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REMODELED RIDGEFIELD

PRICE LEADS RIDGEFIELD SUPPLY INTO NEW ERA

A remodel can have great impact on a company. In the case of Ridgefield Supply, it impacted a community. When Margaret Price came back home to take over her father, Lou Price's, lumberyard in Ridgefield, Conn., she knew that a remodeled and redesigned facility would be necessary to carry on the company's success.

BY JAMES ANDERSON

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The high cost of special order mistakes

Saving money by limiting special orders errors may mean losing customers.



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THE LBM COMMUNITY

“The LBM business isn’t like other industries...” That’s a common comment I hear when talking with someone with extensive business experience, but who has only recently joined our world. When asked to elaborate, there are three common themes.

1. It’s like the Wild West, with companies forging the rules as they go along.
2. Independent companies who take great pride in their independence.
3. Good people. A handshake still means something (though contracts are encouraged).

The very attributes that give our industry its character and heart (especially 1 and 2 above), can also work against us. For example, “forging the rules as they go along” is something that we do in the absence of established benchmarks. And the “independence” piece means we alone are responsible for our company’s success, or failure.

Since my initiation to the industry back in 1990, I’ve come to love this field. And since *LBM Journal’s* launch in 2003, I’ve made it our mission to identify and create tools that our audience needs to succeed. The way we identify gaps is by asking questions...then listening to your answers. One example is the just-completed 2018 LBM Sales Compensation + Benefits Survey. Once the data is analyzed and the report is complete, I’m confident this will be the most useful version of this important study to date. Watch future issues for a feature article on the results. And, as promised, the 300-plus readers who participated in the survey will receive a copy of the full report—complete with every question and answer.

Reader feedback, and the fact that the market has made *LBM Journal* the leading media brand for our industry, shows that what we’re doing makes a difference. As the methods of sharing information evolves, we need to know how you want *LBM Journal* to evolve to meet your needs. For the majority of you who still prefer reading a print magazine, I’m happy to assure you that, counter to what you may have heard, print is definitely not dead. In fact, 2017 was the single biggest year in *LBM Journal’s* history.

As we maintain and improve on the magazine and website, we’re also investing heavily in digital communications, social media, and live events*. That’s why the *LBM Journal* team is working through the results of the recently completed 2018 LBM Readership Survey—which more than 300 readers took time to complete. Armed with fresh info about you, what kind of information you want, and in what form you want it, means we’re prepared to continue meeting your needs, in 2018...and beyond.

In closing, I agree with those new to our community who say: **“The LBM business isn’t like other industries....”** I also agree with how that sentence typically ends: **“...and it’s a breath of fresh air.”**

* Mark your calendar for our community’s premier annual event, the **LBM Strategies Conference 2018, September 19-21 at the Hilton Philadelphia at Penn’s Landing.**
Learn more at LBMStrategies.com

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GETTING PAID

Five best practices to minimize financial risk and maximize customer relationships.

BY ARIELA WAGNER

If you've ever chosen not to file a lien or claim against a bond because you were afraid of losing or offending a customer, you're not alone. These are common emotions shared by LBM professionals. Construction suppliers are often faced with difficult decisions regarding the lien and bond claims processes.

Without a doubt, implementing proactive plans *before a construction project commences* is the best way to secure your rights to get paid while minimizing your risk of conflicts with customers.

Here are five best business practices to reduce financial risks and maintain customer relationships.

1. DETERMINE CREDITWORTHINESS

Determining the creditworthiness of a customer before a project begins is a smart way to minimize your financial risks. If evidence of good credit is an ordinary component of your business model, it shouldn't affect customer relationships. You can simply provide each customer with a credit application before engaging in the project.

The credit application should require general information, such as the full name and address, but should also request credit references. A credit report alone doesn't provide all of the information needed to determine if the customer is creditworthy, but it does provide a snapshot of possible risks before moving forward.

