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ENTREPRENEURS OF THE YEAR 2018

STINE LUMBER:
SALES OVER \$50 MILLION

WEHRUNG'S LUMBER & HOME CENTER:
SALES OF \$10-\$50 MILLION

LIMEBERRY LUMBER & HOME CENTER:
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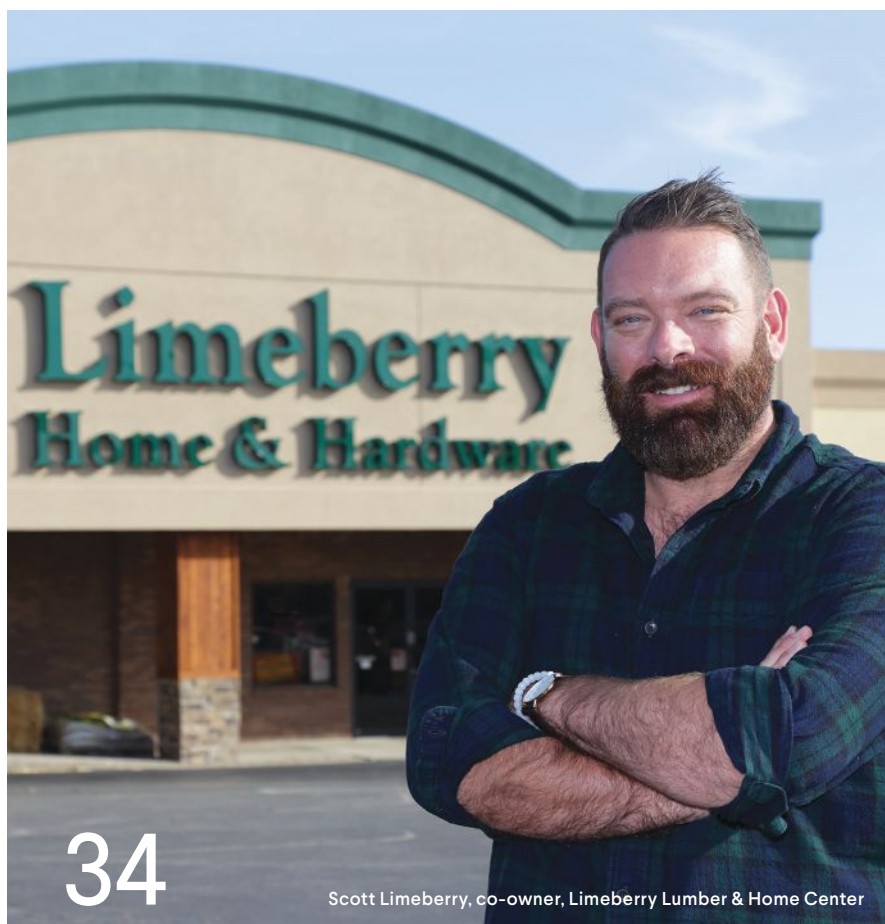


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Scott Limeberry, co-owner, Limeberry Lumber & Home Center

ENTREPRENEURS OF THE YEAR

LBM Journal's Entrepreneur of the Year Awards recognize three LBM companies of different sizes that epitomize the entrepreneurial spirit. Our 2018 winners—Stine Lumber, Wehrung's Lumber & Home Center, and Limeberry Lumber & Home Center—represent vastly different operations. The common thread: a fierce commitment to finding ever better ways to serve their customers and their communities.

BY JAMES ANDERSON

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JASON WEHRUNG

Wehrung's Lumber & Home Center

The 2018 Entrepreneurs of the Year have demonstrated their drive in outstanding ways. For Jason Wehrung of Wehrung's Lumber & Home Center, the opportunity to grow his customer base nearly went up in flames. Not long after expanding to three locations by buying out another nearby yard, a fire destroyed his newest acquisition. Starting over, he included a new rental center and a work apparel department inside, as well as introduced external features like lumber racking to appeal to his growing number of pros and contractors.

SCOTT AND HEATHER LIMEBERRY

Limeberry Lumber & Home Center and Limeberry Home & Hardware

Third generation owners Scott and Heather Limeberry of Limeberry Lumber & Home Center and Limeberry Home & Hardware put a personal spin on their growth strategy. Their vision, to build on tradition through reinvention, involved rebranding a hardware-only competitor into a full-service, female-friendly home and hardware, while expanding the family lumberyard into a state-of-the-art home center featuring a whole home showroom managed by a dedicated design pro.



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Three action items for 2018

AS A NEW YEAR GETS UP AND RUNNING, there's no shortage of predictions and forecasts for what's in store for the residential construction industry in 2018. There will always be unknowns and unexpected surprises along the way, along with plenty of things we can't control. Fortunately, there are plenty of things we can control that can make a tremendous impact on how our businesses are positioned as 2018 rolls over into 2019. To succeed in our business, it is critical that we be able to adapt to reality as it morphs through the year. But that doesn't minimize the importance of starting the year with a fresh set of must-do action items. Here are my suggestions to consider for 2018:

1. FOCUS ON COMPANY CULTURE. The importance of this concept came across loud and clear at the 2017 LBM Strategies Conference. With unemployment at rock-bottom levels, and strong demand for experienced industry pros, it is critical that companies build a culture that keeps existing people happy and that attracts new people. If you're interested in learning what leading companies do to successfully recruit, hire and retain good people, you need to read the commentary by Erin Plummer on page 6. Erin addressed this topic under the title, "The Law of Attraction: How to Make Your Company a 'Best Place to Work.'"

2. SEEK FRESH OPPORTUNITIES. One thing that successful companies have in common, is that they're always on the lookout for newer, better ways to serve their customers. For three excellent examples of companies who are expert at identifying opportunities—then delivering just what their market needs—I urge you to read about our 2018 Entrepreneurs of the Year (page 34). Since the entrepreneurial spirit thrives in companies of all sizes, we recognize companies at all revenue levels: Stine Lumber (more than \$50 million); Wehrung's Lumber & Home Center (sales of \$10 million to \$50 million); and Limeberry Lumber (sales of less than \$10 million). We applaud these companies for going above and beyond to deliver value to their markets.

3. CONNECT, LEARN AND GROW. Many of our readers are independent companies, a fact that comes with its own inherent challenges and opportunities. One key challenge for company owners and managers is to make time to step away from the day-to-day business, reflect on what's going well and what could be improved, then, get fresh perspectives from other dealers who face the same challenges. Every issue of *LBM Journal* is built to those specs, to give you insights to help you grow your business. If you're serious about making genuine connections with other dealers and industry leaders, I strongly encourage you to watch for details on LBM Strategies Conference 2018—then lock those dates into your calendar, and throw away the key.

If NAHB and industry prognosticators are right, 2018 should be another rock-solid year, with another modest increase in housing starts. Here's to working together to make the most of 2018 for you and your business. ■

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Culture makes the difference: Attracting, recruiting and retaining employees at a best place to work

BY ERIN PLUMMER

LAST FALL I HAD THE OPPORTUNITY to go behind the scenes at Hancock Lumber and share some of our “secrets” at the LBM Strategies Conference. As I took the stage to discuss “The Law Of Attraction: How To Make Your Company a ‘Best Place To Work,’” I was so energized that the industry wanted us to share ideas on a topic so ingrained in Hancock Lumber’s culture.

In order for an organization to be a best place to work, it must decide to set employee engagement as a top priority—and stick to it. Employee engagement is a journey, one that takes time, focus, and nurturing. It is intertwined with a company’s culture. Culture exists whether you are working on it or not, so put your energy into creating an environment that reflects who you are. Culture is more than a mission and values statement, just like a brand is more than a logo and marketing is more than just advertising. It’s the sum of every part of your company, good and bad. At Hancock Lumber, we believe that culture makes the difference.

How do you leverage employee engagement and culture as competitive advantages? What are the ingredients to building a culture around employee engagement? What defines culture and where do you even start? Here are a few key ideas to consider:

- 1 Culture = brand. Your brand is the heart and soul of an organization, delivered most powerfully through employees and customer experiences.
- 2 Employees = brand ambassadors. Your employees—the people servicing the customer—are your company’s most valuable assets. Your culture is defined by what employees do individually and collectively.
- 3 Create a culture around employee engagement and a system to measure it. Stick to it.
- 4 Attract the kind of people you want on your team, ones who fit your mission and values.
- 5 Market to your own people. Internal marketing is one of the most powerful tools an organization can leverage.
- 6 An organization’s engagement does not change overnight, nor does your culture. This is a long-term journey.

When you believe that your culture is your brand, you realize the importance of employee engagement and internal marketing. Every person, sign, ad, vehicle, customer, interaction, building—EVERYTHING you do and have—adds up to be your brand experience, your culture. It is the sum of all all things related to your organization; it is everything.



Every person on your team represents the brand. Does every employee know your mission and values? Are all your people a great cultural fit with your organization? Think about the power of all of your employees collectively representing your brand every day, with each transaction and customer interaction. Your story gets told through your people, so make sure you have good ones that help reinforce your brand statement.

We all know that what you measure gets managed. Once employee engagement is defined as a top priority, create a system to measure and track your progress. Hancock Lumber uses a third-party tool to survey all 480 employees annually to get data and feedback on key categories related to employee engagement. The number one reason we take the survey is to get honest employee feedback. Along with the survey, we created a system to get additional feedback throughout the year on important topics that surface in the survey scores. We are disciplined, consistent and structured about asking questions, listening, and repeating the process. When it comes to employee engagement, continuous improvement is the key; perfection is the enemy.

Make sure your organization markets internally to your employees...your brand ambassadors. Marketing is more than just speaking to customers and the external world. Communicate to your employees and make sure everyone is speaking the same language. Are your messages clear? Is your mission clear? I like to say, “Say it, say it again, and say it another way. Then, repeat!” Don’t assume your employees know; communicate consistently and effectively through a variety of channels. ➤



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If people are the number one organizational asset, how involved are your employees in hiring? Who at your organization is responsible for hiring? The answer at Hancock Lumber is, we all are. HR, management, marketing, the COO, co-workers, our President... EVERYONE! Hiring should not live on a Human Resources island; there is nothing more important than the people you hire. People want to work with quality employees who make great teammates, so encourage your employees to be a part of the hiring process—and, reward them for referrals! When you attract the kind of people who represent your brand and speak the same language, exciting things happen...momentum builds and potential employees seek you out and come knocking at your door.

Spend your energy on people, creating a culture where employees are respected, trusted, listened to, work hard, and share values. There is no silver bullet for culture, but it exists whether you want it to or not. So, set being a best place to work as a priority and stay focused and disciplined on your goal. This is a journey, a long-term commitment with a lot of moving parts. But, it all starts with fostering a culture of employee engagement and empowering your people. When people are happy and engaged, momentum builds and powerful things happen. Culture makes the difference. How focused are you on yours? ■

Erin Plummer is Vice President of Marketing and Communications Director at Hancock Lumber Company which was named a Best Place to Work in Maine in 2017 for the fourth consecutive year. Hancock Lumber is serious about continuous improvement and dedicated to its culture, creating an environment where employees respect and listen to each other. To learn more, contact Erin at eriplummer@hancocklumber.com



NAHB REVIEWS IMPACT OF CANADIAN LUMBER DUTIES ON THE U.S. ECONOMY IN 2018

On Nov. 2, the Commerce Department announced its final decision to impose duties averaging 20.83% on Canadian softwood lumber shipments into the U.S. The impacts of these duties on the U.S. economy next year will include increased production by U.S. sawmills, reduced imports from Canada, and higher prices paid for lumber by consumers in the U.S., which in turn will lead to a reduced volume of new residential construction. The National Association of Home Builders (NAHB) estimates that the bottom line impact of these effects in 2018 will be a net loss of:

- \$576.9 million in wages and salaries for U.S. workers.
- \$404.0 million in taxes and other revenue for governments in the U.S.
- 9,370 full-time U.S. jobs.

Also for the 2018 analysis, new estimates of the amount of lumber in the average single-family and multifamily home were developed from the 2017 Builder Practices Survey conducted by Home Innovation Research Labs.

From this baseline, NAHB continues to apply average elasticities (how strongly markets respond to price changes) published in the academic literature. The result is an estimate that, in 2018, the 20.83% duty will cause:

- A reduction of 1.3 billion board feet in Canadian imports.
- An increase of 885 million board feet in output of U.S. producers for the domestic market.
- A 6.9% increase in the price paid by U.S. customers for softwood lumber.

It is well known that home builders are among the major U.S. consumers of softwood lumber. The effects of the increased price the duty would cause them to pay (assuming the conventional price elasticity for housing demand of -1) include:

- \$1,360 increase in the price of an average single-family home.
- \$478 increase in the market value of an average multifamily home.
- \$1.1 billion reduction in investment in single-family structures.
- \$147 million reduction in investment in multifamily structures.

BLUETARP FINANCIAL Q3 BUILDING SUPPLY INDEX REACHES RECORD HIGH

BlueTarp Financial, a credit management company for B2B suppliers, has released its Q3 2017 Building Supply Index. The Q3 2017 index value rose to 134.14 from 126.52 in Q3 2016 – the highest on record since tracking began in 2008.

Values below 100 reflect recessionary or recovering performance. Values above 100 reflect healthy economic activity. Similar to the last quarter's index, building permits and construction spend saw a slight increase, but consumer confidence continues to be the main driver for the elevated index level.

As a supplement to the Building Supply Index, BlueTarp conducts a quarterly survey of its contractors to gauge sentiment on the current and future state of the economy. While consumer confidence remains high, long-term contractor sentiment saw a decline this quarter due to uncertainty in the marketplace. This quarter, 11.7% fewer contractors reported a favorable outlook compared to Q2 2017.

"Consumer confidence and increase in construction spend is driving the index to all-time highs," said Scott Simpson, president and CEO of BlueTarp. "We continue to see elevated delinquency levels warranting careful monitoring, but held steady this last quarter."

The report represents trends from 120,000 pro customers and more than 2,000 building material suppliers across the United States. It also incorporates macro-economic drivers including: building permits, construction spend and consumer confidence as reported monthly by the Census Bureau and The Conference Board.

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HOUSING STARTS RISE IN OCTOBER

Total housing starts increased in October, with solid readings from the single-family sector, the NAHB reports.

Nationwide housing starts rose 13.7% in October to a seasonally adjusted annual rate of 1.29 million units after a slight upward revision to the September reading, according to newly released data from the U.S. Department of Housing and Urban Development and the Commerce Department. This is the highest housing production reading since October 2016, when total starts hit a post-recession high of 1.33 million.

Single-family production rose 5.3% in October to a seasonally adjusted annual rate of 877,000. Year-to-date, single-family starts are 8.4% above their level over the same period last year. Multifamily starts jumped 36.8% to 413,000 units after a weak September report.

Regionally in October, combined single- and multifamily housing production rose 42.2% in the Northeast, 18.4% in the Midwest, and 17.2% in the South. Starts fell 3.7% in the West.

Overall permit issuance in October was up 5.9% to a seasonally adjusted annual rate of 1.3 million units. Single-family permits rose 1.9% to 839,000 units while multifamily permits fell 9.5% to 458,000.

Permits rose in all four regions. They increased 13.0% in the West, 4.1% in the Northeast, 3.8% in the Midwest and 3.0% in the South.

SINGLE-FAMILY CONSTRUCTION SPENDING SHOWS AN INCREASE IN OCTOBER

NAHB provided analysis of U.S. Census Construction Spending data indicating total private residential construction spending grew 0.4% in October to a seasonally adjusted annual rate of \$517.7 billion. It was a modest gain after a 0.2% dip in September. The total private residential construction spending was 7.4% higher than a year ago.

NAHB attributes the monthly gains to the steady growth of spending on single-family and home improvements. Single-family construction spending edged up 0.3%, and remodeling spending rebounded by 1.4% in October. However, multifamily construction spending slipped 1.6% after the September dip, and was 2% lower since a year ago.

NEW HOME SALES RATE REACHES 10-YEAR HIGH IN OCTOBER

Sales of newly built, single-family homes in October rose 6.2% to a seasonally adjusted annual rate of 685,000 units from a downwardly revised September reading, according to newly released data by the U.S. Department of Housing and Urban Development and the U.S. Census Bureau. This is the highest sales pace since October 2007. Year-to-date, new home sales are 8.9% above their level over the same period last year.

"The October report shows strong sales growth at entry-level price points," said Granger MacDonald, chairman of the National Association of Home Builders (NAHB) and a home builder and developer from Kerrville, Texas. "In markets where builders are able to provide homes for families with different household budgets, they can fulfill a growing demand for housing."

"There is solid growth in the number of sales contracts signed before construction has begun, a strong indicator that new single-family home production should continue to grow as we look ahead to 2018," said NAHB Chief Economist Robert Dietz.

The inventory of new homes for sale was 282,000 in October, which is a 4.9-month supply at the current sales pace.

