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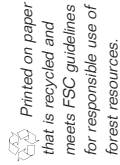
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ARE YOU READY FOR SOME FOOTBALL?



“The Need for Offense and Defense”

By Jim Stavits

When I was young, I believed that the best defense was a good offense. As I have matured, however, I have come to understand that the best offense can be a better defense. It’s different for everybody. But the reality is—as you can see on any given Sunday with football—you really need both.

In business, you need both as well, especially in these times of slower activity and cost containment. For offense, you need to employ the standard negotiating tools of keeping multiple vendors vying for your business, or

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perhaps working for the best price based on volume purchasing or discounted payment terms. Whatever the practice, it is important that the purchasing agent realizes that this offensive style is a strategy and not a game. Vendors will get restless if they feel they are being used in a game of chicken with incumbent vendors and will only play for so long.

A story I will never forget happened a few years ago. We had sold an account for more than 10 years and had earned our position as a valuable and competitive vendor. Because of some hard business times, management hired a general manager who made the decision to put all raw materials out to bid in an auction format. There was no value for loyalty whatsoever as incumbent vendors were given no preference. Quality didn't matter, nor did service. It was all about price. The cheapest vendor won the business. And then the company posted the prices so that each vendor knew what the competition was charging and who won the auction. You can imagine the free-for-all this created. Within a year, they were out of business. I'm sure they met their goal of lowering materials costs, but what they didn't anticipate was that after awhile, their loyal vendors who had worked their business, knew their operation or helped them when they needed it, had all chosen to move on. Instead, they were replaced by a bunch of low-cost providers who were unwilling to provide anything but a cheap price. When the company needed help, they were on their own. When they needed additional time to pay their bills, the new vendors cut them off. There was no loyalty. I would call this a bad offense.

As a supplier of steel products and fabrication, we oftentimes find customers reluctant to open up about what their challenges are. We either have to play the role of interrogator, which most customers don't like, or the role of hotline psychic where we make assumptions trying to determine what the customer really wants. Either way, it puts the suppliers at an extreme disadvantage to



"The Need for Offense and Defense"

(continued from front)

service their customers' needs. Some customers prefer to be in control at all times. My experience is that the more honest the customer is in bringing the vendor into their challenge, the better the chance that the vendor will be able to assist them. The game of "hide the ball" usually does not end in victory—for either side.

In addition to a good offense, there is a need for cost containment, which we will call the "defense." This strategy is reviewing the way in which you are currently conducting your operation and trying to create innovative ways to reduce spending. The trick is to make sure you have the right mix of offense and defense to provide the most impact now and in planning for 2010. Spend too much time on offensive projects and the savings may not trickle into the business quickly enough or even worse, you may veer down a risky path. Spend too much time delivering defensive projects and the company may be at a disadvantage when the rebound occurs and the focus eventually turns to growth.

In mounting a strong defense, companies can make errors just as easily. A company that is penny-wise and pound-foolish can create changes that look good in the short term, but create disaster down the road. Company reductions in workforce may be necessary, but can have devastating effects on the operation. As my business school professor used to say, "For every action, there is a reaction." But there is also good defense. You may generate some great ideas for saving from your own employees. For example, try switching your printers to duplex printing to create an overnight reduction in paper consumption by 50%; or invest in technology to allow employees to have face-to-face meetings without traveling. Review your phone bills, your office supplies, your transportation costs. The savings are there—you just have to look for them. Whether your focus is on offense or defense, just be sure your head is in the game...

QUOTE OF THE MONTH

The difference between a successful company and others is not a lack of strength, nor a lack of knowledge, but rather is a lack of will." —Vince Lombardi

THE SEASON FOR THANKS

After what has been a somewhat trying year for most businesses that have been forced to downsize their workforce, reengineer and wade through some unfamiliar red ink, we prepare for 2010 (wondering what joy it shall bring). On a personal note, as many who read this newsletter are aware, I am a triple organ transplant survivor going on four years this month. I celebrated the anniversary in the hospital just recently when I unexpectedly suffered a mini stroke. The only effect was a numbing sensation on the entire left side of my body. And as bad as that may sound, it could have been a heck of a lot worse. I'm told that the numbing sensation should subside within weeks to a month. It took me a few days to reflect on the recent events and as hard as this may sound, I feel fortunate that I'm still alive to write this newsletter. I believe those companies that have been able to withstand the devastating economy of 2008/2009 should take a moment to be thankful that they are still in business and preparing for a recovery. For me, Thanksgiving has been not just a holiday from work, but a time to reflect and renew. There is still much work to be done, but for now, don't forget to enjoy the season.