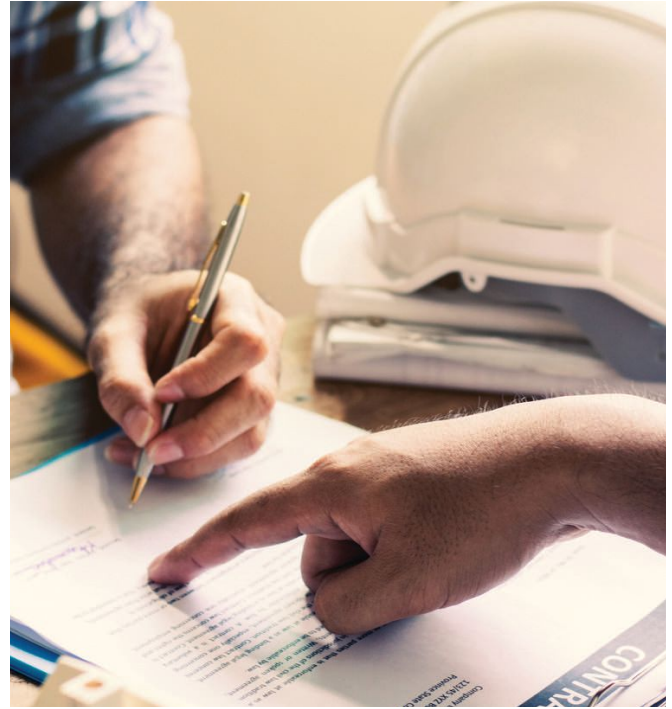
2. DEVELOP DETAILED CONTRACTS

It is vital to develop a contract that clearly spells out the details of the project in terms that are understandable and precise. The more time you spend on a contract prior to accepting the work, the better off you'll be. As you delve into any project, your contracts should include:

SCOPE OF WORK: Describe the materials you will provide and, if applicable, work that you will perform. It can also be beneficial to include the work, services, and materials you will *not* provide.

PRICE: Typically, the price corresponds directly to the scope of work. You should describe payment terms in as much detail as possible, including payment due dates.

START AND END DATES: Include the project date of commencement and expected date of completion. The end date can be based on a number of days from the start of the project or can be a more decisive end date as agreed. It is very important to include details of what will occur in the event the job isn't completed on schedule to avoid damages that may occur from lateness, such as liquidated damages.



3. KNOW YOUR STATE'S LIEN LAWS

Typically, contractors think, "If I don't get paid, I can just lien the job." Unfortunately, by the time they realize they need to lien a property, they are beyond the timeframe allowed. Regardless of the role you play in the construction industry, arming yourself with the knowledge of the laws in your state is one of the best practices to reduce your risks.

Each state law varies on statutory forms, who and when to send a preliminary notice to, and the type of service required. In Florida, for example, if you don't have a direct contract with the owner of the property, you're required to send a notice to the owner within 45 days of first furnishing labor and/or materials to the project.

Sending preliminary notices are a smart way of securing your lien rights and are, in no way, a reflection of your integrity. To learn more about lien and bond claim laws in your state, visit www.sunraynotice.com/resources/

4. DEVELOP A STRONG COLLECTIONS PROCESS

The most important aspect of developing a strong collection process is to remember that it is essential not to waive your rights to get paid. Securing your lien rights does not necessarily mean that a company will exercise its right to lien or place a claim against the bond. In fact, securing lien rights is the smart way to avoid the risk of nonpayment while securing your equity interest in a property.

Establishing a routine collections process within your company can ease tensions by insuring regular communication with your customer. For example, one of the many steps you can take within your collections process is to send a gentle, friendly reminder informing the customer of lien rights with a past due invoice.

These processes can actually help your business relationships and your reputation.

5. DON'T MAKE EMOTIONAL DECISIONS

Making brash emotional decisions when a financial risk is looming increases tension associated with placing a lien. *Emotions should be left out of the equation.* Avoiding emotional conflict minimizes any guilt that can arise in these trying situations. These laws and safeguards are available to protect your right to get paid. Legally, *it's your right* to collect payment for work that has been completed as contracted.

Consider putting your collections process in the hands of others who specialize in document services. This can reduce negative emotions as well as strengthen your relationship with your customers. By doing this, you are setting personal relationships aside and treating the relationship in the most professional way possible, a quality which most customers appreciate.

Filing a lien on a project does not mean that your customer is in terrible standing. There could be a number of

reasons why you might have to obtain a lien on a project that have little to do with your customer, such as the owner of the property can no longer fund the project, the person who hired you is not the general contractor and is not paying your subcontractor, therefore, can't pay you, etc. Many other scenarios may occur on projects and, whether you hire a construction document service to assist you or choose to maintain deadlines and send required documents yourself, the key to reducing emotions and staying on track is to remain consistent and professional in all communications with your customers.