New home sales increased in all four regions. Sales rose 30.2% in the Northeast, 17.9% in the Midwest, 6.4% in the West and 1.3% in the South.

BUILDER CONFIDENCE CLIMBS TO EIGHT-MONTH HIGH IN NOVEMBER

Builder confidence in the market for newly-built single-family homes rose two points to a level of 70 in November on the NAHB/Wells Fargo Housing Market Index (HMI). This was the highest report since March, and the second highest on record since July 2005.

"November's builder confidence reading is close to a post-recession high—a strong indicator that the housing market continues to grow steadily," said NAHB Chairman Granger MacDonald. "However, our members still face supply-side constraints, such as lot and labor shortages and ongoing building material price increases."

"Demand for housing is increasing at a consistent pace, driven by job and economic growth, rising homeownership rates and limited housing inventory," said NAHB Chief Economist Robert Dietz. "With these economic fundamentals in place, we should see continued upward movement of the single-family housing market as we close out 2017."

Derived from a monthly survey that NAHB has been conducting for 30 years, the NAHB/Wells Fargo Housing Market Index gauges builder perceptions of current single-family home sales and sales expectations for the next six months as "good," "fair" or "poor." The survey also asks builders to rate traffic of prospective buyers as "high to very high," "average" or "low to very low." Scores for each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view conditions as good than poor.

Two out of the three HMI components registered gains in November. The component gauging current sales conditions rose two points to 77 and the index measuring buyer traffic increased two points to 50. Meanwhile, the index charting sales expectations in the next six months dropped a single point to 77.

Looking at the three-month moving averages for regional HMI scores, the Northeast jumped five points to 54 and the South rose one point to 69. Both the West and Midwest remained unchanged at 77 and 63, respectively.

2018 NEW CONSTRUCTION STARTS TO INCREASE 3% TO \$765 BILLION

Dodge Data & Analytics has released its 2018 Dodge Construction Outlook, a mainstay in construction industry forecasting and business planning. The report predicts that total U.S. construction starts for 2018 will climb 3% to \$765 billion.

"The U.S. construction industry has moved into a mature stage of expansion," stated Robert Murray, chief economist for Dodge Data & Analytics. "After rising 11% to 13% per year from 2012 through 2015, total construction starts advanced a more subdued 5% in 2016. An important question entering 2017 was whether the construction industry had the potential for further expansion.

Several project types, including multifamily housing and hotels, have pulled back from their 2016 levels, but the current year has seen continued growth by single family housing, office buildings, and warehouses. In addition, the institutional segment of nonresidential building has been quite strong, led especially by transportation terminal projects in combination with gains for schools and healthcare facilities. As for public works, the specifics of a \$1 trillion infrastructure program by the Trump Administration have yet to materialize, so activity continues to hover around basically the plateau for construction starts reached a couple of years ago. Total construction starts in 2017 are estimated to climb 4% to \$746 billion."

"For 2018, there are several positive factors which suggest that the construction expansion has further room to proceed," Murray continued. "The U.S. economy next year is anticipated to see moderate job growth. Long term interest rates may see some upward movement but not substantially. While market fundamentals for commercial real estate won't be quite as strong as this year, funding support for construction will continue to come from state and local bond measures. Two areas of uncertainty relate to whether tax reform and a federal infrastructure program get passed, with their potential to lift

investment. Overall, 2018 is likely to show some construction project types register gains while other project types settle back, with the end result being a 3% increase for total construction starts.

By major sector, gains are predicted for residential building, up 4%; and non-residential building, up 2%; while non-building construction stabilizes after two years of decline."

BUILDER CONFIDENCE IN 55+ MARKET REMAINS STRONG

Builder confidence in the single-family 55+ housing market continued to be positive in the third quarter of 2017, according to the NAHB 55+ Housing Market Index (HMI), released Nov. 1.

While the index measuring builder confidence in the single-family 55+ market dropped from a reading of 66 in the second quarter to 59 this quarter, it's the 14th quarter in a row in which the reading was above 50, the break-even point at which more respondents see conditions as good than poor.

There are separate 55+ HMIs for two segments of the 55+ housing market: single-family homes and multifamily condominiums. Each 55+ HMI measures builder sentiment based on a survey that asks if current sales, prospective buyer traffic and anticipated six-month sales for that market are good, fair or poor (high, average or low for traffic).

When compared to the previous quarter, among the three single-family components of the 55+ HMI, present sales dropped from 70 to 65, sales expected in the next six months from 80 to 63 and traffic of prospective buyers from 53 to 44.

Meanwhile, the 55+ multifamily condo HMI slipped slightly from 53 to 51. Of the three 55+ condo HMI components, present sales edged down from 56 to 55, sales expected in the next six months stayed the same at 55 and traffic dipped from 45 to 40.

UPCOMING EVENTS

- JAN 9-11** NAHB International Builders Show, Orlando, FL • www.buildersshow.com
- JAN 16-17** North Dakota Retail Lumbermen's Association Annual Convention
Fargo, ND • www.NDRLA.com
- JAN 18-19** Do it Best Winter Conference, San Diego, CA • www.doitbestcorp.com
- JAN 22-23** Northwestern Lumber Association (NLA) Building Products Expo
St. Cloud, MN • www.nlassn.org
- FEB 9-12** True Value Spring Reunion, Washington, DC.
www.truevaluecompany.com
- FEB 14-16** Northeastern Retail Lumber Association (NRLA) LBM Expo
Providence, RI • www.lbmexpo.com
- FEB 7-8** Building Material Suppliers Association (BMSA), Hickory, NC
www.mybmsa.org
- FEB 19-21** LBM Advantage 3rd Annual Meeting & Trade Show, Kissimmee, FL
www.lbmadvantage.com
- FEB 20** Iowa Lumber Convention, Altoona, IA • www.nlassn.org
- FEB 22-24** Orgill Spring Dealer Market, Orlando, FL • www.orgill.com
- FEB 28** IDEAS Show, King of Prussia, PA • www.ideasshow.org
- FEB 28** Nebraska Lumber Dealers Convention, La Vista, NE • www.nlassn.org
- MAR 19-21** NLBMDA Spring Meeting & Legislative Conference • www.dealer.org
- MAR 21-23** LMC Annual Meeting, Tampa, Fla. • www.LMC.net

Send information about your company's events to Rick@LBMJournal.com.



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UPDATES

INDUSTRY

Epicor Software announced its Customer Excellence Awards at its annual Lumber & Building Materials User Conference, recognizing **Yoder Lumber** in the Technology Innovator category, and **Star Lumber & Supply Co.** in the category of Rapid Time to Value.

Building Products Inc. has opened a new branch in Watertown, Wis.

Home Factories, Inc., a wholly owned subsidiary of **Building Material Distributors, Inc.** has acquired **Moehl Millwork, Inc.**, a distributor of millwork products with facilities in Ankeny, Iowa and Olathe, Kan.

Digger Specialties, Inc. has purchased the assets of **Column & Post Inc.**, a manufacturer of fiberglass columns in Fuqua-Varina, N.C.

TOUGH CALL ANSWERS

ANSWERS TO OUR OCTOBER TOUGH CALL:

BROKEN DOWN AND WASTING TIME

The owners at your yard are reluctant to repair and replace.

Your Votes Online at LBMJournal.com

- 16.67% STAY CALM.** The owners are savvy business people, and its almost certain that they'll soon take notice of all the red flags, and make the necessary corrections.
- 19.44% MOVE ON.** Once this company goes under, which it will, you don't want to be known as the head of operations for a failed operation. Leave and don't look back.
- 52.78% SOUND THE ALARM.** Share your concerns about the company's future with the owners, and the fact that you can't stay if they don't take immediate action to right the ship.
- 11.11% START LOOKING.** Find a recruiter you can trust, and have them check if your skills and experience fit any of their clients. If yes, you have a strong card to play.

Reader's Responses

Looks like a great opportunity for the manager to buy the business and lease the buildings. If the real estate is on the main thoroughfare, then buy them both (land contract preferably). Go to the customers, including the one that left, and ask for their help to make it good for them. Being the manager of operation you know where the dead weight is and get rid of it. This should boost morale, too.

– Dan De Leeuw, DeLeeuw Lumber Co.

While re-investing in capital equipment is a prerequisite in any long term business plan, failing to evaluate the effectiveness of a company's processes may eventually prove to be fatal. If we are using outdated processes to handle daily transactions, that may be even more significant than decisions regarding equipment maintenance. We must be objective regarding employee input in those areas where we could do better. After all, our employees are the ones who see the inefficiencies up close and personal, and who experience our customer's frustrations first-hand.

– Tom DeVries, DeLeeuw Lumber Co.

ASSOCIATIONS

The **West Coast Lumber & Building Material Association (WCLBMA)** has elected new officers and directors for 2018 and confirmed other officers and directors who remain on the board. The action came at the annual convention of the organization in Rancho Mirage Calif., on Nov. 9. Remaining as president for 2018 is **Victor Fresca**, Vice President of **Dixieline/Probuild**.



FRESCA

First Vice President:

Mark Boone, Champion Lumber

Second Vice President :

Frank Addiego, All Bay Mill & Lumber

All officers of the association serve two years terms. Re-elected treasurer was **Victor Hausmaninger**, CPA, CEO of **HLA CPA's**. **Ken Dunham**,



DUNHAM

Executive Director of the **WCLBMA**, will remain as corporate secretary.

Augie Venezia of **Fairfax Lumber** remains on the board as government affairs chair.

Director (newly elected):

Chris Fleiner, Reno Lumber

Directors (re-elected):

Barrett Burt, Ganahl Lumber

Glenda DeFrange, StraightLine Transport

Barry Schneider, Bear Forest Products

Directors (holdover):

Rick Deen, Nichols Lumber

Lindsay Olson, Crenshaw Lumber

Marc Mizorski, Hayward Lumber

Tom Von Moos, Western Woods

Matt Endriss, Central Valley

Thom Wright, Sierra Pacific Industries

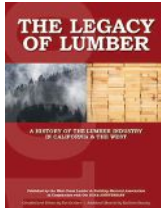
Brian Bunt, Windsor Mill, will represent the organization's young professional group, Second Growth, on the board of directors.

To commemorate the 100th anniversary of the West Coast Lumber & Building Material Association (WCLBMA), the director of the regional lumber and building materials trade organization has published a book.

"The Legacy of Lumber" history book of the lumber industry in the West, and specifically California, was written by **Ken Dunham**, Executive Director of the WCLBMA, with assistance by contract writer Kathleen Beasley. The book tells the story of the lumber industry in America, from Colonial years to the present, with a

particular focus on the rich lumber history in California. The book was introduced at the annual WCLBMDA convention in November in Rancho Mirage, Calif.

The 98-page softbound book is available through the West Coast Lumber & Building Materials Association.



Trent Withers of **Withers Lumber Company** in Woodburn, Ore. was elected President of **Western Building Material Association** at its 115th Annual Convention and Building Products Showcase held November 7-9, 2017 in Marysville, Wash. Others elected to office in the Western Building Material Association include: Vice President:

Brett LaMar, **Lake Chelan Building Supply**

Vice President:

David Stordahl, **Triple S Building Center**

Executive Committee:

Kelly Fox, **Lumber Traders**; **Rick Lierz**, **Franklin Building Supply**; **Scott Munson**, **ProBuild**

Directors:

Joost, Douwes, **Chinook Lumber**; **Jeff Mancheni**, **Central PreMix**; **David Shanda**, **Huttig Building Products**

DISTRIBUTION

Weyerhaeuser Distribution has expanded its offering of **Homasote 440 SoundBarrier** panels to its distribution centers in Denver, Dallas, Houston, and Tacoma, Wash.

Boise Cascade has opened a St. Louis distribution center. The area had previously been served from the company's Memphis facility.

PEOPLE

Dick Marriott, outgoing president of **MiTek**, has won the 2017 Dick Bowman Industry Enthusiast award from the Structural Building Components Association (SBCA).

BlueLinx has named **Doug Sloane** as the new General Manager for the Nashville/Memphis district. **Gregg Argall** will be the new General Manager of its Chicago location.

Kodiak closes ABS deal, partners with venture capital group

Kodiak Building Partners announced the successful closing of its acquisition of American Builders Supply. In addition, Kodiak and Court Square Capital Partners announced a partnership to further enhance the company's growth in building products distribution. Court Square has made a major investment in Kodiak to support both internal growth and expansion through acquisitions.

Missouri lumberyards settle marketing dispute

Two lumberyards in Northwest Missouri have settled a marketing conspiracy dispute that was scheduled for a jury trial, the St. Joseph *News-Press* reports. Porters Building Centers of Kearney, Mo., had filed a federal lawsuit against Sprint Lumber of St. Joseph, Mo. The suit alleged marketing conspiracy on the part of four former Porters Building Center employees who had conspired with owners of Sprint Lumber to put Porters out of business. Terms of the settlement were not released.

DEALERS, GOT NEWS? Send info on your company's new location, anniversary, expansion, local recognition, honors and awards, new hires, promotions, or other news to James@LBMJournal.com.

Key-Link Fence & Railing has promoted **Christopher Wenger** to Director of Operations, and **John Piersol** to Fabrication Manager.



WENGER

84 Lumber's Chief Financial Officer **Paul Lentz** has been as the 2017 recipient of the *Pittsburgh Business Times* CFO of the Year award.



PIERSOL

Do it Best Corp. has promoted **David McDonald** to Divisional Merchandise Manager.



McDONALD

The Lester Group has named **Steve Riggs** as the new Vice President of its Building Supply Division.



RIGGS

Ralph Bruno has been named CEO of **Derby Building Products, Inc.** (formerly Novik, Inc.) manufacturer of the Tando and Novik brands of exterior cladding products.



BRUNO

Superior Plastic Products has promoted **Elmer Weaver** to the newly-created role of Vice President of Engineering.



WEAVER

BY THE YARD

NEWS FROM LUMBERYARDS AROUND THE COUNTRY

Boise Cascade Company has announced that **Mike Brown** and **Nate Jorgensen** have been promoted to Senior Vice Presidents in the Wood Products Division.



BROWN

Eastern Engineered Wood Products has announced two new hires: **Wade Buick** is Director of Operations, and **Jeff McLaughlin** is an Outside Sales Rep.



JORGENSEN

McCoy's Building Supply has promoted **Waylon Walker** to Senior Vice President of Operations and Merchandising.



WALKER

Building supply company **Central Valley** has appointed **William (Bill) Robertson** as CFO. Robertson succeeds **David Templeton**, who is retiring after a seven-year career with the company.



ROBERTSON

Send updates about your organization to James@LBMJournal.com.

FIVE QUESTIONS WITH:

RALPH BRUNO, DERBY BUILDING PRODUCTS

Ralph Bruno was recently named CEO of Derby Building Products (formerly Novik, Inc.), which manufactures Tando and Novik brands. Bruno is responsible for providing strategic direction and leadership for the company. Prior to joining Derby, Bruno served as National Sales Manager of Trex Company in the early 1990s before starting AZEK Building Products in 2000, where he served as President until 2009.



1

Q: With housing and remodeling doing well in most markets, what do you see as the biggest opportunity for LBM dealers?

A: Taking advantage of what the market is looking for in both design and consumer lifestyles. Products like Tando-Stone and Beach House Shake by Tando meet design trends for mix material on exteriors while satisfying homeowners demands around no upkeep and moisture management. With unique products that represent the next conversion in home exteriors, dealers can look forward to great margins and leads, leads, leads.

2

Q: On the flipside of that question, what do you see as the biggest challenge?

A: The biggest challenge in all construction both new and repair and remodel is the shortage of labor. Selecting products that are fast and easy to install helps alleviate concerns around labor. Tando products feature easy-to-use starter strip, and uses tools that are used for all mainstream cladding products. Beach House Shake product can be installed with a pneumatic nail gun, for even faster installations.

3

Q: What design trends do you see driving the exterior cladding market today, as well as over the next couple of years?

A: The hottest trend we are seeing on homes, as well as multi-housing and senior living facilities, is to use more stone products on the exterior as well as stained shakes in the gables and dormers. This mixed materials design is going mainstream at all price points. The builder or consumer can select the siding of their choice for the middle of the structure. The fastest growing siding products for these applications have been fiber cement, engineered wood siding and stucco. The builder can complement these products with TandoStone as the knee wall and our new Signature Stain in the gable, providing what we call the hats and shoes of the exterior.

TandoStone offers a level of realism and natural beauty, right down to its authentic texture, that the industry has never seen before. It is lighter, more workable, and much easier and faster to install than stone or stone veneer. It features a proprietary coating to protect against harmful UV rays and is impervious to moisture, making it perfect for ground contact applications. For roofline applications where moisture resistance is also key, products such as Signature Stain created

by Tando has the rich look of stained wood shake without the need to ever apply stain. Tando products make these looks so much easier to achieve, because there's no mortar and no mess for the stone with lightweight, quick installation and just regular woodworking tools for the shakes. These products can often be installed by one person.

