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Regal Distributing finds its way with cost cutting, strategic investments

Kansas City Business Journal - by [Suzanna Stagemeyer](#) Staff Writer

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Regal Distributing Co. falls among the fortunate few left relatively unscathed by the recession.

The privately held Lenexa distributor expects revenue growth this year of about 8 percent, down from 12 percent in 2008. However, just because revenue hasn't plummeted doesn't mean Regal has stayed the course. Like many businesses, Regal has reacted to the downturn by keeping a lid on costs. But simultaneously, it has selectively invested in projects leaders think offer an edge on the competition, such as energy efficiency, adding a green product line, geographic expansion and rebranding.

"They've taken a conservative approach with regard to managing their internal operations but also used it as an opportunity to try to be aggressive externally with regard to helping their customers save money and cut costs where they can," said Mitch Morgan, principal of CEO Focus Kansas City, who consults with Regal leadership about business strategies.

Regal — which provides products and packaging for food service, and supplies for facilities, maintenance and offices — took a hard look at its internal business practices.

"When business is good and the economy is good, at least for us, maybe we're not as cognizant of operating as efficiently as we can," CEO Greg Kopulos said.

That's not the case now.

Regal has used attrition to manage its approximately 40-member work force, thinking twice before filling jobs that come open, an exercise that has pared six positions. The company tightened its credit policy, re-evaluating credit limits based on customer financials and reverting to cash on delivery for customers who hadn't made purchases in awhile. Regal also began keeping its warehouse inventory lean, relying on a computer purchasing module that closely forecasts needs and adjusts quickly.

"We're controlling our inventory through better purchasing procedures and disciplines," said Jim Breen, Regal's vice president of operations.

However, that sometimes means it takes more time to provide the initial supply to a new customer, he said.

Many cost-cutting efforts have been green measures: replacing old lighting with energy-efficient bulbs, adding giant fans instead of air conditioning, painting brown warehouse walls a light color, and installing GPS technology in delivery vehicles to make routes more efficient and cut fuel and other costs by about 10 percent.

Regal renegotiated its lease in October, signing a renewal that cut rent by about 10 percent and included the lighting project.

Exchanging older T12 bulbs for new T5 bulbs was about a \$40,000 project that's expected to save roughly 25 percent in electricity costs, though Breen said it hasn't been long enough to have a good handle on actual savings. In addition to providing more effective and efficient lighting — about 180 new lights were necessary, compared with about 230 of the old ones — the project got a rebate of about \$8,000 from Kansas City Power & Light Co.

Interest in lighting projects has gained momentum each year since 2006 and 2007, when rebates first became available in Missouri and Kansas, respectively, said Regina Hogan, a senior energy consultant with KCP&L.

"Lighting has been a very easy thing to implement, and it's not all that costly, so in the long run (customers) get a pretty good payback on it," she said. "Most (lighting projects) have less than a two-year payback."

The moves matched a line of green cleaning and other sustainable products Regal has been introducing to clients.

Regal also is investing tens of thousands of dollars in an extensive rebranding campaign that began late last year and replaced its longtime logo, as well as including a redesigned Web site with expanded content and tools to help employees and customers.



Dave Kaup | KCBJ

Dean Kopulos (left), executive vice president of Regal Distributing Co., and his brother, CEO Greg Kopulos, say they work hard to control costs but also have made several strategic investments, such as rebranding and a new Web site, as they shepherd the Lenexa-based company through the recession.

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“We wanted to be in aggressive marketing mode at a time when many people think the opposite,” said Dean Kopulos, Regal’s executive vice president.

Company leaders decided to spend the money because they were convinced of the stability of their core business and customers, Greg Kopulos said.

“We knew this was just the way we wanted to go,” he said.

The Web site, completed a few months ago, includes features such as an online catalog of the company’s approximately 9,000 products.

Part of the impetus was the early 2008 sale to Saint Joe Distributing of Regal’s movie concessions business, which had been its core function when the company was formed about 50 years ago but had dwindled to a side note.

“We had vendors who thought we were going out of business because we sold this small portion of our business,” Kopulos said. “We needed to reintroduce ourselves as a newer, stronger company.”

Regal hired Kansas City-based Kemper & Co. to guide the process, joining a trend of small and midsize businesses that have taken the recession as an opportunity to reposition themselves, company founder Christine Kemper said.

“It sort of helps position them as a strong company because if they were failing, they never would have invested the money in doing this,” she said. “It sends a signal to clients and employees.”

Now is a prime time for a brand to show it’s “moving forward boldly and embracing the opportunity to change with the times,” said Kirk Kirkpatrick, a marketing professor at the University of Missouri-Kansas City.

“Despite what you might hear from politicians, the world of the consumer has changed — and changed forever, in my view,” he said in an e-mail. “If you think what worked last year or two years ago will still work today, you need to rethink that.”

Regal is waving its revamped banner into new markets. The company capitalized on the real estate market slump by leasing a 30,000-square-foot distribution center in the Phoenix area. Dean Kopulos estimated that Regal paid about 35 percent less than market rate to rent the brand-new facility, which had sat empty for a few years, than it would have paid at the real estate peak.

Regal’s actions are intended to create a launching pad into the future. The company is targeting 16 percent growth in 2010.

“If we made it through this, what will it be like when the whole market comes back?” Dean Kopulos said. “It’ll be a big, big, big shot in the arm.”

EDITOR’S NOTE: The *Kansas City Business Journal* is redirecting the Growth Strategies section to help companies and entrepreneurs navigate the tempestuous economy. Survival Strategies will explore how businesses approach the downturn, from simply holding steady to capitalizing on weakened competition to positioning themselves for better days ahead.

Regal Distributing Co.

Description: Distribution company that supplies food service packaging and products; facilities, maintenance and office supplies; and sustainable products

Top executive: CEO Greg Kopulos

Revenue: \$24 million (2008)

Employees: 40

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