Utilizing these five best business practices means that you can secure your money effectively. Rest assured knowing that securing your money doesn't always mean that you have to lien a property; but if it comes down to it, you have secured those rights to claim and can utilize them without letting your emotions get the best of you. The statutes are specific and are there to protect you and your right to get paid.

Developing organized processes from the beginning of a project or regularly affiliating with construction document services can minimize your financial risks while positively maintaining your customer relationships. Securing your equity interest in a project by utilizing liens and claim on bonds is always a smart business decision. ■

Ariela Wagner is the founder of SunRay Construction Solutions, a national preliminary notice software and research service. She assists companies in developing processes to secure their lien and bond claim rights. Wagner also develops educational webinars and seminars. Contact her at 954.491.1861 or learn more at www.sunraynotice.com.



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BUILDER CONFIDENCE REMAINS STRONG AS NEW YEAR STARTS

Builder confidence in the market for newly-built single-family homes dropped two points to a level of 72 in January on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) after reaching an 18-year high in December 2017.

“Builders are confident that changes to the tax code will promote the small business sector and boost broader economic growth,” said NAHB Chairman Randy Noel, a custom home builder from LaPlace, La. “Our members are excited about the year ahead, even as they continue to face building material price increases and shortages of labor and lots.”

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.

The three HMI components registered relatively minor losses in January. The index gauging current sales conditions dropped one point to 79, the component charting sales expectations in the next six months fell a single point to 78, and the index measuring buyer traffic fell four points to 54.

Looking at the three-month moving averages for regional HMI scores, the West rose two points to 81, the South increased one point to 73, the Midwest inched up a single point to 70 and Northeast climbed five points to 59.

THREE-MONTH MOVING AVERAGES FOR REGIONAL HMI SCORES

WEST UP TWO POINTS TO:

81

SOUTH UP ONE POINT TO:

73

MIDWEST UP ONE POINT TO:

70

NORTHEAST UP FIVE POINTS TO:

59

ZILLOW PREDICTS HOTTEST HOUSING MARKETS FOR 2018

The U.S. housing market is hot, with more than half (52.6%) of all homes nationwide worth as much or more than they were at the peak of the national housing boom in April 2007. Some markets, though, have proven hotter than others—kept at a boil by healthy income growth, abundant job opportunities and above-average housing appreciation.

It’s largely those markets that will continue to be hot in 2018. San Jose, Calif., tops the list of hottest markets for 2018. Home values in the Silicon Valley hub gained 17.4% over the past year—the fastest growth among the 50 largest metro areas—and it tops Zillow’s list of hot markets for 2018, as high-paying tech jobs continue to keep pace with climbing housing costs.

San Jose’s median home value of \$1.13 million is expected to grow by 8.9% this year, while its population and labor market remain robust. Glassdoor estimates that San Jose has 0.036 job openings per person – the highest rate among large U.S. metros. It’s also the only market with a median household income above \$100,000—at \$110,040.

Zillow ranks two increasingly hot North Carolina markets—Raleigh and Charlotte—second and fourth on its list for 2018. Both areas boast strong income and population growth, as fast-growing Research Triangle anchor Raleigh becomes better known for innovations outside its life sciences base and Bank of America headquarters Charlotte builds on its reputation as a financial center.

Tech hubs Seattle and San Francisco round out the top five at No. 3 and No. 5, respectively. The top 10 also includes Nashville, Denver and Austin—which have the lowest unemployment rates among large metros.

UPDATES

INDUSTRY

The AZEK Company (formerly called **CPG International**), manufacturer of **AZEK** and **TimberTech** brands, has acquired **WES, LLC.**, a company that sells engineered railing systems and assembly machines under **UltraLox**, **Harmony**, and other brands.

Henkel Corporation has opened a new Application and Technology Center for its OSI brand in Mentor, Ohio.

W. H. Maze Company in Peru, Ill. is celebrating its 170th year of business as a nail manufacturer and retail lumberyard.

LBM Advantage has announced 2017 Building Products Vendor of the Year award recipients.

The 2017 winners are:

Commodities Vendor of the Year:

Johns Manville

Kitchen & Bath Vendor of the Year:

MasterBrand Cabinets, Inc.