4

Q: From your experience launching and building brands, what advice do you have for dealers who want to set their companies apart from competitors?

A: Having been involved in launching alternative decking and trim in the past 20 years, we encourage dealers to get in at the ground floor with new technologies that have a real value proposition for the exterior of the home or structure. For exterior cladding, products that feature moisture-resistance, realism, aesthetics and ease of installation keep contractors and builders coming back for more.

5

Q: What should dealers watch for from Derby Building Products, and its professional Tando brands, in 2018 and beyond?

A: We have assembled an all-star team at Derby and will be launching new LBM-friendly products in 2018, such as new colors of Tando's Beach House Shake, which is indistinguishable from the classic shakes you see at the beach. Complete with dark crisp keyways, no repeatable pattern, and a texture so real you will want to touch it—every shake is unique. A new line known as the Signature Stain Shake Collection created by Tando will debut at the 2018 International Builders Show and features a proprietary manufacturing process that utilizes a real semi-transparent wood stain on the shake to ensure the look is identical to actual stained wood shakes. The perfect answer to the market demand for mixed material exteriors, Signature Stain Shake is impervious to moisture, so it's ideal for gables and dormers right up to the roof line. It also has an unmatched 50-year performance warranty and three colors taken from nature: Fawn, Bark and Acorn.

Additionally, we will be reinventing how consumers and dealers select textures and colors as we launch a revolutionary new sample process we are calling Tando HD (Home Definition) Samples. The perfect collaboration tool for contractors and their customers, the high-definition realism of these samples will greatly help in product and color selection. ■



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MIDWEST LUMBER & SUPPLY SHARES THEIR SUCCESS STORY PARTNERING WITH SPRUCE.

When it comes to supporting growth-oriented lumber yards and hardware stores, nobody does it better than Spruce™ software from ECI. Just ask Janelle Armentrout, chief financial officer at Butler, Missouri-based Midwest Lumber & Supply.

Since going live on Spruce in July 2011, Midwest Lumber has seen overall sales grow by more than 40% and added two new locations—going from two to four. At the same time, the business has grown more complex, with the addition of a truss manufacturing plant and a door shop.

Growth is usually a good thing but sometimes—particularly if the software you're using isn't up to dealing with it—it can put the business in a world of hurt.

Fortunately for Janelle and the rest of the Midwest Lumber team, that's never an issue with Spruce.



ONE OF THE KEY REASONS WE CHOSE SPRUCE WAS BECAUSE WE SAW HOW WELL IT WAS SET UP IN A WAY THAT WOULD GIVE US ROOM TO GROW AND EXPAND."

IMPRESSIVE GROWTH LED TO NEED FOR NEW SOFTWARE

This is a special year for Midwest Lumber. It's not only been generating some impressive growth in tough times but the company is also celebrating its 20th anniversary.

The business was founded in 1996 by Janelle's parents, John and Maribeth Golladay, and while it enjoys a fair amount of retail, walk-in business, most of its revenue comes from the contractor side of the market.

In 2008, the Golladays—by then joined by son Brandon and daughter Janelle—opened a second location, in Pleasant Hill, Missouri, about 40 miles north of its Butler headquarters. Six years later, the company acquired a truss manufacturing plant and a door shop, followed soon after by a location that operates 100% as a contractor yard. Midwest Lumber today boasts some 55 employees, up from 40 just three years ago.

With that kind of growth in its recent past, the ability to manage further expansion was a top priority when Janelle went looking for new software.

"WE CHOSE SPRUCE BECAUSE IT'S SET UP TO ALLOW FOR GROWTH"

"One of the key reasons we chose Spruce was because we saw how well it was set up in a way that would give us room to grow and expand," explains Janelle.

"When we made the decision to switch to Spruce, we did not envision that we would expand the way we have but we were confident that Spruce would be sufficient to grow with us if and when we did expand."

Some six years after making the switch, that confidence has been more than justified. "We added two locations and a manufacturing operation that is very different from our core business and Spruce handled it all seamlessly," Janelle reports happily. "The Spruce technical support team was really good at working with us and when we wanted to add the additional branches, they were very flexible and did it on our time frame rather than insisting we did it on theirs."

Bringing Spruce in to drive the business has also had a significant impact on productivity and the overall bottom line at Midwest Lumber.

"We are so much more efficient today with Spruce," Janelle says. "Before we switched to Spruce, I used to manually process end of day, either after the store closed or first thing before business started up again. And once a month, I'd have to manually do end of month and generate statements. Now, thanks to Spruce, it's all automated and processes that used to take hours now get taken care of with just a few keystrokes!"

DOCUMENT MANAGEMENT AND BUSINESS INSIGHT, A WINNING COMBINATION

Janelle also gives kudos to Spruce for its powerful document management capabilities. "Before we brought Spruce in, we were drowning in paper," she recalls. "There were just so many documents that we had to keep on file and if you ever needed to find an old invoice or purchase order, it could take forever to track it down."

With Spruce, the company's routine business documents are now scanned into the system and information is accessible company-wide.

"One of the things I really like about Spruce is that from the time a customer orders something to the time they pay the bill, I can track everything," Janelle says. "If I want to see how much money we made on a particular sale or from a particular customer, all I need are just a couple of keystrokes in Spruce and I've got the answer. Same story if I have a question about an invoice or an order."

And, she points out, easy access to reliable, real-time information means management decisions are now based on hard data rather than gut feel or guesswork.

"We are so much better at running the business now compared to how we were before we switched to Spruce," Janelle says. "Spruce has made us better at managing inventory; it's made us better at managing margins and it's made us better at setting realistic budgets and sales goals and meeting them. And our bottom line has definitely gotten better since switching to Spruce."

Right now, the management team at Midwest Lumber has taken the foot off the accelerator just a little as they focus on absorbing their most recent growth surge. But if the company's past history offers any indication, new expansion plans will be taking shape before too long and when that happens, Janelle Armentrout and the rest of the

team can be confident Spruce will be more than able to handle anything they might throw at it and continue to keep their company strong and profitable every step of the way.



Midwest Lumber, located in Butler, MO., is family owned and operated since 1996.
www.midwest-lumber.com



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SALES & MARGINS

BILL LEE

Breathing too much of your own exhaust?

REGARDLESS OF HOW SUCCESSFUL you believe your company may be, your place of business is most likely not the most innovative building supply business in North America. I'd say the odds are really good that there are building supply operations somewhere out there that have figured out some of the same problems that you and your management team are struggling with right now, today.

I love to read business books. I've learned a lot about how to solve business problems from the books I've read, but what I've learned from books pales in comparison to what I've learned from visiting with the owners and managers of successful businesses in our industry.

When I meet managers who rarely get outside of their own businesses to visit with the managers of other yards, I accuse them of spending too much time breathing their own exhaust. It has been my experience that to discover the best money-making and problem-solving ideas, it's usually necessary to take a trip; that is, to invest the time to expose you and your key managers to other successful businesses.

Consider this: there are no sales or operational problems that someone in our industry has not solved, so if you want to shorten your learning curve, budget time each year to visit five or six businesses that your research suggests are operationally on the leading edge.

Another one of the greatest benefits of getting outside your own community—or for that matter, your state or region of the country—is to develop a network of managers who are in the same business you're in. You can call on these managers when you are looking for solutions.

When I conduct a consulting assignment, I almost invariably encourage the client to visit specific dealers whom I know personally to be doing a much better job in an area of their business that my client would benefit from knowing about. And seeing it firsthand is a lot more effective than reading about it.

I recall a time in my old company when we were spending what we believed to be an excessive amount of expense dollars sending our drivers to jobsites to pick up merchandise our builders wanted to return for credit. Historically we had calculated returned materials amounted to just over 2% of our sales dollars. At this particular time, however, returns had elevated to more than 3% of sales.

We approached our federated association director and asked if he knew anyone who was doing a great job of managing returns. He told us about a company that was located about a one-and-a-half-hour drive from our community who was doing some very innovative things that got the builder involved.

There are no sales or operational problems that someone in our industry has not already solved.

When we arrived on site, the owner of the company explained that he had met with his customers—especially those customers who were returning an unusually large quantity of materials—and together they had agreed on a solution. The builders agreed to stack the materials they wanted to return on pallets and then set the pallets on the curb to make it easy for our drivers to pick them up with a piggyback forklift.

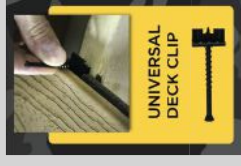
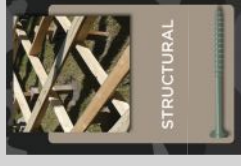
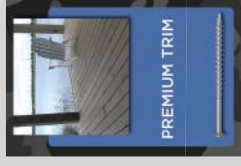
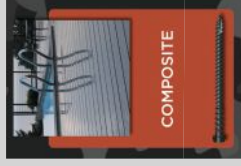
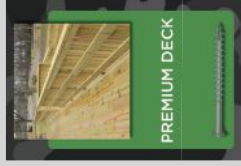
The idea helped with two problems we were experiencing: First, our drivers no longer had to walk all over the jobsite gathering the materials the builder wanted to return. Secondly, it called our customers' attention to returns and that alone motivated them to significantly reduce the amount of material they returned for credit.

Business slows down at many yards during the winter months, making wintertime an excellent time of year for most managers to take a short road trip. ■

Bill Lee works with owners and managers who are looking for ways to put more money on the bottom line. For more information, you can contact Bill at 864.303.8366 or email him at LeeResourcesInc@Gmail.com.

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NEXT GENERATION

ISAAC OSWALT

How to create a better culture by cutting ties

CULTURE. It's a buzzword that we hear all the time, and yet it means something different to everyone. The talking heads in business spend countless hours telling you about how new ideas, new products, new this, new that will improve your company culture.

Do this, be that, hire a Chief Empathy Officer. Buy a cappuccino machine. Go tour Google. Plant trees. Blah, blah, blah. Of course, some of it has merit, but sometimes you can create culture by letting something go rather than taking on something new.

Let me share with you a couple of examples of this that I have observed recently.

STORY 1: Removal of an employee

I have a friend, Ted, who runs a traditional B2B sales organization with about 50 staff members. Ted has been around long enough to have an employee who was considered part of the family. The guy had worked with Ted for almost 25 years. But over the past few years, the employee had grown distant and disruptive. For two years Ted kept track of complaints that he received from both other staff members and customers. He documented the complaints and tried to work with the employee. After all, they were "like family." Still, Ted had to finally let the employee go after 25 years of service.

Ted called me shortly after his toxic employee's last day on the job. His voice articulated guilt and sorrow for what he had done. Anyone who has been in business long enough knows tough decisions go with the territory, but what Ted was feeling after firing a long-time staffer was the toughest side of doing business.

Three months went by and Ted and I got together for a drink after work. Ted's mood had taken a 180-degree turn.

"My team is really gelling," he told me. "People are picking up slack in different ways than ever before. I left the office and six people were wrapping up quotes and then headed to grab dinner together. That never happened when the crabby employee brought everyone's mood down."

Ted then told me about all of the things he had added to his organization in hopes of improving the culture. Training, team-building activities, a break room remodel, the list when on.

"It turns out that even though I thought I needed to improve culture by adding all these things, what I really needed to do was to remove the person who didn't want to be a part of it." This quote hit me hard, and reminded me to stop adding and to do an audit on what should be removed.

STORY 2: Removal of a client

Recently I was presented with a project opportunity with a prospect that my company has wanted to do business with for a long time. The project was a nice piece of business for us, but the big upside was the possibility of a longterm agreement with this prestigious company. The project went well and the scope of work was dramatically expanded. Unfortunately, we experienced some requests and issues in working together that negatively impacted our company's culture.

Before agreeing to the new terms of work with this client, I made the very challenging decision to send over a pointed list on how our company would work with this client moving forward.

"Here is what we will do/accept."

"Here is what we will not do/accept."

This document was extremely reasonable in my mind, but I had no way of knowing for sure how it would be interpreted at the client's office.

Honestly, I probably killed the opportunity of us working further with the client, and that's ok. My people and the culture we created here are more valuable than a good chunk of money from the wrong client.

We're not a huge company and my accountant would probably kill me if he knew the amount of gross margin dollars this decision might leave on the table. On the other hand, how am I supposed to maintain and grow the great culture we've created by putting our team in front of the wrong clients?

My point in telling you this is that sometimes the decisions we make to preserve or improve our culture hurts the pocketbook. Although tough to swallow, turning away this business is an investment in my team.

Ted and I aren't the only ones to discover that sometimes improving company culture comes down to an addition-by-subtraction equation. Ted, I'm sure, will miss his long-time employee with whom he talked football for over two decades. Selfishly, I will miss the business revenue that the mismatched client would have brought to our company. But with that said, an uptick in culture can happen in your organization by simply removing the blockade, and getting what's holding you back out of the way. ■

Isaac Oswalt is an entrepreneur, investor, author, speaker and marketer. He owns 21 Handshake, a sales and marketing agency in Ada, Mich., working across multiple industries to help businesses succeed. Reach him at 517.899.0123 or Isaac@21handshake.com.

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RECRUITING & HIRING

RIKKA BRANDON

Signs your job ad stinks—and how to make it better

JOB ADS HAVE BEEN A STAPLE for as long as companies have existed. It started with hanging a sign in the window (“Inquire Within”), then moved on to newspaper classifieds, then to online job boards, and, of course, social media.

But just because you post a job ad doesn’t mean you’re going to get the results you want.

Does your job ad stink? Here are a few signs:

1 Very few applicants

If you aren’t getting any applicants (qualified or not), you’re probably posting to the wrong places. Traffic matters, so if your local HBA job board only gets 25 visitors a month, it’s unlikely the right person for your role will visit and apply. Post on multiple platforms to expand your reach.

2 Lots of unqualified applicants

Realistically, you’ll never be able to prevent clearly unqualified people from applying. But a well-written job posting can drastically lower the number.

3 Lots of views but very few applications

Many job boards allow you to track how many people are reviewing your job posting and ultimately applying. Depending on how your ad is written, you may be enticing people to look, but not enticing them to follow-through.

4 You require an in-person application

Requiring an applicant drop off their resume in person can be a big deterrent; people with jobs will find it very difficult to find time to do so. You can still allow people to drop off resumes or fill out applications, but smart companies give the option to email or complete an application online, as well. You’ll have plenty of opportunity to meet them during the interview process.

A well-written job ad should be more like marketing copy than a job description. It is based on the job description, certainly, but attracts the right people and inspires them to apply. Here are a few best practices for creating a job ad that attracts and engages the right people.

Do: Tell and sell the company

Tell them what’s special about your company. This is a brief company bio and can sometimes be taken from your company’s existing marketing copy. For example, “XYZ Company is a community-oriented building material dealer known for engaging with customers to find solutions to every jobsite challenge.”

Then, sell them on it. This is where you share why your company/organization is a great place to work. Try phrases like “We are privately held, offer a family friendly environment, and foster a culture of success.” Or, “We have won numerous awards for our work environment.”

If you’re feeling stuck, ask your employees what they love about working at your organization.

Do: Tell and sell the opportunity

Tell them what you are looking for—the “we are seeking” statement. Describe your ideal hire’s attributes + experience. For example, “An outgoing, achievement-oriented salesperson,” “Past success with _____,” or “Experience working with _____.” Also, list any certifications, licenses, etc. that are needed or preferred.

Use bullet points where appropriate. Bullet points are quick, concise, and effective, and they increase the likelihood that applicants will read your ad in full.

Then sell them on the opportunity—why they should want it. Tell them what opportunities the new hire will have and the perks for which they will be eligible.

Do: Provide an easy-to-use call to action.

In this case, the call to action is pretty obvious: We want them to submit a resume or complete an application.

But you also need to make it easy for people to apply. For example, if you make them re-enter all the info on their resume, you may lose some higher-quality applicants, those who aren’t desperate for a new job.

Try out your process and see how long it takes. Unless it’s a very compelling job opportunity, the process should not be longer than three minutes. A too-arduous process may drive away a semi-passive but qualified candidate.

Above all, remember that a job ad may be a potential applicant’s first exposure to your company. A compelling, clear ad will serve to advertise what sets you apart while clearly communicating which potential applicants will be the best fit. ■

Rikka Brandon is the founder and Chief Executive Recruiter of Building Gurus, a boutique executive search and consulting firm that works exclusively with building product manufacturers and distributors to find, hire, and retain top executive-level talent. She is also the best-selling author of “Hire Power: Everything Entrepreneurs Need To Know To Hire Awesome People.”



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SELLING THE DECK PROJECT

BOB HEIDENREICH

Winter is a good time for vendor reviews

IT SEEMS THAT THE ONLY TIME you notice major issues with a vendor is when you're just too busy to deal with it. That's why I recommend taking some time out of your schedule over the slower winter months to complete a thorough review of your vendors. You may have been too busy to act on your vendor complaints during the summer, but if you're like me, you don't want to put dealing with it off another year.

