of you know what happened next.

By 2010, Blockbuster was bankrupt. And four years later, Blockbuster closed its last corporate store.

Today, if you're ever feeling nostalgic and want to rent a DVD, you can visit the only Blockbuster left on earth: a franchise operation in Oregon just a couple miles north of Bend Winsupply.

Blockbuster failed because they stayed in the present.

They got comfortable on their path and were happy where they were. So they continued to do what they'd always done well. And did not make investments to grow.

Plus, they did not anticipate the future. They did not pay attention and did not look ahead. They did not plan for any disruptions and did not ask what their customers wanted next.

By the time Blockbuster realized what was happening, it was too late. They did not have a chance to catch up.

To me, the Blockbuster lesson for Winsupply is clear: Companies that want to grow and become more relevant in their markets need to follow two parallel paths at the same time:

- **First: Keep doing what you do well.**
- **And second: Anticipate what customers want next.**

I've said it before, and I'll say it again: We can NEVER get too comfortable.

We must always be ready for the next disruption. We must always be ready to adapt to change. And we must always be looking for what is next.

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Yesterday, I reminded everyone at Winsupply that the goal we set in Nashville has not changed.

In fiscal 2021 and beyond, your job and my job is to get better faster so we can move to the next level.

To do that, we need to do what Blockbuster did not do.

We need to follow two parallel paths at the same time.

For Winsupply, the first path is clear: We must follow the playbook you wrote to adapt to the disruption caused by COVID-19 – and then do even better.

Because the pandemic is not over. And it's not going to be over for a while.

So you must continue the DEFENSE. You need to stay focused on what's essential.

That means keeping your teams and your customers safe. Asking hard questions. Learning the math – the ratios. And doing more with less to be more profitable.

Plus, you must continue the OFFENSE. You need to be proactive – even aggressive! – and ask customers for more business.

That means you need to keep fighting for every order. Proactively selling. Relying on technology. Keeping your customers close. And doing whatever it takes to become an essential part of your customers' business.

I said yesterday that every month since this pandemic began, the results you delivered beat every expectation I had.

You blew me away!

So what's next?

Where ELSE can we do better the rest of this year?

I believe we need to make a couple of investments ...

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EXCERPT 2

As we go forward this year, our first path is clear: To follow the playbook you wrote to adapt to the disruption caused by COVID-19 – and do even better.

Our second path is clear, too, if you remember the lessons from Blockbuster Video:

We must anticipate the future. We must get ready now for what the customer wants next if we expect to evolve and grow.

Yesterday, economist Chris Kuehl told us a couple of things: that recovery from this current recession will likely start soon, this quarter, depending on government decisions and economic trends. He also said that growth will pick up in 2021.

That means at Winsupply, we need to be in a position to take advantage of that growth.

As I said yesterday: To remain essential – and to keep growing – we can NEVER get too comfortable.

So HOW can we grow?

And WHAT do we need to do?

There are three types of growth at Winsupply.

- First: Local companies themselves can grow and take more profitable market share.
- Second: Local companies can help with acquisitions.
- And third: Local companies can pay the Spirit of Opportunity forward.

Let's talk about all three.

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Before you can grow and take more profitable market share, you need to have a GROWTH MINDSET.

We talk about it in Procedure B-895. It says that:

"Everything is expanding or shrinking, growing or withering.

"Change is inescapable.

"Either you grow your company continuously upward, or you allow it to coast and gradually die."

At first, you might dismiss these words as mere clichés – nothing new. You've heard it all before.

But at Winsupply, this is what we BELIEVE!

GROWTH is what every local company signed up for.

If you are not growing, your business will be overcome by mega-regional and national competitors.

They're getting better every day!

So for us, it's going to get even harder. The days of competing with Mom and Pop Shops are over.

When I think about people at local companies who have a growth mindset, I think about people like Steve Lyon in Orlando, Jeff Walker at MSI Supply, Keith Jones at Central Oklahoma, Steve Erickson at Washington Winnelson and Matt Emerson in Little Rock.

These people set goals. They're competitive. And they outwork their competition every minute of every day.

They don't want to be the first call and the last call. They want to be the ONLY call.

That means they want 100 percent of their customers' business – and they won't be satisfied until they get it.

Plus, they always have prospects in the hopper.

So they are always expanding – and winning new customers.

They can do all of this because they know what they're THE BEST AT. They do what their competition either CAN'T or WON'T do.

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EXCERPT 3

To grow and take more profitable market share, you have to be able to INNOVATE.

You can innovate on your own, as a locally owned company.

Because of our business model, you don't need permission.

YOU can decide.

So think about how you can innovate to create an amazing customer experience or make a customer more profitable.

CJ Hooper is the president at Winsupply of San Antonio HVAC. He has innovated to become essential to his customers.

- Last year, he launched a service called Warehouse 365: the warehouse that never closes. His customers can visit three convenient pickup locations around town – 24/7! – stocked with 300 different products. An app on their phone lets customers get what they need and go.