Millwork Vendor of the Year:

The Tapco Group

Specialties Vendor of the Year:

Freud Tools, Inc.

1stWEST M&A, an investment banking and M&A advisory, announced that it has brokered the sale of **Strauss Lock Distributors** to **Midwest Wholesale Hardware**.

2017 was a record-breaking year for **LMC**, the 82-year-old forest product and building materials co-op announced. The year’s sales finished at more than \$4.3 billion—a 13% increase from 2016.

SC Railing, a manufacturer and supplier of custom architectural railings recently acquired by **Trex Company**, has been renamed **Trex Commercial Products**.

DISTRIBUTION

Manufacturers Reserve Supply will offer **James Hardie** siding, trim and backer board in New Jersey, New York, Pennsylvania, Delaware and Connecticut.

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RESIDENTIAL REMODELING SPENDING TRENDS UPWARD

Spending on residential remodels will continue to grow at a modest pace in the next two years, said industry experts at a press conference hosted by NAHB Remodelers at the International Builders' Show in Orlando.

NAHB predicts that remodeling spending for owner-occupied single-family homes will increase 4.9% in 2018 and another 0.6% in 2019.

"Remodeler confidence has stabilized at a positive level, as remodeling spending topped \$152 billion in 2017," said 2017 NAHB Remodelers Chair Dan Bawden, CAPS, CGP, CGR, GMB, a remodeler from Houston. "There is steady demand around the country, but the cost of labor and materials is challenging remodelers' ability to meet that demand."

Economists at NAHB elaborated on reasons behind the projected growth.

"NAHB estimates that real spending on home improvements will grow by nearly 5% in 2018, as below-normal rates of home building are creating an aging housing stock," said Paul Emrath, NAHB's vice president for survey and housing policy research. "Factors inhibiting stronger growth include the ongoing labor shortage and rising material prices."

BUILDERS SEE MATERIALS PRICES AND LABOR ACCESS AS TOP CHALLENGES IN 2018

The monthly NAHB/Wells Fargo Housing Market Index includes a set of "special" questions on a topic of current interest to the housing industry. In December 2017, the special questions asked builders about the problems they faced in 2017 and expect to face in 2018.

Topping the list of problems builders faced in 2017 and expect to face in 2018 is the cost/availability of labor, a significant issue for 82% of builders in 2017 and one that has significantly grown in importance since 2011.

The second most significant problem in 2017 was building material prices — cited by 77% of builders. In 2011, building materials prices were rated significant by 33% of builders who responded to the survey. That share increased to 46% in 2012, 68% in 2013, 58% in 2014, 42% in 2015 and 48% in 2016. In fact, this issue showed the largest increase by far between builders noting it was a problem in 2016 and 2017.

Cost/availability of developed lots was a significant problem for 58% of builders in 2017, and 62% expect to be a problem in 2018. Both labor and lots highlight the expected constraints of a recovering housing market.

Impact/hook-up/inspection or other fees was a significant problem for 57% of builders in 2017 and is expected to be an issue by 60% in 2018. Attempts to limit mortgage interest deduction/other support for housing was a significant problem for 31% of builders in 2017, compared to 21% in 2016.

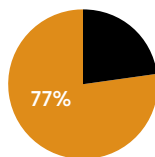
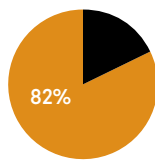
The local/state environmental regulations and policies continue to be a problem for 40% of reporting builders in 2017 and 45% expect it to be a problem in 2018. Difficulty obtaining zoning/permit approval was a significant problem for 40% of builders in 2017.

The two issues builders expect to become more significant problems in 2018 are attempts to limit mortgage interest deduction/other support for housing (49% expect it to be a problem in 2018 vs. 31% who said it was a problem in 2017) and high interest rates. Although the share who expect high interest rates to be a problem in 2018 is still relatively low at 18%, this is up strongly from the 4% who said it was a problem last year.

PERCENTAGE OF SIGNIFICANT ISSUES FOR BUILDERS IN 2017

COST/AVAILABILITY OF LABOR: 82% OF BUILDERS

BUILDING MATERIAL PRICES: 77% OF BUILDERS



UPDATES

PEOPLE

Roseburg Forest Products has announced that **Phil Odom** has been named Business Manager for the company's Plywood and Lumber Business.