Any business should run a periodic review of its suppliers and service providers to make sure everything is on the up and up. Make sure you're getting what you're paying for and more, because there are plenty of other vendors out there with very similar products and services that are vying for your business.

But sometimes you just have to wait until business slows down in the winter before you evaluate your vendors. It's like the old saying that you don't rock the boat when you're too far away from shore. Instead, shake things up when you're free enough to make drastic changes if need be. Right now is a good time to make changes in under-performing vendors, and that is exactly what we're doing here at The Deck Store.

This year we've had some really great vendors, but we've also had some that have been less than satisfactory. One example is a vendor providing our rail systems. This has been an ongoing issue for us for a number of years. We do a tremendous volume of aluminum rails and our supplier seems to continue to come up short of product. In June and July, we're six to eight weeks out. It's really hard to tell a customer in early June that they won't see any product until the middle of July or possibly later. That has been happening to us for the last three years, even though we've done everything we can to help this vendor manage our inventory and have enough product for us. We have finally decided to create a program to source railing from a different manufacturer, and we're going to make the switch.

We have another vendor from whom we buy a lot of composite decking and railing. We're not happy with the fact that they consistently charge us a restock fee if we placed

an order incorrectly or if a customer changes their mind after ordering. I understand that a lot of vendors do that, but many also don't. So, with this vendor, restocking fees have become a deciding factor for us. That vendor is going to learn that we can source from other manufacturers. In this situation, we're going to part ways with a distributor that we do \$500,000 to \$750,000 in business with annually and switch to two others and because we aren't faced with restock fees.

There is also a line of composite decking that we're going to stop stocking. It has been successful for us and it's a good product. We were one of the first in our market to carry it, but now it has recently started showing up in the box stores. The manufacturer has also decided to become a retailer themselves and sell it on their website. So suddenly we're competing against big boxes and with the manufacturer itself. Rather than be a partner with us, they are choosing to be a competitor. It's hard enough to compete with other independents and the big box stores. I'm not going to compete directly with a manufacturer as well. It is nearly impossible to do.

Make sure you're getting what you're paying for and more, because there are plenty of other vendors out there with very similar products and services that are vying for your business.

One final example: we buy a particular post for this company at \$41 from our supplier. We would like to retail at \$55. Yet the manufacturer is selling it online for \$45. Customers are asking us to match the price they're seeing online. No responsible retailer can do this and sustain their business.

Our goal is to come into the spring season healthy and strong. We've moved some stuff to new suppliers. Just like a consumer, if something doesn't make financial sense to us, we have to look elsewhere. ■

Bob Heidenreich, owner of The Deck Store, in Apple Valley, Minn., has been selling decking and home improvement projects for 30 years. Follow Bob on Twitter: @TheDeckStore.

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MERGERS & ACQUISITIONS

JOHN WAGNER

The (irksome) due diligence process

THE EXCITEMENT OF RECEIVING a letter of intent (LOI) for your business is something everyone selling their business looks forward to. The LOI maps out the price a buyer will pay, the terms and timing of the payment, and—if your investment banker has done a good job—the LOI should even get into early important specifics, such as how the working capital PEG will be calculated. When the LOI is finally negotiated, agreed to and signed by all parties, then starts the due diligence process.

The due diligence process is designed to give the buyer a chance to a) verify everything that was stated in the Informational Memorandum, and b) process a long list of clearances and legal issues that need to be resolved before the sale can move to close.

Make no mistake, as I have written previously in this space, the due diligence process is time-consuming, and it often distracts the most important people in the business with information retrieval and financial reporting. Before I get into a sampling of what the due diligence process entails, keep this in mind: This time-consuming nature of the process presents a unique problem for the seller. Here's why. The due diligence process can take upwards of two or three months. During that time, your company has to hit the financial performance that was predicted in the Informational Memorandum.

If you miss those numbers, the buyer has the right to re-examine the deal and potentially reprice their offer based on the new numbers. (The buyers will almost never go higher if you beat your predictions, but they often go lower if you miss them.) Unfortunately, the people needed to make those numbers are often the very people distracted by the due diligence process. So, time management and multi-tasking are the watchwords of success here. This is especially true of the CEO, COO, and the CFO (as well as the bookkeepers and your accounting firm).

When the due diligence list comes over from the buyer, be sure you're sitting down when you open it. The list is often a dozen or more pages long, and can have 200 line items for your team to address. Each line item is a request for information. With this sample, let's take a look at the level of detail that is often required in the due diligence process.

HR and benefits: A full accounting of every employee's earnings, commissions, bonuses, last raises, and benefits (including 401k plans, and raise/bonus policies) will be required, including their hire date and duration of employment.

IT: All software licenses will need to be current, at your expense; descriptions of security, backup, disaster recovery, and extra capacity plans for databases will be required, as well as all vendor contacts.

Security: "Anyone who touches money" will be subject to a thorough background check, and they will be required to sign a waiver allowing the research to be done.

Safety: Many buyers that are acquiring a workplace like a distribution center, warehouse, or lumberyard may be implementing new safety protocols, and they may want to test all employees for, say, hearing, to establish a baseline that limits their liability down the road.

Customer interviews: Buyers will want to interview a sampling of customers. A request for 100 names is not unusual.

Site visits and environmental inspection: Got a toxic spill on your site? A buried tank? Asbestos? This part of the process will ferret all of that out.

I've listed just six of what might be 200 requests. And I haven't even gotten into the financial reporting required, e.g. trial balances, balance sheets and profit and loss by division (to be supplied each month during due diligence), receivables aging, inventory and inventory reserve balances, etc. The list really does go on and on.

Ready to handle that, as you run a successful business? The companies that handle this process well are the ones who exclusively dedicate an employee or two to rounding up the material and dogging the information and data. You can't handle the process by paying attention to it for a few minutes each day.

We've found that DropBox is a superb tool for managing the process. Secure access can be granted to multiple parties, and folders and sub-folders can be set up for each line item, so compliance can be readily checked. Email alerts can let all parties know every time a file is added. Also, with DropBox, you won't be emailing files around.

All of that said, the relief when this due diligence process is completed is almost better than the thrill of seeing funds wired to you at closing. Almost. ■

John Wagner is a managing director at 1st West Mergers and Acquisitions, which offers a specialty practice in the LBM sector. To learn more, contact John at: j.wagner@1stwestma.com, or visit, www.1stwestma.com.

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SELLING TO REMODELERS

Q&A

LEO W. LANTZ, CR, CKBR, UDCP, CGR, CAPS
LEO LANTZ CONSTRUCTION, INC.



Leo Lantz Construction is a national award-winning contractor company based in Glen Allen, Va. The company has been recognized repeatedly locally at the NARI Central Virginia CotY Awards and the Home Building Association of Richmond Remodeling Excellence Awards. Lantz has received a Customer Service Excellence Award and GuildMaster Award from Guild Quality and been voted Richmond's Best Remodeling Company for 2015 and 2016 by the Readers of the *Richmond Times Dispatch*.

Q: What are the top three things you look for from a LBM supplier?

A: We look for punctuality, accuracy, and product quality.

Q: Describe your best lumber/building materials vendor and why they are the best.

A: Our millwork provider, E.H. Lail Millwork in North Chesterfield, Va., has a wide range of stocking millwork inventory and quality product offerings. They are big enough to service our needs, but not too big to lose that personal touch.

Q: When was the last time you changed vendors and why?

A: Our company is a Wellborn Cabinet dealer and our vendor starting selling cabinets as well. I had to stop sending clients there because I did not want to have customers getting confused by looking at multiple cabinet lines.

Q: When and why would you accept a meeting from a new supplier/vendor?

A: I am a strong supporter of the Home Building Association of Richmond and NARI Central Virginia. If the vendor is not a member of one of these groups that supports our industry then I will not meet with them. Membership in one of these groups is the "golden key" that gets you in the door.

Q: What do you wish LBM suppliers understood about your business?

A: They need to know that quality and accuracy are extremely important. It's a whole lot easier to do something right the first time than to do it over. Don't send me subpar materials.

Q: What products (if any) do you buy installed?

A: We do not buy installed products.

Q: What is the number one problem that keeps you up at night?

A: Right now it is "How in the world are we going to maintain this pace without burning ourselves out?"

Q: What do you see as your biggest opportunity?

A: We purchased our building a little over a year ago and a planned showroom expansion will really boost sales. ■

COMPANY STATISTICS

LAST YEAR'S SALES

\$1.3 million

YEARS IN BUSINESS

10

EMPLOYEES

3

SPECIALTY

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REAL ISSUES. REAL ANSWERS.

BY RICK SCHUMACHER



Today's headlines are dominated by allegations of sexual harassment, often reaching the highest levels of government and business. Companies across all industries are taking a fresh look inside their operations, making sure that they're doing what they can to ensure a happy, productive, harassment-free workplace. A healthy, positive workplace atmosphere is obviously better than the alternative, with the added benefit of helping to minimize the odds of legal action. As we've seen, these cases can do tremendous damage to a company's reputation and even its ability to remain in business. That's why businesses across industries are taking this seriously, and why this month's Real Issue is:

SEXUAL HARASSMENT POLICIES

THIS MONTH'S TIMELY QUESTION came from a female LBM dealer in Texas, who wrote: "The recent explosion of sexual harassment claims and lawsuits has got me thinking. Our company has lots of men. They're good people, but it seems that today, even telling the wrong joke could cause some real problems. I wonder what proactive steps, if any, we should take to make sure no one in our company crosses the line with colleagues, customers or anyone else. What should we do?"

As we do each month, we built a very brief survey around her question, and emailed it to those industry pros who've opted in to receive our email communications. Judging from the very strong response to this month's survey, it clearly is something that's on readers' minds. A big thank you to the more than 350 readers who took time to weigh in on this important topic.

Hundreds of readers share their insights for this every-issue feature. Have a Real Issue? Contact me at Rick@LBMJournal.com.

QUESTION 1

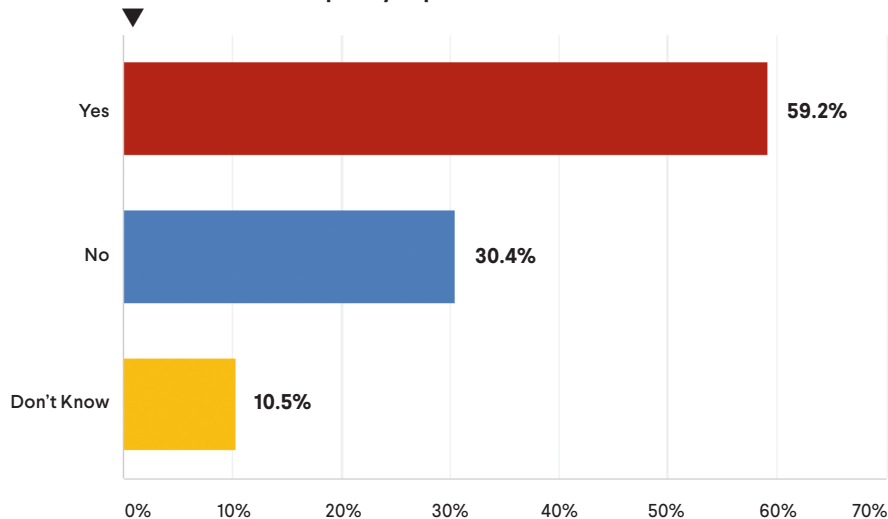
First, we wanted to gauge where companies in our industry stand regarding sexual harassment policies, so we asked: “Does your company have a written sexual harassment policy in place?” As the results show in the graph, nearly 60% of respondents report that their company does have a written policy in place, while just over 30% said no, and 10.5% don’t know. Given the volume of discourse on this topic in today’s headlines, and judging from the verbatim answers to the next question, the number of companies in the “no” and “don’t know” columns are likely to shrink.

Representative comments to this question include:

“It is real simple, one page.”

“It covers all of the legal basics but it is 15 years old. Probably time to review and update if necessary.”

Does your company have a written sexual harassment policy in place?



“Just recently took sexual harassment training. I don’t think a policy has been put in place yet.”

“I’ve never seen one.”

“A must-have for any legitimate business.”

“We’re very small (3 FT employees, 2 casual PT), so we have very few written policies.”

QUESTION 2

“The recent explosion of sexual harassment claims and lawsuits in the news has got me thinking. Our company has lots of men. They’re good people, but it seems that today, even telling the wrong joke could cause some real problems. I wonder what proactive steps, if any, we should take to make sure no one in our company crosses the line with colleagues, customers or anyone else. What should we do?”

RESPONSES

“Men should act like gentlemen, and women should act like ladies. Respect for each other is paramount.”

“Sad to say but it looks as if we are going to have to stay in our office and not interact outside business with anyone. Civil rights seems to be the most important issue in our country today. This far outweighs the economy or healthcare. I know this doesn’t help your survey but quite frankly I am at a total loss here. Signed, I am embarrassed of the 545 people who run this country.”

“Bring in an HR consultant to train everyone on sexual harassment. Then be diligent about following up and taking appropriate action on any behaviors that are not within guidelines. But definitely bring in an ‘expert’ on sexual harassment if you are at all concerned. Unfortunately, it can get ugly pretty quickly if not handled properly.”

“Teach your people to ‘thicken their skin.’ Words never hurt anyone. Physical contact is an entirely different subject. That requires an iron fist. But a word, a joke, no big deal. Just think about what you see and hear on TV and radio. That gets shrugged off as okay. Why should the workplace be any different?”

“Constantly discuss with employees how important it is to respect one another.”

“There should be culture of inclusiveness and respect for all in the workplace. Senior management MUST lead by example. They must also make sure that in regards to outright harassment, there is a no tolerance policy.”

“Ideally, talk with some of the women in your organization. HR training has to have clear support from the top. Getting women into upper management helps a lot. Aim to foster an environment of trust and backing from top management that any ethical issues—whether sexual harassment or other breaches—will be taken seriously. The guys probably know who the bad apples are too, just as well as the women (the creep factor). Those who are the worst offenders typically don’t see themselves as doing anything wrong. Soul-searching and open dialogue are healthy steps, but actions speak louder than words. Fortunately, in my experience, most men in corporations are gentlemen and are respectful. Create a climate where both women and men feel supported to speak up about their concerns.”

“Get a policy in place ASAP!”

“Talk about it—frequently—through training, reminders, etc. Set the standard as part of your culture and ensure that your managers are good examples.” ➤

"Have a written policy in place saying that sexual harassment is not tolerated. The policy should include procedures that people should follow if they feel they are being harassed and procedures of how it will be dealt with. The key is to be proactive. And follow the procedures as they are outlined. My experience being a female in a male industry, what one person feels is harassment may or may not be the same for everyone else. Just because someone steps over a boundary does not always mean they are purposely being evil, some just have different boundaries."

"I do not believe that off-color language and/or jokes fall under the category of sexual harassment, and I am a woman. If you do not like what is being said and/or discussed, you can leave the area. If you are not able to leave the area, then your concerns should be discussed, in private, with your direct supervisor. Inappropriate touching, such as on personal areas, or cornering someone, or constantly invading their personal space, would, in my opinion fall into the sexual harassment category."

"All of our employees are various ages and we have never had a complaint about this sort of thing. Much of what is in the press these days is absolutely FALSE. Women looking to seek fortune. Our employees are aware of this situation and would never ever use any suggestive remarks or advances."

"Need to put something in the policy handbook just so it's in there to cover your butt."

"Have a policy in your employee handbook every employee signs for. No signature, no job. Discipline accordingly. Create a culture of RESPECT."

"Just don't go there...even if/when you think everyone is friends, okay with it, like-minded, you are playing with fire. Establish a culture of respect, clean speech, dating policy, etc., by way of written policy, training, responsibility and accountability. It is complex and requires knowledgeable HR folks to follow state and federal mandates correctly."

"Read some generic policies of other companies and adapt them to your business and personnel. Sometimes the power of suggestion in a policy invites accusations. People need to use common sense and realize that in a workplace, we may get our feelings hurt by someone. One remark should not be a reason to fire someone. However, on-going harassment is different. By the way, I am a woman who has worked in the hardware/lumber business for over 30 years."

"If no written sexual harassment policy exists, create one. If one exists, it may be time to highlight it and make sure everyone is reminded of it."

"Unfortunately, one person's idea of a joke is another person's idea of negative behavior. Be professional and treat everyone with respect. If you don't know the difference, you shouldn't be working there. If you cross the line and the hammer comes down, you get one warning. If you repeat that action, you deserve to be fired. Everyone should be able to work in an atmosphere that is free from bullying and harassment. This is common sense to most, but not to all. The examples that have been grabbing news headlines recently are obviously situations that no one should have to endure. But there are many more subtle actions that are not as clear cut. Policing all of this will take a massive effort on everyone's part. I think the ongoing news reports have been an eye-opener to most businesses, and has made them aware of the seriousness of this situation. It has empowered those who felt helpless to realize that they are not alone and others will be there to stand up for them, if they make others aware of their situation."