- This year, 13 of CJ's customers couldn't do installs because technicians got sick with COVID-19. So CJ's company solved the problem. He built a network of subcontractors – qualified installers! – so his customers could keep more than \$1 million in business.
- CJ also created one more innovation for his customers: an exclusive club called Next Level. Customers that need special services – but don't want to hire more staff – pay up to \$18,000 a year to get what they need on demand: things like technical layouts, equipment rentals and 24/7 training and support.

Currently, the club has 16 customers, and the list is growing every month. As CJ puts it: "Customers are paying US to do business with THEM."

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EXCERPT 4

The third type of growth at Winsupply happens when local company presidents pay the Spirit of Opportunity forward.

It happens when you recruit and train new presidents, and start new local companies.

But we're not doing near enough of this. Not even close.

Back in our earliest days, presidents who were grateful for the Spirit of Opportunity they received had a DESIRE to pay it forward. They were inspired to take their debt of gratitude and use it to build more entrepreneurs.

Paying it forward is how Winsupply grew historically.

In fact, it fueled our growth!

That's why we know it's the best way for us to grow in the future.

But here's what's really important:

Paying it forward is the best way to for us to perpetuate our founding philosophy to help courageous, capable, hardworking entrepreneurs succeed.

After all this is our purpose. Our higher calling. And the reason we exist.

Paying it forward starts by training the best people inside a local company so they can spin off and open their own local companies.

I am talking about hub-and-spoke growth, which was done so well by people like Jerry Padilla, Kent Best and Dean Lucas:

- In the '60s and '70s, Jerry Padilla had a hand in opening 120 local companies.
- Beginning in the '80s, Kent Best opened more than 30 local companies.
- And since 1995, Dean Lucas at Newburgh Windustrial has helped at least 16 people either open, take over or rebuild local companies.

Jerry, Kent and Dean were our first-, second- and third-generation role models.

We are looking for who's next.

But we are not looking for just one. We are looking for MANY.

Believe me: If you've been a successful president for even a few years, you are ready to consider hub-and-spoke growth.

Then – if you have people in your company that you know are future presidents in the making – push them.

Help them. Train them. Lead them.

And on the flip side:

If you are someone who WANTS to be a president – who WANTS a chance at the Spirit of Opportunity – you need to raise your hand.

Don't wait.

Because the need is great.

This year so far, we've had to find 41 new presidents. And over the next 10 years, we will need hundreds more.

So if you have the desire, we want to know. We NEED to know.

This is what I want to see: a line out the door tomorrow of people from Winsupply who are ready and waiting to be local company presidents.

So if you want to be a president, what are you doing about it?

- Have you talked to your president or your area leader?
- Have you asked for training and support?
- Are you acting like a president?

Here's some advice: You don't need a title to be a leader.

If you want to be a president someday, act like it now. Be responsible. Make decisions. Communicate. Build relationships.

If you want all the details about how to become a president, read the new procedure on it. B-462 lays it all out. It tells you exactly what to do.

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EXCERPT 5

When we grow in all three ways – when we take profitable market share, when we help with acquisitions and when we pay the Spirit of Opportunity forward, The Winsupply Family of Companies becomes more relevant as one of the nation's largest national wholesalers.

But:

All the growth I've just talked about won't happen if we don't anticipate the future. If we are not willing to figure out what customers will need next.

We need to be prepared for anything.

To anticipate the future, you need to talk to your most successful customers. Listen carefully to what they say. And then invest in what they tell you they will need next.

You need to do what Blockbuster DID NOT DO ...

With all this talk about anticipating the future, you might think I'm saying that you need a crystal ball.

And you're right.

But here's the thing:

Your customer **IS** your crystal ball!

That is why if you don't talk with and listen to your most sophisticated customers, and then invest in what they are telling you they will need next, you will not be able to anticipate the future. You will not grow. And you will become irrelevant.

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EXCERPT 6: SPEECH CLOSING

Today at Winsupply, I believe our way ahead is clear.

To get better faster so we can move to the next level, we need to follow two parallel paths at the same time.

- First: We must follow the playbook you wrote to adapt to the disruption caused by COVID-19 – and do even better.
- Second: We must anticipate the future. We must get ready now for what the customer wants next if we expect to evolve and grow.

Which brings us back to Blockbuster – or really, Netflix.

Two years after that fateful meeting in Dallas in 2002, Netflix became a public company and began to enjoy consistent, profitable growth.

Today, Netflix is one of the world's largest entertainment services, with 190 million subscribers. It's one of the world's most valuable brands worth 237 billion dollars.

But Netflix is also an icon. An American success story. A staple in our lives.

If I were to guess, most of you probably have Netflix at home.

Maybe you even watched Netflix last night.

But most of you probably don't know how Netflix got its name.

Reed Hastings, one of the company's co-founders, explained it like this: "We named our company Netflix in 1998 because we believed Internet-based movie rental represented the future."

In fact, Netflix **SAW** the future!

A future where people would use the internet to stream the latest flicks at home on their TVs.

And as it turns out, they were right.

If there's one thing I believe about you - about all the great people I know at Winsupply - it is this:

We have what it takes to get better faster.

As long as we are willing to see the future.

And do something about it.

Thank you.