ODOM

ProVia has promoted **Lonnie Hershberger** to the newly created position of Vice President of Customer Experience.



HERSHBERGER

MiTek has announced the appointment two new vice presidents to the company's corporate office.



SEWARD

Rachel Seward is Vice President of Enterprise Communications and Philanthropy. **Richard Sullivan** is Vice President, Enterprise Operational Excellence.



SULLIVAN

ECi Software Solutions has hired **Sam Miller** as Chief Revenue Officer.

RoyOMartin has announced that **Ray Peters** will retire as Vice President of Human Resources and Marketing.

Donna Bailey has been promoted to Vice President of Human Resources.

Bobby Byrd has been named Director of OSB Sales and Marketing.

Leigh Ann Purvis has been named Corporate Communications Manager

BMC Stock Holdings, Inc. has announced that President and CEO **Peter C. Alexander**, 61, is leaving the company under mutual agreement.

Bob Hanson has retired from **Weekes Forest Products**. Hanson was Manager of Marketing/Training & Shareholder.

IN MEMORIAM

Floyd Yoder, founder of **Yoder's Building Supply** in Fair Play, S.C., passed away December 10, 2017 at the age of 70.

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IBS ECONOMIC PANEL PREDICTS HOUSING GAIN IN 2018

The newly enacted tax law will create a more favorable tax climate for the business community, which should spur job and economic growth and keep single-family housing production on a gradual upward trajectory in 2018, according to economists speaking at the NAHB International Builders' Show in Orlando, Fla.

"We expect that tax reform will boost GDP growth to 2.6% in 2018, and this added economic activity will also bode well for housing, although there will be some transition effects in high-tax jurisdictions," said NAHB Chief Economist Robert Dietz. "Ongoing job creation, expected wage increases and tight existing home inventory will also boost the housing market in the year ahead."

However, builders will continue to deal with ongoing supply-side headwinds this year that will dampen more robust growth. These factors include an increasing number of unfilled construction jobs, a shortage of buildable lots and a slow growth in acquisition, development and construction loan activity that is failing to keep pace with rising demand.

In addition, regulatory costs stemming from building codes, land use, environmental and other rules have jumped 29% in the past five years, and this has had a significant impact on housing affordability. The ongoing U.S.-Canada softwood lumber trade dispute is further exacerbating the situation, as the price of softwood lumber has increased 20% from a year ago.

CORELOGIC INDEX SHOWS PROJECTED 4.2% HOME PRICE INCREASE FOR 2018

CoreLogic, a global property information, analytics company has released its CoreLogic Home Price Index and HPI Forecast for November 2017, which shows home prices are up both year over year and month over month. Home prices nationally increased year over year by 7% from November 2016 to November 2017, and on a month-over-month basis home prices increased by 1% in November 2017 compared with October 2017, according to the CoreLogic HPI.

Looking ahead, the CoreLogic HPI Forecast indicates that home prices will increase by 4.2% on a year-over-year basis from November 2017 to November 2018, and on a month-over-month basis home prices are expected to decrease by 0.4% from November 2017 to December 2017. The CoreLogic HPI Forecast is a projection of home prices using the CoreLogic HPI and other economic variables. Values are derived from state-level forecasts by weighting indices according to the number of owner-occupied households for each state.

According to CoreLogic Market Condition Indicators (MCI) data, an analysis of housing values in the country's 100 largest metropolitan areas based on housing stock, 37% of metropolitan areas have an overvalued housing stock as of November 2017. The MCI analysis categorizes home prices in individual markets as undervalued, at value or overvalued by comparing home prices to their long-run, sustainable levels, which are supported by local market fundamentals such as disposable income.

Also, as of November, 36% of the top 100 metropolitan areas were undervalued and 26% were at value. When looking at only the top 50 markets based on housing stock, 50% were overvalued, 14% were undervalued and 36% were at value. The MCI analysis defines an overvalued housing market as one in which home prices are at least 10% higher than the long-term, sustainable level, while an undervalued housing market is one in which home prices are at least 10% below the sustainable level.