"Fortunately, we have an all-male staff. However, we have a lot of women customers, and we watch closely who is waiting on them and the interaction between them."

"We use the 'red face' test, or would you tell this story or joke to your mother? If you are not able to look in the mirror, then you should not be telling your story."

"Really watch what you say. Think of your wife or daughter."

"Bring in a speaker for both sexes, speaking in-house about the subject. Let all who are involved understand that no harassment will be tolerated under threat of termination. Also let everyone know that if such charges are brought forth, and found to be false, immediate termination will also be brought toward the accuser."

"Find you a wife and leave other women alone. If female, find you a husband and leave the men alone."

"Let's be honest, all men have probably done something in their life that could be construed as sexual harassment. An inappropriate comment, suggestion, pick-up line, joke or touch. It takes a conscious effort to stop an interaction before it becomes harassment. Create a respectful culture and relationships from the top down, and a willingness to say, 'you cannot say that' when something crosses the line."

"Times have changed, so must each company's sexual harassment policies. What was accepted before no longer is, and this must be enforced with each employee. It's not about intent anymore. Instead, it's how it is received. We all have to be conscious of this, with everything we say and do."

"Hire more women!"

"Draft a written policy that states how your company is committed to providing a workplace that is free from unlawful harassment. You will have employees that are going to behave inappropriately despite the training, including the 'good people.' Humans will always be human, and humans make mistakes. Having a policy in place is a good first step."

"Know what the line is and don't cross it. Each person is different and should not all be treated the same. You always know, by the person's reaction if it was welcome or not, whether it be a hug a comment or a joke. If the reaction to your behavior is negative, apologize immediately, and never repeat it."

"It is really sad the world is coming to this. It is also sad that those who have been harassed have been afraid to speak up."

"We have a mandatory harassment class every two years for all managers and supervisors, taught by a very knowledgeable lawyer. She goes over all the different types of harassment and gives a handout to place in our management books. There is a short test at the end to ensure that we understand it all. It is very helpful if a problem should arise to be able to decipher if the situation is truly harassment and how to handle the problem."

"We use a Fred Pryor video, how to identify and prevent workplace sexual harassment. All of our current employees and new hires (male and female) are required to watch the video and sign a statement that they can be let go if someone complains about something they are doing."

"If you are a California-based company—it has been mandatory for years to hold sexual harassment training periodically... for all employees. It is a royal pain in the butt and I have no data that tells me if it actually works, but our lawyers like it."

"You need to offer classes clearly defining what the proverbial line is and how to distinguish 'okay' from 'not okay.' Usually giving examples of inappropriate jokes or correspondence helps people classify right from wrong."

"If it's okay to share with your mother, it's okay to share at work. This policy has been a great compass for me all my life."

"Ignore it. It is just a phase people are going through. It will go away soon."

"This isn't the good ol' boys club anymore."

"If you have a Sexual Harassment Policy, now is a good time to remind your employees that they need to be especially diligent in following it. If you don't have one, now is a good time to add one. This must be a zero-tolerance policy."

"It's true that in this age of 'overt political correctness' some jokes, humor, etc. which were perfectly harmless, enjoyed and laughed at by folks, regardless of gender, years ago are now considered to be insensitive. As a nation, our ability to poke fun at ourselves, and humor in general, has been greatly diminished by an atmosphere of political correctness that permeates every facet of this nation. Our society has also entered an era of greatly inflated self-importance. Now don't get me wrong, sexual harassment, groping, improper innuendo, and unwanted attention with sexual overtones, racial harassment and the like, should not be tolerated. However, the workplace today is dominated by a sense of potential employee vs. employer litigation."

"Make it clear that not only are these activities against the law but that they aren't a part of what your company represents. We can all empathize with political correctness going too far and having a joke or a comment be taken the wrong way. However, the feelings or perception felt by the offended party are real and valid. Inappropriate behavior should be addressed and not simply tolerated or swept under the rug because 'he's a good guy.'"

"Call the group in and tell them you know they are good people, but they need to take the extra minute to think before they speak. Is what they are about to say something they would tell their wife, girlfriend or their mother? Males who witness inappropriate behavior by coworkers should be willing to come forward. Maybe more important, men who witness (or maybe only hear about) inappropriate behavior should let it be known that their respect for the perpetrator is lost because of such behavior."

"We have our annual all-inclusive company meeting in March, but because of the recent problems on the news, I think there should be a special meeting for this topic alone and it should be held immediately while it's on everyone's mind."

"Because we are a very diverse group, whenever a new employee starts, we ask them if any type of language or behavior bothers them. Then if someone says something that makes them feel uncomfortable, to please let that person know immediately. This gives the 'offender', the opportunity to change their behavior. I don't know if this is politically correct, but we like to treat each other like adults here, and it works for us."

"As a woman, I would tell you to always think before you speak. If you wouldn't say it to your mother or daughter, then don't say it to your co-workers!"

"The reality...some harassment claims are legitimate. However, many are not. A simple 'you look very nice today,' can now cost someone their job. Seriously? Is that where we are as a society? There was a time when most women would be flattered by such compliments and mild flirtations. Now, this same behavior is considered demeaning and demoralizing. Most women say that they want to be treated the same as men, but they don't really want that at all. Many expect to be treated better than men, whether through special favors from co-workers, special allowances, or even through manipulation. This expectation is the result of one simple fact: 'I am a woman.' If things don't go their way, some will go to this extreme—sometimes as a threat, but sometimes much further if their manipulation attempts fail. Being treated 'the same' is like being treated as 'one of the guys.' Unfortunately ladies, men tend to be a bit more lewd than women. However, this does not mean that you can justifiably claim sexual harassment."

"Have a policy and have insurance coverage."

"Get to work. Cut the chatter."

THE READER WHO SUGGESTED THE "REAL ISSUES" TOPIC WILL RECEIVE AN LBM JOURNAL EXECUTIVE PRIZE PACK. Includes: a polo shirt, cap, mug, and pen.

ENTREPRENEURS OF THE YEAR

LBM Journal's Entrepreneur of the Year Awards recognize three LBM companies of different sizes that epitomize the entrepreneurial spirit. By our definition, an entrepreneur describes a company where leadership excels at identifying underserved—or emerging—markets, satisfying customers, and constantly working to grow and improve business. Our 2018 winners—Stine Lumber, Wehrung's Lumber & Home Center, and Limeberry Lumber & Home Center—represent vastly different operations. The common thread: a fierce commitment to finding ever better ways to serve their customers and their communities.

STINE LUMBER

BIG FAMILY VALUES DRIVE STINE LUMBER

PLENTY OF LUMBER DEALERS will tell you that they compete with the big boxes by doing what the big boxes don't do—focusing on the pro builder and remodeler customer base. At Stine Lumber, the focus is indeed on the pro customer, but Stine is competing with the big box stores by tackling head on what the big boxes do best—serving DIY and retail customers.

The retail strategy has worked for the Sulphur, La.-based company that has grown from a single location in 1946 to its current lineup of 12 stores. Stine Lumber, this year's *LBM Journal* Entrepreneur of the Year in the sales over \$50 million category, is led by an ownership group of six brothers.

Dennis Stine is CEO, his brothers who remain involved in the day-to-day business operations include Tim, CFO, and David, VP of Marketing and Merchandising.

An Entrepreneur of the Year award means a shared award for all involved. "I don't assume for a moment that it's possessive," Dennis says. "It's a team effort."

The Stine brothers are second-generation owners of the company that was started by their father, JW Stine, and a boyhood friend right after World War II, where they were both combat pilots. JW bought out his partner in the early 1950s and began to serve retail customers. In the late 1960s, one of the older Stine brothers became involved with the business, and eventually Dennis and his twin brother, David, joined the ranks. Dennis is the fourth Stine son; his twin brother arrived nine minutes later. Then youngest brother, Tim, came along to round out the half-dozen boys in a family that also includes a sister.

"At one point, we had 10 employees and half of them were Stines," Dennis Stine says.

Of course, with seven children, a good number of grandchildren are bound to get involved in the family business as well. Of the 30 grandkids, seven of them are now involved as third generation members of the business.

While that may seem like a large number of family members involved, Dennis Stine says the company has a perfect mix of family working among the total employees that range from 670 to 850, depending on the season.

"What we have is healthy," he says. "We rely heavily on non-family and that's a good thing."

One of those non-family members that the Stines rely on, especially when it comes to the LBM side of their business, is David Bushnell, the company's Pro Sales Director. Since pro sales make up 40% of the company's revenue mix, Bushnell's role is pivotal. He manages a pro sales staff of 53 which includes 21 outside sales representatives. He also oversees the distribution side of the business.

Pro builder and remodeler customers have a separate entrance at each store, Stine says, which leads them to dedicated inside salespeople who can help them select items from the floor or direct them to the drive-through lumberyard. To make the shopping experience as simple and as quick as possible, pro customers can also drive through the yard, select their lumber and pay outside.

"We make it as easy as we can on the customer, whether they're pro or consumer," Stine says.

Even though Stine Lumber does a larger percentage of retail business than most lumberyards, at its core the company is a lumberyard with a showroom just like any other. Only at Stine, the showrooms are a lot bigger.

Dennis Stine says that because the company was early to expand into small towns in Louisiana, there weren't big box stores to compete with. Without the competition, the Stine locations became a big box of sorts to the rural communities.

"We invested \$55 million in building brand new large showrooms just a few years before the recession of 2007," Stine says. The company made good use of advance depreciation on capital expenditures as part of the Gulf Opportunity Zone stimulus package after hurricanes Katrina and Rita in 2005. As a result, the Stines built two brand new stores and rebuilt three others.

Because of the investments prior to the Great Recession, Stine Lumber was able to fall back on retail and DIY revenue when the pro builder customers weren't doing as much business.

"It's a good strategy for us. I'm not convinced it would work everywhere, but it has worked for us. It gives us a balanced portfolio," Stine says.

"After the recession, the fact that we were balanced meant we didn't go through as difficult of a time as some of our friends in the industry." ➤



Left to right, Dennis Stine, Chief Executive Officer, Tim Stine, Chief Financial Officer, and David Stine, VP of Marketing and Merchandising

STINE PHOTOS BY: ROMERO & ROMERO PHOTOGRAPHY



ABOVE: From left, Dowell Tate, Manager of Stine's Sulphur, La. store, and David Bushnell, Pro Sales Director.

ABOVE RIGHT: The appliance department at Stine in Sulphur.

RIGHT: Stine Home Builder and Pro Expo is an invitation-only event and full-scale product show for contractors and designers. Approximately 1,000 were in attendance at Stine's first Expo held in 2015, and the event continues to be very successful.



Of the company's 12 locations, 10 are bigger box stores that are supported by advertising circulars ranging from six to 12 pages weekly. Some of the stores include 80,000 square-foot showrooms, 40,000 square-foot drive-through yards and 20,000 square-foot garden centers. The remaining two are smaller, one in a rural community and another that is a more conventional contractor-only lumberyard.

"We have a major asset in buildings and fixtures, not like most lumberyards," Stine says. "On one hand, we committed to large amounts of capital and incurred debt to real estate projects. On the other hand, over time we have created large amounts of equity in real estate properties. That is a very strong distinction between us and other lumber dealers. We have a higher level of occupancy cost."

With the distinct difference in retail and pro builder customers, Stine says the company's success has been guided by the core values that have shaped the Stine family business over the years: Faith, family, community, integrity, passion, service, accountability and safety.

"The first three—faith, family and community—are formational. Our parents instilled these values in us, and they continue to be a guiding force in the company we are today. The last five are about who we strive to be every day."

The company has learned, Stine says, that the difference between retail and pro is the difference between details and relationships.

"Retail is detail," he says. "Pro is all about relationships."

The company continually runs analysis of both operations. Stine predicts a steady increase in revenue on each side in the coming years. "It's healthy to take on more retail after a crisis. It's healthy to expand your showroom to include more than LBM products," Stine says. "It strengthens margins and balances the portfolio. In another decline, you'll still be doing business with repair, rental and DIY customers."

Stine says analytics will play a bigger role in the company in the coming years. Senior management plans to take a deeper dive into analysis and market position. While they do, company culture will also be a focus. Stine Lumber is hosting a culture summit to train and teach team members in depth about how they can share the core values that have carried the company through the past 71 years of growth. ■

GET TO KNOW STINE LUMBER

FOUNDED:	1946
OWNERSHIP:	Family
LOCATIONS:	12
EMPLOYEES:	850 including seasonal
PURCHASING GROUPS:	Allied Building Stores Ace Hardware
SOFTWARE SYSTEM:	Epicor Falcon
TOP THREE VENDORS:	James Hardie Owens Corning YellaWood



WEHRUNG'S LUMBER & HOME CENTER

THIRD-GENERATION BUSINESSMAN SEIZES OPPORTUNITY

AN ENTREPRENEUR SEEMS TO FIND OPPORTUNITY in any situation. For Jason Wehrung, President of Wehrung's Lumber & Home Center, opportunity has been found in the family lumberyard, in a stint at a fast food restaurant, and even in the ashes of a lumberyard fire. Jason Wehrung leads our choice for Entrepreneur of the Year in the category of \$10 million to \$50 million in sales. During his seven-year tenure with his family business, the company has tripled in size, growing from one to three locations in eastern Pennsylvania, including two lumber and home centers as well as a full-service lumberyard.

Jason has led the Wehrung's businesses through an acquisition of another area hardware dealer, as well as a significant remodel of the company's flagship location. He has also significantly expanded the company's customer base with a renewed focus on retail and DIY customers through a rental service and flooring installation.

But the company growth didn't come to Wehrung in a linear fashion. That's not the way he does business, he says. Instead, he has learned to take educated risks and turn opportunity into success wherever he can.

Wehrung says he wasn't able to just jump into the family business headfirst. Instead, his father said that he had to put in at least a year's time working for someone else, gathering insight into how that business works, and bringing it back to the family lumberyard. With those instructions, Wehrung set out to find a job.

"My dad said that before I could join the family business I had to work somewhere else first, so I worked at McDonald's."

Third-generation owner Jason Wehrung (right) says his primary focus since taking over has been moving the company into the "relationship business," focused on helping customers grow and succeed.

If you think he just jumped into a fast food job to bide his time until he could get into the family business, you're wrong. Wehrung was deliberate in his choice of where to spend his year outside of the lumberyard.

"I went there specifically to learn about processes and procedures," he says.

The processes and procedures took hold quickly. While he was there, Wehrung connected what he was seeing in marketing and promotions back into the LBM industry. Soon, he started his own distribution business, selling building materials for his dad and his dad's competitors.

"I'd get a job from one of my customers and I'd bid the projects out to both dad and his competitors," he says.

Truly entrepreneurial at heart, Jason Wehrung had also launched his own marketing company, which sold promotional materials to many in the LBM industry, including his father's lumberyard and the same builder customers he connected with supplies.

With less than a year's work experience under his belt, Wehrung had effectively positioned himself into an essential role in the area's building industry.

When he returned to the business that his father opened in 1986, Wehrung merged his marketing company with the lumberyard and set the course for growth. He was building on the success of his grandfather, who first began serving contractors in Ottsville, Penn. back in 1946.

As Wehrung tells it, the company has moved through three stages: His grandfather sold specifically to building contractors, though he also went on to invent the baffle for septic tanks. His father then turned the contractor sales business into a 20,000 square-foot lumberyard, and Wehrung has since moved the company "into the relationship business."

"We're in the business to help our customers grow," he says. "What ever we can do to help them grow. We just always try to be the simplest place to do business." ➤



Sometimes the simple part is adding some marketing supplies to the customers' mix as well as selling building materials. The marketing side of the business has grown to bring about \$1 million a year into the company. Other times, it's finding products that customers aren't getting elsewhere. That's what prompted Wehrung to open Wehrung Specialties, a specialty woods store a mile from the main location that features exotics and decking in a separate showroom and warehouse.

The company also operates a satellite hardware store in Chalfont, Penn. In all, the companies associated with Wehrung's serve a client base comprised of 75% professional builders and contractors. Depending on the season, around 100 employees work throughout the locations. Eight of the employees are outside sales staff. Revenue throughout the companies is close to \$40 million, and a roughly 15% increase is anticipated once 2017 numbers are final.

Even in an instance of tragedy, Wehrung has found opportunity. In 2016, just six months after acquiring a competitor's hardware store 10 miles away, the building caught fire. Wehrung seized on the opportunity to expand the store as it was rebuilt.

"Now we're doing double the business the store used to do," he says. "And the expansion has also allowed us to add some LBM products at the lumberyard."

While Wehrung has learned through the years to recognize opportunity, he has also built a strong panel of advisors around him. He has recently established a customer board

of advisors for the business in which he brings in a group of some of his best customers and potential customers. Then Wehrung's management team works with the customers to help them grow their businesses and in turn strengthens relationships throughout the community.

As president of his local chamber of commerce, Wehrung is working with area technical schools and a community college to grow a workforce development program.

"The plan is to have the program like this to help our hiring, and our customers' hiring," he says. "I see there's a definite challenge of people coming into the industry."

Once the next generation sees LBM as a lifestyle industry, they'll quickly find a rewarding career in the building trades, he says. And at Wehrung's, the philosophy will remain focused on "helping our customers grow and having fun while doing so," he says. ■

GET TO KNOW WEHRUNG'S LUMBER & HOME CENTER

FOUNDED:	1986
OWNERSHIP:	Family
LOCATIONS:	3
EMPLOYEES:	100
PURCHASING GROUPS:	Do it Best Corp.
SOFTWARE SYSTEM:	Epicor
TOP THREE VENDORS:	EP Henry Hardscaping Masterbrands Cabinetry Weather Shield Windows



Jason Wehrung has grown the company from one location to three in western Pennsylvania, and he's strategically expanded the company's product and service offerings to meet the changing demands of his customer base.



"We just always try to be the simplest place to do business," Jason explains.

LIMEBERRY LUMBER & HOME CENTER

GROWING HOMETOWN BUSINESSES

A LOT OF LBM DEALERS have stories of how they were determined to find a career in anything other than the family business. Often times, these dealers can pinpoint the exact moment that something changed and they decided to come home. For Scott and Heather Limeberry of Limeberry Lumber & Home Center, our Entrepreneurs of the Year in the under \$10 million category, that moment came from a phone call from Scott's father.

Scott Limeberry's story is a similar one in the industry. He went off to college, and wanted nothing to do with the family business. But like many others, eventually the opportunities and promises of home were just too good to pass up.

"I was the Kitchen Manager at a Chili's restaurant and Heather was the Store Manager at The Children's Place. One day, I got a call from my dad. He said, 'What are you doing? You have a great opportunity here. You should really think long and hard about what you really want long term.' That was in 1999. My grandfather (the company founder) had just passed away, and we decided to come home. We've been here ever since."

Forty years earlier, Scott Limeberry's grandfather started the business in Corydon, Ind. as a roofing and siding contractor. Scott's father worked for him. Over time, customers started asking for extra lumber and materials and soon the two ran a lumberyard and hardware warehouse.

In 2004, the family purchased a competitor and moved to a new building with a true focus on retail. Just seven years later, in 2011 Scott Limeberry purchased the business from his father.

Soon after the purchase, Scott and Heather Limeberry began updating and overhauling the Corydon lumberyard and showroom. Re-opened in late 2016, the new Limeberry Lumber & Home Center features a state-of-the-art showroom and expanded products and services. Prior to the remodel of the lumberyard location, Limeberry served a customer base comprised of 75% contractors. The remodel focused on supporting more DIYers, increasing their retail business to 40%.

"We do a lot of advertising to support that," Limeberry says.

Scott Limeberry and his wife Heather purchased a second location in May 2017, in Floyds Knobs, Ind. The Do it Best hardware store was available a couple years earlier, and the seller held onto it until the Limeberrys were ready to make a purchase.

While the lumberyard supports 24 of the company's 34 total employees, a good number of the staff at the hardware store are original employees.

Together, the businesses generate nearly \$7 million annually, with just a little over \$6 million coming from the lumberyard. Limeberry Home & Hardware is predicted to be a \$1 million a year location within five years. ➤



Limeberry Lumber's move to a larger location in 2004 enabled the company to enhance its LBM roots while expanding its focus on retail and its growing DIY customer base.



Being a family-owned company creates a true “family feel” for both employees and customers, say co-owners Scott and Heather Limeberry.

"The energy in our stores is really fantastic," Heather Limeberry adds. The Limeberrys purchased a second location in a nearby town and reopened it as a state-of-the-art lumberyard and home center in 2016.



Taking on the neighborhood "old time hardware store" has been headed up by Heather, who has brought in an additional 10,000 SKUs to the location that has long been a fixture in the community. As an independent hardware store, the location is still closely tied to Limeberry Lumber & Home Center, less than 30 miles away. Customers of the hardware store can also order building products that are shipped from the lumberyard.

"We can take orders from both locations and make deliveries from the lumberyard," Scott Limeberry says.

The ties back to the towns in which they were raised have helped the Limeberrys set roots in the communities.

"The energy in our stores is really fantastic," Heather says. "Our employees are really close, and we're close with them. These are people we've worked with a long time. We don't have high turnover. It really creates a family atmosphere and our customers can feel that too. When customers come in, we ask about their kids, and they ask about ours."

While pricing and services—including installed sales, which the company started three years ago—keep the Limeberry companies in close competition with big boxes and other independents in the area, it is the customer relationships and community dedication that truly sets them apart.

"We're invested in our customers, and our employees, lives. We enjoy coming to work and enjoy working together," Heather says.

Just one example of the company's involvement in the community is their work with a local high school marketing class. Each year, students spend a semester preparing and marketing ideas for the business. As the students grow in the community, they know the lumberyard and hardware store, and the business gets insight into younger peoples' thinking.

"We've actually used some ideas," Scott Limeberry says. "We're invested in them and they're invested in us."

The spotlight on community has kept Limeberry Lumber & Home Center and Limeberry Home & Hardware at the top of the list for builders and DIY customers alike. As the community around them grows, Scott and Heather Limeberry feel they are well-positioned to serve housing growth and the new customers it brings. ■

GET TO KNOW LIMEBERRY LUMBER & HOME CENTER

FOUNDED:	1959
OWNERSHIP:	Family
LOCATIONS:	2
EMPLOYEES:	34
SALES SOFTWARE:	Epicor
PURCHASING GROUPS:	Do it Best Corp.
TOP THREE VENDORS:	PPG Porter Paints Sun Windows & Doors Therma-Tru doors

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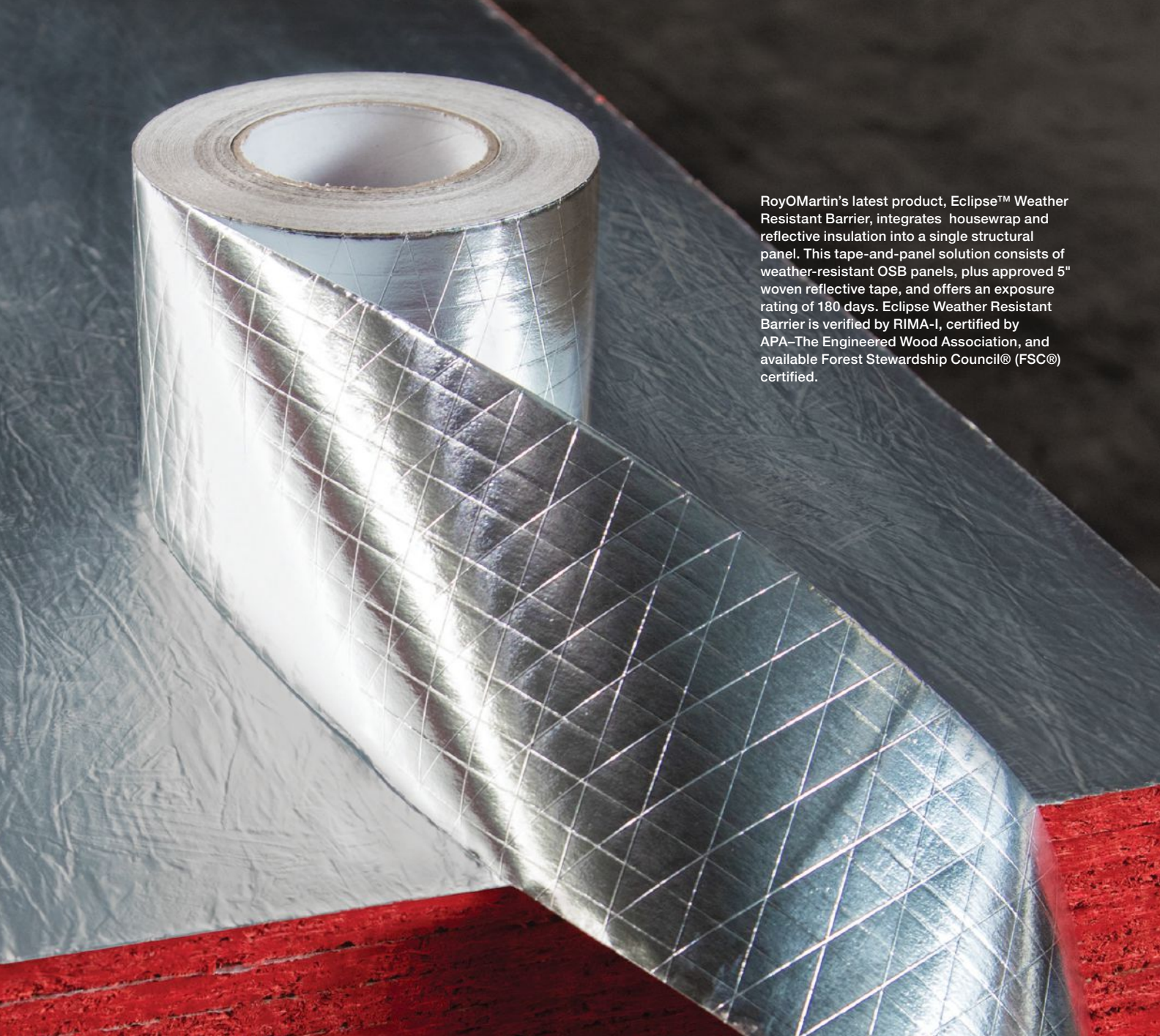
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IN DEPTH

INSULATION & HOUSEWRAP

PERFORMANCE AND INNOVATION DRIVE THE INSULATION AND WEATHERIZATION PRODUCT SEGMENTS, BOTH OF WHICH ARE POSITIONED FOR STRONG, SUSTAINED GROWTH.

With the upswing of the U.S. housing market, both new construction and remodeling are on the rise. According to a joint report released in September 2017 by the U.S. Census Bureau and the U.S. Department of Housing and Urban Development, new residential building permits were at 1,215,000, with housing starts at 1,127,000, 6.1% above this same time last year.

These statistics bode well for the insulation and housewrap industries. In its “Insulation to 2019” report, Freedonia Group reported that U.S. demand for insulation is forecast to rise 7.0% annually through 2019 to \$10.4 billion.

In fact, you would be hard pressed to find an industry expert who doesn’t see a positive future for weatherization and insulation. Says Sam Sprague, Vice President of Huttig Xpress, “We continue to see growth opportunities in all facets of exterior building weatherization. Not only are weather resistive/air barriers widely accepted by the building trade, they’re now required by code in most areas. And in regards to insulation,” he adds, “estimates vary from 5% – 8% growth, which is a combination of housing starts, weatherization, and more lbs. per house from codes and desire for more energy efficient insulation upgrades.”

Strong housing markets fuel growth

Because both insulation and weather barrier systems are required for just about all types of construction, logic suggests that as long as the housing market (both new construction and remodeling) continues to grow, demand for those products should grow as well. Considering the aforementioned projected growth figures, the future does indeed look bright.

“We are seeing and projecting continuous growth in the housewrap and insulation categories annually as the new housing market and growth in remodeling projects increases,” says Alan Hubbell, global Tyvek Marketing Manager for DuPont Tyvek, and the growth is not limited to only single-family construction. “Multi-family, commer-

cial and specialty foam for fabrication are the fastest growing segments that we have observed,” says Bob Murphy, Manager of Business and Product Development for Universal Forest Products. “Single family construction has also recovered nicely in several markets across the U.S. So, I believe the rigid foam business is going to be an exciting market for years to come.”

Ian Daniels, Director of Architectural Solutions for Tamlyn, agrees with Hubbell’s optimism. “We see the market for housewrap expanding and changing as design quality and code push the issue with builders for better enclosure

envelopes. This will especially ring true in residential—both remodel and new construction—as the other markets will be strong but see slower growth.”

Like most manufacturers, Universal Forest Products’ Murphy also sees strong category growth. “I do expect sales to increase steadily over the next several years,” he says. “Some of the drivers are new applications and markets for using rigid foam being discovered all the time. Add to that strong growth in continuous insulation usage and increased focus on the product segment by state and national code bodies and you have a strong market.” ➤



LEFT: ZIP System now offers a new R-9 rated option for its ZIP System R-sheathing product line designed specifically to meet R-value requirements outlined in the 2015 International Energy Conservation Code (IECC). R-sheathing features continuous polyisocyanurate foam insulation integrated to the back of an engineered wood panel for increased thermal performance, while a built-in water-resistive barrier eliminates the need for housewrap and helps achieve a quick rough dry-in.

BELOW: According to Tamlyn, its TamlynWrap drainable housewrap is designed to remove at least 100 times more bulk water from a wall versus standard housewraps. This is achieved through the gap created by 1.5mm spacers bonded to a high performance housewrap that provides a true drainage space between the sheathing and the cladding material.



Codes and technology spur product development

Codes continue to require tighter buildings, and manufacturers are responding with alternative products to help meet these needs. As a result, increased market demand for improved energy efficiency coupled with these more stringent building codes and energy requirements is forcing many builders to change the way they build. “As building envelopes and code regulations continue to become tighter,” says Allen Sealock, Product Director for ZIP System, “product manufacturers are likely to continue making products that revolutionize the way we build.”

Because of more stringent code regulations, insulation and housewrap products have evolved to meet the requirements for increased energy efficiency and weatherization performance while still allowing for proper structural ventilation. As Tyvek’s Hubbell explains, “Moving to more energy efficient construction may reduce the ability for a building assembly to manage moisture loads.



ABOVE: In 2017, Dupont Tyvek launched its Fluid Applied WB+™, an improved durable fluid-applied weather barrier with enhanced spray characteristics that the company says is ideal for fast, effective application in nearly any weather condition. According to Tyvek, the sprayed-on barrier yields improved weather resistance, won’t wash off applied surfaces when exposed to water (even before curing), and can be applied to lightly damp surfaces.

RIGHT: Georgia-Pacific’s ForceField™ corner seal is a 4-in.-wide semi-rigid polypropylene with a “living hinge” that allows it to be used for both inside and outside exterior corners. According to the manufacturer, once installed, ForceField corner seal protects against air and moisture intrusion in some of the most difficult areas of a home to seal.



For example, adding non-vapor-permeable exterior insulation to a wall assembly has obvious energy efficiency benefits, but the vapor impermeable nature of the material will almost eliminate the wall’s ability to dry to the outside of the building, making the wall less capable of handling even small amounts of water intrusion which could be readily handled by a traditional wall system.”

Hubbell goes on to say, “An upgrade that is intended to improve one aspect of energy efficiency might have negative implications on other parts of the building, potentially resulting in a piece-meal approach that can ultimately compromise the durability of the structure. Choosing products that are designed to work as a system helps eliminate that guesswork. Proper installation of the system is critical which is why we are always looking for ways to adapt and improve our installation details.” And as Huttig Xpress’ Sprague points out, “As with any industry, both new and second generation manufacturers learn by what they have seen produced in the past. Some of the changes are due to code or climate issues; however, most innovations are created from experience.”

Product development, improvement and innovation, however, are not driven solely by more stringent codes; manufacturers are constantly looking for ways to differentiate themselves from the competition by offering technology-rich new products. “Code changes obviously drive many product changes but so does the ability to add new technology to improve existing products like the addition of graphite resin to increase R-value in EPS products and all kinds of new facer materials that provide better protection,” explains Universal Forest Products’ Murphy. “The adoption rate of new technology into building products has increased significantly. Individuals and companies are always pushing the performance envelope and looking for ways to make better insulating products. It’s a challenging yet rewarding field to be in right now, especially with all the exciting technology available to develop new products.”



Kimberly-Clark's BLOCK-IT housewrap has a 10-year warranty that covers any issue that was caused by the failure of its house wrap. According to the manufacturer, it is easy to install and features an exclusive patented water channeling technology that channels more than 98% of liquid away from the wall assembly and to the ground. It is self-sealing around staples and nails, so the warranty is intact whether the installer uses cap nails, cap staples, roofing nails or just plain construction staples.

wrap allow a space for water to drain down and out of the wall system." Ian Daniels, Director of Architectural Solutions for Tamlyn, adds, "With housewraps, the focus is on systems that can work with other products that ameliorate the problems that come from claddings remaining wet following water intrusion events."

Products working together as an integrated system is yet another growing trend, especially for contractors and installers who are looking not just for improved product performance but also for savings through increased speed and ease of installation. Jeff Key, Senior Marketing Manager for Georgia-Pacific, says, "More builders are beginning to see the benefits of integrated systems and are starting to experiment with alternatives to traditional house wrap. With the labor shortage issue in construction, products that can help reduce time and the amount of labor needed will be at a premium."