UPCOMING EVENTS

- FEB 14-16** Northeastern Retail Lumber Association (NRLA) LBM Expo, Providence, RI
www.lbmexpo.com
- 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, FL • www.LMC.net
- APR 3-6** Lumbermen's Association of Texas & Louisiana (LAT)
132nd LAT Convention & Buying Show, San Antonio, TX • www.LAT.org
- MAY 18-21** Do it Best Spring Market, Indianapolis, IN • www.doitbestcorp.com
- JUN 14-15** East Coast Builders Conference, Nashville, TN • www.ecbcshow.com
- AUG 22** LMC Hardware Express, Las Vegas, NV • www.lmc.net
- SEP 19-21** LBM Strategies Conference 2018, Philadelphia, PA
www.LBMStrategies.com
- SEP 28-30** True Value Fall Reunion Denver, CO • www.truevaluecompany.com
- OCT 12-15** Do it Best Fall Market, Indianapolis, IN • www.doitbestcorp.com
- OCT 16-19** NLBMDA Pro Dealer Summit, Chicago, IL • www.dealer.org
- OCT 23-24** LMC Forest Products & Building Materials Expo, Philadelphia, PA
www.lmc.net
- NOV 5-7** ECi Connect Conference 2018, New Orleans, LA • www.ECiSolutions.com
- NOV 7-9** NAWLA Trader's Market, Chicago, IL • www.NAWLA.org

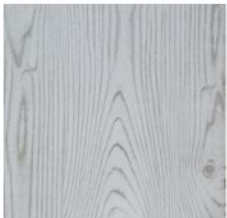
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PROSPECTIVE HOMEBUYERS SIDELINED BY AVAILABILITY, AFFORDABILITY

While starts increased by 9% in 2017 over 2016, the characteristics of these new homes stayed largely the same, according to survey results from NAHB released during a press conference Jan. 10 at the International Builders' Show.

The average home size, at 2,622 square feet in 2016, was essentially unchanged in 2017, at 2,627 square feet. Forty-six percent had four bedrooms or more compared to 45% in 2016; 37% had three full baths or more compared to 35% in 2016.

Housing availability and affordability remain a serious issue, and it's reflected in these findings, said Rose Quint, NAHB assistant vice president of survey research.

Further, 65% of homeowners surveyed don't believe it's going to get any easier in 2018. Seventy-nine percent of these prospective buyers can only afford half the homes in their markets, Quint said. "These potential buyers see a problem with housing availability. They know it's a tough nut to crack, but they are not deterred. They are still planning to buy a house in the next 12 months."

An NAHB survey of builders revealed that homes built in 2018 will most likely include a walk-in closet in the master bedroom, a separate laundry room, a great room, nine-foot ceilings on the main floor and granite kitchen counters. They are also very likely to contain energy-efficient features such as low-E windows and Energy Star-certified appliances and windows.

It's all about home improvement

Homeowners are staying in their homes longer than they used to – about 12-13 years, on average – and they are anxious to make changes. Traditional Home executive editor Jill Waage and *Better Homes and Gardens* Home Design Editor Amy Panos say their surveys show that 80% of respondents—all female home owners—want to make some home improvements in 2018.

"America has a voracious appetite for home improvement and that's not changing anytime soon," Waage said.

Top projects range from freshening up their paint colors (48%) and changing their flooring (43%) to making improvements in the kitchen, bathroom or outdoor spaces, whether that home is now owned by a "mainstream" (defined as an income of less than \$125,000 per year) or a "luxury" buyer.

Mainstream buyers are much more likely to tackle do-it-yourself projects and are willing to make compromises, such as choosing cost over quality, to get results: brightly painted kitchen cabinets and big-box lighting solutions rather than custom installations. They place a premium on energy-efficiency improvements, often because they live in older homes with outdated heating systems.

The "luxury" owner is looking at high-end outdoor fireplaces and furniture, a bathroom renovation that includes a spa shower or expansive, free-standing bathtub and a kitchen with all the bells and whistles, like built-in wine coolers and warming ovens.

One trend that *Better Homes and Gardens* is watching, Waage and Panos say, is the great room. A staple of new home design for more than 30 years, the combined kitchen, dining and family room may be losing some steam. Whether that pans out into more separate and defined living spaces is unclear, but it's too soon to tell, they said.

Meanwhile, there is a potential market for tiny houses. The NAHB survey found that 53% of respondents might consider purchasing a home of 600 square feet or less in size at some point in their lifetimes. More Gen Xers and millennials are open to the idea than baby boomers and seniors.