Thermal performance is only part of the story

While contractors and homeowners alike look for products that provide thermal performance, there's more to the story than that; experts agree that they should also look for a product that prevents air infiltration and provides some measure of acoustic management. As CertainTeed's Hartzell explains, "When it comes to insulation, most understand the thermal benefits, but insulation should do much more than that. To achieve complete comfort in either residential or commercial spaces, we feel that the right insulation should control thermal performance, air tightness, moisture management and acoustics." ➤

Energy efficiency and moisture-handling lead trends

According to manufacturers, a leading trend in both insulation and housewrap categories continues to be a desire for greater energy efficiency—not surprising when you examine the data from the federal government. According to an October 2017 report from the U.S. Energy Information Administration, the average American household could spend more than \$1,600 for heating costs during the 2017-2018 winter heating season (depending on the type of fuel consumed). With that much money at stake, homeowners are demanding more and more performance from both insulation and housewrap.

As Huttig Xpress' Sam Sprague explains, "Energy efficiency is becoming a requirement from homeowners. Trends are moving towards high performance insulation packages, and there's a lot of buzz in building science today in regards to air infiltration and the effect on the energy-efficient performance of a home." And in recent interviews conducted by DuPont Tyvek with over 100 industry professionals that included architects, builders, and contractors, it concluded that providing an airtight and energy efficient building is quickly becoming the most important factor when selecting building materials.

While Bruce Hartzell, Product Manager for CertainTeed Insulation, agrees that increased energy efficiency is becoming more and more important to both homeowners and contractors, he points out that it's not as simple as simply making a building airtight. "Trends in increased thermal performance and improved moisture management and air tightness are being seen," he says, "but as homes and buildings are being built tighter and tighter for energy efficiency, we have to use smarter products so that we are not trapping moisture in our walls, creating a 'moisture sandwich.' Walls need to block air to keep the building efficient, but let moisture escape—that's the true trend."

Improved moisture handling itself is another increasing product trend, and considering that the primary purpose of housewrap is to prevent moisture from entering the wall cavity, it's no surprise that housewrap manufacturers are quick to respond to this trend. As Scott Tennison, Global Director of Building Materials for Kimberly-Clark, explains, "We believe you'll continue to see the trend toward weatherization materials that can drain water away from the wall assembly and into the ground. We know the science behind building and how damaging moisture can be for the life of the structure. Taking the added step to install a quality, drainable house wrap will continue to protect your hard work and structure from rot, mildew and mold for years to come."

Huttig Xpress's Sprague agrees with Tennison's assessment. "With more ridged lap and panel sidings being installed in recent years, it is important that the house

Huttig's Sprague agrees and adds, "Quality of the product as well as quality of the installation are key when making a product choice, along with sustainability through the elimination of chemicals and the use of recycled content. Energy efficient upgrades and sound control packages are often overlooked, but it's important to insulate floors and interior walls for sound control."

When selecting a housewrap, it's important to understand what the product is intended to do. Not only must it function as a barrier to air and moisture, it also needs to allow any moisture that does penetrate the wall to evaporate and it must be durable enough to withstand the physical challenges of installation on the job site. "In order to accomplish all of this," says Tyvek's Hubbell, "A product needs to provide the proper balance of air and water resistance and vapor permeability, and also be strong enough to withstand the rigors of the construction process and perform after installation."

As Kimberly-Clark's Tension explains, "The quality of the structure you build is only as good as the weatherization products you choose. You first want to make sure whatever house wrap you choose has excellent water holdout and is breathable. We know drainage is important and creating the drain plane behind your cladding will allow water to move away from your structure and into the ground and gives additional protection by not allowing water to pool."



ABOVE: Knauf Insulation EcoBatt, EcoRoll and EcoFill (available from Huttig) are thermal and acoustical products made from highly resilient, inorganic glass fibers bonded by a thermosetting resin. They utilize what the company calls ECOSE Technology, a plant-based, sustainable chemistry that replaces the phenol/formaldehyde (PF) binder traditionally used in glass mineral wool products. Products using ECOSE technology are formaldehyde-free and have reduced global warming potential when compared to past products.

RIGHT: CertainTeed's EasyTouch Encapsulated Insulation is intended to be used in either residential or commercial construction as thermal and acoustical insulation. The product is encapsulated in a vapor-permeable poly sheeting and available with or without an attached kraft vapor barrier.



Dealer knowledge key to product differentiation

Industry experts agree that the dealer is vital when it comes to contractors receiving proper product information and education, and as such, manufacturers strive to keep dealers aware of a product's ability to meet contractors' needs of speed and ease of installation, overall performance. "The dealer is the first place a builder or contractor will visit when they face a problem with products they have installed," says Tyvek's Hubbell. "It is important for a dealer to be knowledgeable about the products they are offering, to not only protect their reputation but continue being a valuable resource to their customer."

In the case of Georgia-Pacific, integration is a key product differentiator. "Integrated systems can help save time and money over house wrap," explains Key. "For example, our ForceField system (which is installed like traditional sheathing using a proprietary tape to finish the seams) can be installed up to 37% faster than traditional housewrap."

CertainTeed's Hartzell agrees with the integrated product approach and stresses using multiple products from a single manufacturer as a successful way for dealers to succeed with contractors. "We encourage dealers to emphasize the use of multiple products in order to best insulate a home/building," he says. "Features such as smart moisture management, Class A fire ratings, and specialty applications are great to help properly insulate all of the different areas in a home versus trying to find one solution to fit all."

"The fact that we can provide our dealers with a solution for any part of the thermal envelope has proven to be very important to dealers," adds Universal Forest Products' Murphy. "We have some exclusive-to-UFP products that we market that have really helped grow some of our dealers' sales. Dealers also appreciate the depth of our ThermalStar product line which offers interior/exterior products for basements, crawlspaces, foundations, under slabs, above grade walls, cavity walls, insulating structural sheathing, EIFS, roof and wall nailbase."



Universal Forest Products' ThermalStar One insulating structural sheathing combines four layers in one application that according to the manufacturer provides a strong, stiff, nailable structural layer with segment leading shear value, graphite enhanced rigid insulation in three thicknesses/R-Values, and an integral taped WRB/air barrier layer.



But technical superiority and easy installation aren't the only key features dealers should stress with contractors. Making sure that contractors understand proper installation methods can make all the difference between a happy and a frustrated customer. As Huttig's Sam Sprague explains, "Make sure contractors know how to install housewrap properly to ensure it is giving the best service possible. For example, it is best to use a cap nail or cap staple to help secure the wrap to the structure and reduce water intrusion and ripping. Seams should be taped with a high quality seaming tape. Windows and doors should be flashed properly to minimize air and water intrusion. And always cover the wrap with the final wall cladding within the manufacturer's prescribed time frame."

Warranties sway purchase decisions

While it would seem common sense that homeowners would automatically question warranty coverage of a product and that contractors would be quick to adopt products that offer superior warranties, that's not always the case. Homeowners often make assumptions on warranty coverage without first checking with their contractor, and contractors themselves can be slow to make a change. "A lot of builders don't want to change, but that's not the future," said Matt McHaffie, owner of Tallahassee-based GBGH Construction. "You have to change and keep up with technology. Many builders don't understand that they could invest just 1% or 2% more on their home to get a 30-year warranty on sheathing with a built-in water and air barrier for a better-quality house. In less than five years, this should be the new standard in construction sheathing and decking products."

Kimberly-Clark's Tennison emphasizes that both contractors and homeowners should always use products with strong warranties. "If a manufacturer is not willing to warranty their product," he explains, "why should you consider purchasing or using it? If your current weatherization solution does not have a warranty that not only replaces the failed weatherization product as well as any damages and costs associated with the failure, then we would highly recommend switching to a better warrantied product."

Rather than be a secondary discussion between contractor and homeowner, the strength of the warranty coverage of a product can and should be used as a sales tool. As Tyvek's Hubbell explains, "Warranties are a helpful tool for a contractor or homeowner to know that the products being installed on the building are supported by a manufacturer who will stand by the quality of their product. Ideally selecting a product that is made with high-quality materials and installed properly will minimize callbacks and the need to utilize a warranty if in need."

Universal Forest Products' Murphy concurs. "Many of our products offer limited lifetime warranties and the majority of our customers have stated that this is very important to them," he explains. "Homeowners and building team partners spending or proposing to spend several hundred thousand for a construction project want protection from product failure. The fact that a manufacturer is willing to offer a limited lifetime warranty on their products is really important to decision-makers."

Still, the importance of warranties may not yet have reached its zenith, and increased emphasis on warranty coverage may be coming. "For commercial construction, warranties come into the conversation after a specification has begun to move forward," explains Tamlyn's Daniels. "For builders we have not as yet seen warranties as a major part of the purchase decision, but as residential warranty packages are improving it could become more important."

New products deliver innovative performance

To meet the performance desires of homeowners and contractors and the many code requirements, insulation and housewrap manufacturers are constantly developing innovative new products. For example, Kimberly-Clark has expanded its BLOCK-IT Tape portfolio to include a wider 72mm seam tape along with an added product feature using quick-tear technology that, according to the manufacturer, makes installation faster while still keeping the same level of strength. ➤



Rhino Engineered Steel Headers are designed for a header space to be fully insulated, which provides a thermal break and eliminates the header area as part of the thermal heat-loss calculation. The patent-pending product is lightweight, easy to handle and install, and won't twist, crack or warp like wood headers.

Georgia-Pacific recently introduced ForceField Corner Seal. Working in conjunction with ForceField Air & Water Barrier, Corner Seal is a 4"-wide semi-rigid polypropylene outfitted with what the company calls a "living hinge", which allows it to be used for both inside and outside exterior corners. According to Georgia-Pacific, once installed, ForceField Corner Seal protects against air and moisture intrusion in some of the most difficult areas of a home to seal.

ZIP System now offers a new R-9 rated option for its ZIP System R-sheathing product line. Tyvek introduced in 2017 its Fluid Applied WB+, an improved durable fluid-applied weather barrier, and at the 2018 International Builders' Show, DuPont plans on unveiling its new FlexWrap EZ, a flexible flashing tape that is engineered to create an air and water tight seal around small shaped penetrations.

Universal Forest Products recently introduced a variety of new products including a new basement, crawlspace and attic wall rigid insulation, including its new ThermalStar One insulating structural sheathing, and its LCI15 GX and LCI25 GX, a poly-faced rigid insulation that is designed for use on above-grade walls in over-sheathing applications as a rigid insulation layer on top of OSB or plywood in new construction or remodel projects.

CertainTeed has also introduced a variety of new products, including SmartBatt and MemBrain product lines that, according to CertainTeed's Hartzell, block air to keep the building efficient but let moisture escape. Its EasyTouch (encapsulated batts/rolls) insulation carries a Class A fire rating, and its CertaSprayX fire rated spray foam is rated for exposed applications without the need for an intumescent coating or additional thermal barrier.



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Education and support are key to success

As in any segment of the building industry, training and education—both for the distributor and for the installing contractor—are vital to ensuring product success, proper performance, and overall customer satisfaction. “Education is critical,” says Huttig Xpress’ Sprague. “We strive to give our sales people and installers all the education and training required to ensure the end user knows they have a quality finished job. Our goal is to make sure the homeowner is satisfied that they have a quality product and a first class installation.”

For example, Georgia-Pacific offers merchandising support for its products as well as an online and in-person AIA continuing education course on integrated air and water barrier systems.

For Kimberly-Clark, the key is hands-on education. “We continually provide training in the market to not only our dealers, but also to builders and architects,” says Scott Tennison. “The goal is to educate them on the dangers of water infiltration. In addition, we utilize point-of-purchase educational materials, online product comparison tools, and promotional displays. We are very hands-on when it comes to attending our dealers’ key customer meetings, providing scientific data, product expertise and excellent customer service.”

Likewise, Huber Engineered Woods conducts robust training programs at more than 500 events at local lumberyards, installation jobsite training through its engineering department, and a growing point-of-sale and merchandising team that works with dealers and distributors to provide everything from floor displays to customized local radio program support.

Universal Forest Products offers building science training for store sales personnel, builder seminars/training, and “Lunch and Learn” sessions along with training designed to address specific topic or concerns. In addition, it offers a large array of samples, literature, and new POP displays for use by dealers and the design community.

Tamlyn is another manufacturer that encourages education via a strong “Lunch and Learn” program for archi-

tects, along with product knowledge sessions for contractors across the country. It also offers education to its dealers focused on products and sales strategies, along with educational visual aid materials.

And if there’s one thing that all manufacturers agree with, it’s this type of manufacturer-driven education is more important than ever, as requirements for higher R-values and improved air tightness are changing the way walls are built. As Tyvek’s Hubbell explains, “For years, DuPont has been providing product knowledge and building science education to code officials, builders, architects, installers and others, demonstrating how to construct a building envelope that effectively manages against air and water infiltration without compromising the durability of the wall. Today, this education is more important than ever.”

To that end, DuPont Tyvek created what it has dubbed its Specialists Network, a national network of more than 130 field representatives who have participated in a two- or five-year certification process who are available to answer questions and provide onsite instruction and assistance. As well, DuPont Tyvek offers education and training through online, along with technical information such as installation guidelines, technical bulletins, and other information that is available either online or through its distributors.

While building codes have certainly changed in the last few years, more changes are almost guaranteed as codes become even more stringent in regards to insulation and weatherization products. “Low quality woven house wraps or other new products on the market that claim to weatherize but fail have the potential to jeopardize the structure quickly due to moisture intrusion,” points out Kimberly-Clark’s Tennison. “If codes were stronger to only allow quality weatherization products, contractors and home owners would be better protected.” ■

Michael Berger is the former Managing Editor for HANDY Magazine and has been writing about home improvement and construction for the past 16 years.

INTERNET INFORMATION

Companies highlighted participated in this article.

CertainTeed:
www.certainteed.com

DAP:
www.dap.com

Dow:
www.building.dow.com

DuPont Tyvek:
www.dupont.com

Fortifiber:
www.fortifiber.com

Georgia-Pacific:
www.buildgp.com

GreenFiber:
www.greenfiber.com

Huber Engineered Woods:
www.zipsystem.com

Huttig:
www.huttig.com

Insulfoam:
www.insulfoam.com

Johns Manville:
www.jm.com

Kimberly-Clark:
www.kimberly-clarkbuildingmaterials.com

Knauf:
www.knaufinsulation.com

MFM Building Products:
www.mfmbp.com

NCFI Polyurethanes:
www.NCFI.com

Owens Corning:
www.insulation.owenscorning.com

Polyguard Products:
www.polyguardproducts.com

Premier Building Systems:
www.premiersips.com

PrimeSource Building Products, Inc.:
www.primesourcebp.com

Progressive Foam Technologies:
www.progressivefoam.com

Rhino Headers:
www.rhinoheaders.com

RoyOMartin:
www.royomartin.com

Tamlyn:
www.tamlyn.com

Typar:
www.typar.com

Universal Forest products:
www.ufpi.com

PRODUCT PICKS

EACH MONTH, HUNDREDS OF PRODUCTS HIT THE MARKET. HERE'S OUR PICK OF THE ONES TO WATCH.