TOUGH CALL ANSWERS

ANSWERS TO OUR NOVEMBER/DECEMBER TOUGH CALL:

THE TEMPTATION OF PAUL

Your top sales rep has an aggressive job offer from a competitor. Do you attempt to match it and keep him on board, or let him go?



Your votes online at LBMJournal.com

- 22.54%** **WISH HIM WELL.** You can't match the offer and, while he will be tough or impossible to replace, this looks like a great opportunity for him.
- 22.54%** **GO TO BAT.** You can't match the money, but they can't match your track record in this market, and your history with Paul. He knows you. He doesn't know them.
- 40.85%** **MEET HALFWAY.** While you can't do a dollar-for-dollar match, you can manage an increase—especially one based on performance. Ask Paul if he'd be willing to stay if you can meet him halfway.
- 14.08%** **FIRE BACK.** There's been plenty of negative headlines about this company, especially during the recession. Print a bunch up, present it to Paul, and explain that this is who they really are.

Thanks to everyone who voted on the November/December Tough Call. See page 76 for this month's Tough Call.

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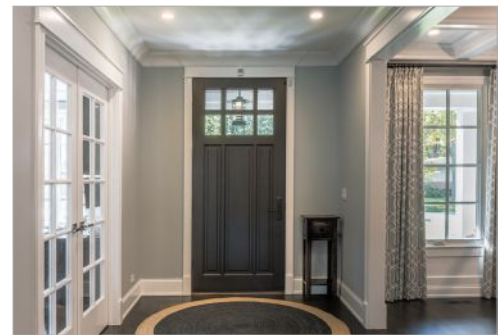
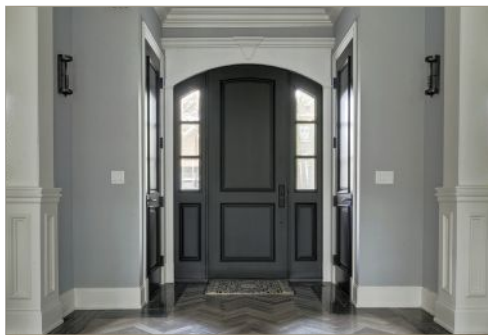


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SOFTWOOD LUMBER, OSB, AND GYPSUM LEAD 2017 PRICE INCREASES

Prices paid for OSB (-13.0%), softwood lumber (-1.0%), and inputs to residential construction (-0.1%), all decreased in December, according to the latest Producer Price Index (PPI) release by the Bureau of Labor Statistics. The index for gypsum products advanced (+1.6%).

Over the course of 2017, the price paid for every major input to construction NAHB tracks has increased. The following is a list of price increases by commodity since the start of the year:

Softwood lumber	+13.4%
OSB	+13.2%
Gypsum products	+7.4%
Inputs to residential construction (less labor & capital investment)	+3.7%
Ready-mix concrete	+2.9%

The steep decline in OSB prices in December comes one month after the commodity posted a 15.3% gain. Even with the price decrease, the PPI for OSB remains 13.2% higher than it stood in January 2017 and 37.4% higher than it began 2016.

Due to methodology, OSB data in the PPI lags market conditions. As additional OSB capacity has come online, prices have predictably fallen. December's PPI captured the beginning of this trend that dates back to early November according to Random Lengths. Price information for structural panels as recent as early January 2018 is shown below.

The BLS report showed prices paid for softwood lumber fell modestly, only the third monthly decrease over the course of 2017.

Two important factors drive disparities between price changes builders have experienced and the PPI index changes:

1. The producer price index tracks prices paid by wholesalers, distributors, and retailers rather than what those businesses charge customers.
2. The index does not include prices paid for Canadian products as it does not include imports (just as the consumer price index does not reflect prices paid for exports).

BY THE YARD

NEWS FROM LUMBERYARDS AROUND THE COUNTRY

HANCOCK LUMBER ACQUIRES MAINELY TRUSSES

Hancock Lumber has acquired Mainely Trusses, a roof and floor truss manufacturing facility based in Fairfield, Maine. The two Maine businesses are joining forces with the acquisition. The addition of Mainely Trusses makes Hancock Lumber the first retailer in Maine to own and operate its own roof and floor truss manufacturing facility, with the ability to provide a complete set of wood framing solutions to its customers.