Dual-Post Connecting System from AGS Stainless

AGS Stainless, Inc. has introduced a dual-post connecting system for the Rainier line of custom-made, prefabricated stainless steel railing systems suitable for institutional, commercial, and residential applications. By positively connecting two posts together at the end of each run, this new reinforcement system reduces deflection from the tensioned cables. This, in turn, allows for higher tension which is said to increase safety and minimize sagging of the cable infill. www.agsstainless.com

CertainTeed® Restoration Millwork® Line of Cellular PVC Trim

The latest additions to the Restoration Millwork line of exterior trim from CertainTeed are made of high-quality cellular PVC and designed to have the look, feel and utility of top-grade lumber, but with aesthetic and performance advantages unmatched by wood. The New England Sill features a flat surface designed to provide contractors with more flexibility when framing out window openings. The Water Table Trim is said to have the look of the days when it was common to use a horizontal element as a transition between the foundation and the house. Restoration Millwork Water Table Trim performs this aesthetic function while also helping to keep water away from the foundation by directing it out from the wall via a groove on the underside of the trim. www.certainteed.com

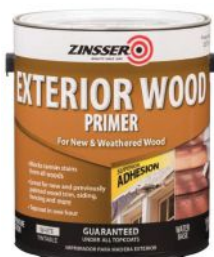
NEW ENGLAND SILL

WATER TABLE TRIM



Hy-Lite® Mission Style Window in 2' x 2' Size

Hy-Lite now offers a Mission style window in a 2' x 2' size. The window is part of the company's Home Designer Collection series. The fixed units can be stacked vertically, run horizontally, or installed in different creative fashions for larger spaces. The windows can also be used singularly. The Mission style window is constructed with silkscreened tempered privacy glass and clear diamond shapes on the interior. The fixed unit is finished with textured privacy glass on the exterior. In addition to the new 24" x 24" size, the Mission style window also comes in both a 48" x 48" size and a 48" x 12" size. Each window is constructed with a multi-chambered heavy-duty vinyl frame in either white, tan, driftwood or bronze. The windows come with a nail fin, or nail fin and J-Channel. www.hy-lite.com



Zinsser Exterior Wood Primer from Rust-Oleum

Rust-Oleum is expanding on Zinsser's trusted line of primers with the addition of Zinsser Exterior Wood Primer. This water-based primer is designed for new and previously painted wood trim, siding, fencing and more. It is said to excel at blocking tannin stains from cedar, redwood and other bleeding woods. This primer provides adhesion while still remaining flexible and can be applied in low temperatures. The product is said to have fast dry times to help with quicker project completion. www.rustoleum.com/zinsser

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PRODUCT PICKS

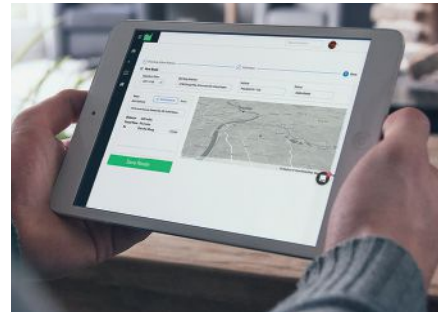
Benjamin Obdyke's FlatWrap® UV

Benjamin Obdyke's FlatWrap UV is a commercial-grade water-resistive barrier (housewrap) with enhanced UV and tear-resistance. FlatWrap UV is specially designed for use with architectural designs that incorporate "open joint claddings," which typically leave the WRB exposed to sunlight. The product features a high-performance tri-laminate design with enhanced UV resistance versus typical weather-resistant barriers. The black color of the housewrap is said to enhance the aesthetic appeal to open joint architecture—allowing for discreet shadow lines between the panels—and does not contain any logos or branding. When used in conjunction with a rainscreen wall, the product is designed to provide superior bulk water drainage, exceptional vapor permeability, and durability to protect the sheathing for the life of the building. www.benjaminobdyke.com



Stock Systems CRM

Stock Systems bills itself as the modern platform for modern LBM businesses. Said to be the only cloud-based platform for the industry, Stock Systems was built from scratch by experienced LBM veterans with more than 50 years of experience operating lumberyards. Stock is designed to enable businesses to schedule deliveries and save both time and money with route optimization (Stock Logistics), track orders, inventory, and conduct e-commerce (Stock Inventory), and manage the entire customer base—both prospective and current (Stock Sales CRM). On average, the company says, businesses realize more than \$80 in sales for every \$1 spent with Stock. www.stocksystems.com



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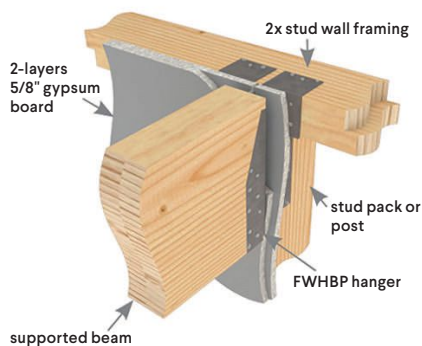
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MiTek's Expanded Firewall Hanger Series

MiTek has expanded the FWH Fire Wall Hanger series to include the higher load carrying capacity FWHBP, the Fire Wall Hanger for Beams and Purlins. The FWHBP can transfer loads of more than 5,700 lbs. into supporting walls by bearing on the wall's top plates and directly attaching to the stud pack or post below. As with the FWH hanger, the design allows users to install the hangers before the drywall is attached, which is said to in turn allow projects to be completely framed-up and weather-tight before the drywall sheathing shows up on site.

www.mitekbuilderproducts.com



TRU-POST Planter Basket Accessory

The planter basket accessory from TRU-POST is a powder-coated steel basket with a powder-coated aluminum stem. The 14" coco liner basket is designed to support plants that cascade over a fence or deck post. Coco liner is included. TRU-POST planter baskets are designed to fit various fence and railing post sizes as well as any flat wood or deck surface with TRU-POST's universal mount. www.tru-post.com

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PRODUCT PICKS

Deckorators® Fastendry System

Deckorators has introduced a system that combines weatherproofing and deck board fastening capability in one solution and is said to enable contractors to add under-deck living space or storage in a faster, easier and more cost-effective way. Fastendry fits in the slotted edges of Deckorators composite decking, forming a watertight seal designed to prevent rain, melting snow and debris from passing through the spaces between boards. The polymer insert also features nail flanges that allow for efficient deck board fastening during system installation. Deckorators Fastendry is designed to complement Deckorators Vault, Heritage, Vista, Classic and Frontier slotted-edge deck boards. It will be available for the 2018 decking season in black 12', 16' and 20' lengths. Deckorators Fastendry is covered by a 25-year limited warranty on manufacturing defects. www.deckorators.com/fastendry



Epicor updates BisTrack

Epicor has announced general availability of two new Epicor BisTrack applications—Epicor BisTrack Price Checker and Epicor BisTrack Warehouse Management for Android devices—for users of the business management software for LBM dealers and distributors in North America. BisTrack Price Checker is a new application developed to give a business's customers access to instantly learn product prices. With this self-service, customers can scan barcodes, view prices on a mountable terminal display, and even print item labels throughout the retail store. BisTrack Warehouse Management, now available for Android devices, is a bundle package that consists of the BisTrack Count, BisTrack Picking, and BisTrack Receipt applications—featuring a responsive design that is said to support devices of any size. www.epicor.com/products/bistrack



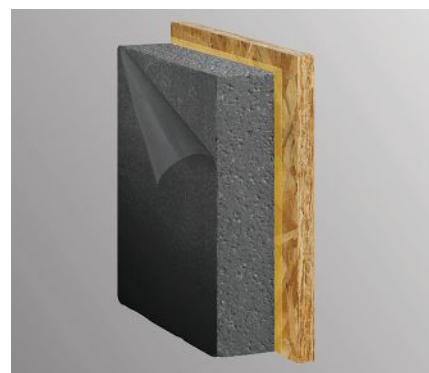
New Window options for Safe-Way Garage Doors

Safe-Way Doors has released new updates to its garage door lines. The Ambient door line now includes pencil groove doors with "residential style" windows. The Ambient line is marketed toward both residential and commercial use, with a heavy-duty construction resulting in an R-Value of 17.68. The Regency Madera line is now available with both pencil grooves and "commercial style" windows as options. The Regency Madera, designed to replicate the look of natural stained wood in either oak or rosewood, is constructed of heavy gauge steel, and insulated with polystyrene for an R-Value of 10.25. www.safewaydoor.com



UFP ThermalStar X-Grade Insulation

Universal Forest Products' ThermalStar X-Grade rigid insulation is said to provide equal thermal performance to XPS for non-load bearing applications, without the extra plastic. According to the manufacturer, ThermalStar X-Grade's thermal properties are designed to not degrade over time, allowing the R-value to remain the same over its entire service life, and it's claimed to have the ability to dry much faster than XPS, allowing it to remain drier during conditions of repeated exposure to moisture. X-Grade has termiticide and a wax matrix that is integrated during the manufacturing process. ThermalStar X-Grade does not contain any ozone-depleting gases, creating zero global warming potential. www.thermalstar.com



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LBM Journal has recently recognized the following additions to the LBM Century Club. Member lumberyards have been serving their communities for more than 100 years. The following companies joined the Century Club in 2017:

NAME	LOCATION	ESTABLISHED
John Sixt & Son, Inc.	Chaffee, NY	1913
Heath Lumber Company	Ewing, NJ	1857
John E. Quarles	Ft. Worth, TX	1901
Healdsburg Lumber Company	Healdsburg, CA	1875
Sandersville Builders Supply Company	Sandersville, GA	1880
Robert Scott Lumber Company	Wellsburg, WV	1883
Chauvin Bros	Chauvin, LA	1875

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PRODUCT PICKS

Eclipse™ Weather Resistant Barrier from RoyOMartin

RoyOMartin has expanded its Eclipse line of OSB sheathing products. Eclipse Weather Resistant Barrier (WRB) is a tape-and-panel wall-sheathing solution designed to help builders save time and money by integrating housewrap and reflective insulation into a single structural panel, available in extended lengths. With a 180-day exposure rating, Eclipse WRB offers a Class B fire rating and is ideal for a variety of commercial and residential projects. Rounding out the line are RoyOMartin's other housewrap alternatives: Eclipse Air & Moisture Barrier, and Eclipse OSB Radiant Barrier, for use in roof applications. All three Eclipse products are rated by APA – The Engineered Wood Association, verified by RIMA-I, and available Forest Stewardship Council® (FSC®) certified. www.royomartin.com



Weather Shield Bi-Fold Doors and Windows

Weather Shield Windows & Doors has upgraded bi-fold patio doors and windows with expanded sill options, new hardware choices and new energy efficiency capabilities, described as meeting all ENERGY STAR® requirements throughout the U.S. With a flexible configuration and multiple styles and design options, bi-fold windows and doors are designed to offer new options for opening living spaces. The upgraded windows and doors are available for the Contemporary Collection™ as well as the Premium Series™ product lines. The bi-fold windows are available in a maximum width of 24' and height of 6'-6". The bi-fold doors are available in a maximum width of 24' and height of 10'. Warrantied for 20 years, and against wood rot on all clad products for 30 years. www.weathershield.com



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SERVING DISTRIBUTORS, MANUFACTURERS, AND LUMBER DEALERS

Canada begins appealing duties in softwood lumber dispute

BY BEN GANN

TENSIONS CONTINUE TO ESCALATE in the softwood lumber dispute between the United States and Canada following actions taken by the two countries in November and December. Although the two countries publicly express support for reaching a new agreement, recent actions taken by the U.S. and Canada suggest the sides remain far apart.

On Nov. 2, the U.S. Department of Commerce finalized antidumping duties (AD) and countervailing duties (CVD) on softwood lumber imports from Canada. The duties were approved by the U.S. International Trade Commission (ITC) on Dec. 7.

Most Canadian firms will pay a combined AD/CVD rate of 20.83%, which is less than the preliminary combined rate issued by the Commerce Department. For the five companies (Canfor, J.D. Irving, Resolute, Tolko, and West Fraser) directly involved in the investigation, they will pay a combined rate that is different. Canfor will pay 22.13%, J.D. Irving will pay 9.92%, Resolute will pay 17.9%, Tolko will pay 22.07%, and West Fraser will pay 23.76%.

The action taken by the Commerce Department is in response to a petition filed by a group of U.S. timber companies alleging harm caused by unfair subsidies for the Canadian softwood lumber industry. As part of the petition, the coalition has sought duties to restore what it considers fair trade conditions.

Canada has responded by challenging the duties determinations on two fronts. First, the country has appealed both the AD and CVD determinations to a binational U.S.-Canada trade panel of as permitted under the North American Free Trade Agreement (NAFTA). Second, Canada has opened a World Trade Organization (WTO) case against the U.S. regarding the duties.

Chapter 19 of NAFTA allows Canada to request a binational trade panel to review the U.S. Department of Commerce's final determination. Complicating matters is that the U.S. has made it known that it would like to eliminate NAFTA's alternative dispute resolution as part of a renegotiation of the three-country trade pact. Canada strongly objects to removing NAFTA Chapter 19.

NAFTA Chapter 19 panels merely decide if an antidumping or countervailing duty determination is in accordance with the applicable national law. In this case, U.S. law. Thus, Chapter 19 panels principally serve a judicial function.

Canada's WTO complaint on the other hand centers on the method used by the Commerce Department to calculate duty rates. A method known as "zeroing" used by the Commerce Department disregarded negative dumping margins in its calculations and increased the duty rates on Canadian softwood lumber imports. The WTO has historically found the practice of zeroing rates to be a violation of the General Agreement on Tariffs and Trade (GATT).

Unlike with the NAFTA Chapter 19 case, the WTO complaint is a government-to-government dispute regarding the application of international trade agreement obligations and is used primarily as a dispute settlement function.

The Canadian government has highlighted its legal success in previous softwood lumber disputes. Although it has said publicly it would prefer a new agreement that is satisfactory to both countries.

During the presidential election last year, President Donald Trump railed against trade deals he saw as one-sided and did not favor the U.S. As anticipated, his Administration has been hawkish on trade enforcement. As of December 5, the Commerce Department has initiated 79 AD/CVD investigation. That is a 65% increase from 48 in the previous year.

Framing lumber and panel prices have increased substantially over the past year as tensions have escalated in the dispute. NLBMDA members report they have seen increases in Canadian softwood lumber prices, although prices have stabilized following the summer wildfire season and hurricanes that hit Florida, Texas, and Puerto Rico.

In 2016, imports of softwood lumber from Canada into the U.S. were valued at an estimated \$5.66 billion. NLBMDA supports the U.S. and Canada working together to reach a new agreement on the longstanding softwood lumber dispute, and maintains that duties are a poor substitute for a long-term agreement that brings stability and predictability to the pricing and availability of softwood lumber.

NLBMDA will continue to engage with the Department of Commerce, Canadian government officials, and Congress on the softwood lumber dispute in hopes of reaching a new agreement that does not put American lumber producers at a competitive disadvantage, unnecessarily restrict the availability of products, or increase the cost of housing to the detriment of prospective homebuyers and consumers. ■

Ben Gann is Vice President of Legislative and Political Affairs for NLBMDA in Washington, D.C. For more information, visit www.dealer.org.

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How much is too much?

New owners want to cut your top rep's pay, which would likely send her to the competition.

Like many family-owned companies, XY Lumber recently reached a place where members of the next generation weren't interested in carrying on the family business. After a brief time on the market, the company was sold to a larger company with locations across the U.S. You, as the General Manager, and the rest of the company were relieved to learn that the new company planned to keep most everything as-is. After all, they bought XY Lumber because of its strong revenues and margins, it wouldn't make sense to mess with that.

The first six months or so went along uneventfully. You were left to run the business as you had been, with no major changes. The first big change—one you're dealing with right now, involving your top salesperson—has the potential to be a very bad thing for the company.

The new owners have guidelines that they use to determine compensation for all employees companywide. Since pay rates vary from location to location, each position has an acceptable range. As it happens, Patty, your top salesperson, earns far beyond the company's top range for salespeople. She's been with the company since long before you took over as GM, and she has consistently been #1. The previous owner explained that she pushed to be paid straight commission, with ever-larger bonuses for hitting higher and higher goals.

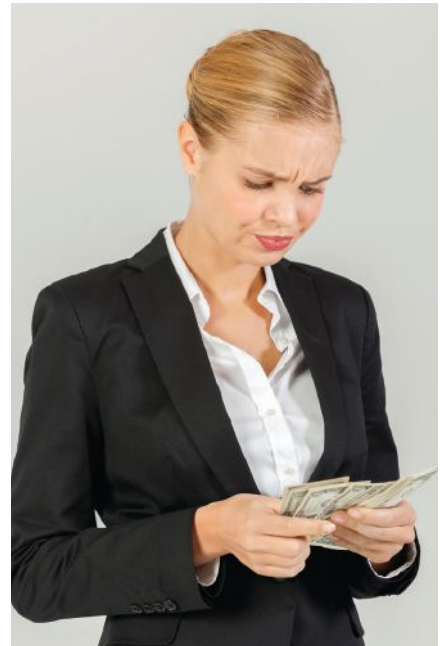
Somehow, Patty manages to hit every goal every year, which results in very healthy bonuses. The result is that Patty's pay is consistently far above the norm. That was fine with you and the prior owner...but not with the new owners.

"Everything's in line with compensation for everyone on your team," the new owner said, "with the exception of Patty. She's earning far too much. We're fine with her being at the very

top of our range, but anything above that isn't going to work."

Unsurprisingly, this news didn't go over well with Patty. "I've been selling for XY Lumber for more than 20 years, building and nurturing relationships, while generating solid sales and margins for the company. It's not fair that my pay be reduced. My paychecks are big, but I earn every dollar. I guess the company has to do what it has to do... and I'll do what I have to do."

You didn't like the sound of that, especially knowing that competitors have been courting Patty for years. You explained to the new owners that cutting Patty's pay will likely lead to her departure, and many of her accounts are sure to follow. "We can't control that. It's your job as GM that your people are paid within acceptable levels. The company's fortunes can't be held hostage by the threat of one person leaving. You've got 60 days to get her pay in line."



Your mission: reduce your top rep's pay, while somehow convincing her to stay. What would you do?

Cast your vote online at www.LBMJournal.com

- 1 BE HONEST.** Tell Patty that the new owners have instructed you to cap her pay at a lower level, and vow to do all you can to change it back.
- 2 PUSH BACK.** Ask the new owners if it's worth losing your top rep and key accounts, over an arbitrary pay range.
- 3 MAKE IT WORK.** Figure out a way to cut other costs, so that you could secretly supplement Patty's official pay—thus keeping her and the company whole.
- 4 MEET HALFWAY.** Ask Patty if she'd be willing to stay if you could get the company to meet her halfway. Then plead your case with the new owners and push for a yes.

SOMETHING ELSE?

If you'd take a different plan of attack, email your suggested solution to Rick@LBMJournal.com. If we publish your reply, we'll send you a LBM Journal mug.

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