BUSY BEAVER TO OPEN FIVE NEW LOCATIONS

Pittsburgh-based Busy Beaver plans to open five new home improvement centers in 2018. Its Grove City, Penn. location is set to open in March and a Greenville, Penn. store will open in May. Additional locations will be announced the first quarter in 2018.

EMPLOYEE BUYS NEBRASKA LUMBERYARD BEFORE IT CLOSSES

An Overton, Neb. lumberyard employee decided to buy the business he worked for rather than see it close. S.A. Foster Lumber was in the liquidation process when the store's assistant manager, Tim Smith, decided to make the purchase. The lumberyard's name will change from S. A. Foster Lumber to just Foster Lumber. Six Foster Lumber Company locations in Nebraska were also recently sold or closed.

HINES SUPPLY CELEBRATES 125TH ANNIVERSARY WITH HISTORY BOOK

Hines Supply, a distributor of building materials in the Chicago area, has released a new book celebrating the company's 125 years in business. *Hines Supply: The Extraordinary Story of the Edward Hines Lumber Company* chronicles the evolution of the company, from delivering lumber using horse-pulled wagons to an industry leader providing a full range of building products, including lumber, roofing, siding, millwork, cabinets and decking, while using the latest in distribution technology. Hines is a division of U.S. LBM.

GORDON LUMBER CELEBRATES 150TH ANNIVERSARY

Founded in 1868 by Ohio settler Washington Gordon, this year Gordon Lumber celebrates 150 years of building communities throughout Ohio and Michigan. From the small sawmill built 15 decades ago by Gordon in Oak Harbor, Ohio, the company now has seven locations employing 120 people and servicing 3,500 customers.

MCCOY'S OPENS ALVIN, TEXAS LOCATION

McCoy's Building Supply has announced the opening of its new Alvin, Texas store. The store is a re-location of the company's Pearland, Texas facility built in 1979.

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.



SALES & MARGINS

BILL LEE

Guidelines for incentive compensation in 2018

THERE IS NO TOPIC I receive more calls about than that of incentive compensation. Here are just a few examples of questions that lead to these calls:

- How do I make the incentive plan fair for all employees?
- How do I best transition from a straight salary or hourly pay plan to a performance-based plan?
- What is the best way to structure an incentive pay plan?
- Is it best to tie total compensation to performance or just the bonus portion?

Anyone who has spent much time in a culture outside the United States will quickly realize just how materialistic we Americans are. Many American workers are motivated by being in control of either all or part of their pay, but there are also those who would rather know for dead sure how much they will earn in each pay period. So before deciding how to set up the plans, it helps to do your homework and attempt to estimate how your salespeople will respond.

Based on my experience, employees with the highest economic values will respond positively to an incentive-based pay plan, so the first step might be to assess just how “hungry” your people are.

Before you begin designing the plan, the second step might be sitting down with your key managers and brainstorming what results you want in measurable terms.

Most of my clients want their salespeople to sell more at a higher gross margin, so if this is also true in your company, you may wish to incorporate both sales dollars and gross margin into the incentive plan you put together for your salespeople.

Suggestion: Regardless of the method you are currently using to arrive at your salespeople’s pay, do the math and determine how much you are currently spending as a percentage of sales for both inside and outside salespeople. This will give you a good ballpark idea of how much you can afford to pay as a percentage of sales under your new incentive pay plan.

I mention inside and outside salespeople because a lot of companies in our industry use sales coordinators to punch up the business their outside salespeople generate, so companies that are paying both employee classifications as a percentage of sales, are likely “double-dipping.” What I mean by double-dipping is they are paying both inside and outside salespeople on the same sales dollars. If you don’t anticipate this sort of thing in advance, it can become very costly in a hurry.

If your salespeople have some degree of pricing authority, they are in a better position to influence gross margin than if they have no pricing authority. In my book “Gross Margin: 26 Factors Affecting Your Bottom Line,” I identified 26 factors that affect gross margin, so as important as pricing is, it is by no means the only factor to consider. Companies that are willing to invest the time to educate employees on how to achieve higher levels of performance will usually get the best results.

Most general managers want their buyers to buy better and achieve higher inventory turnover, so using a combination of these two measurements when designing the incentive pay plan has a lot of merit. I also have clients who throw in shrinkage as a third component.

The incentive compensation plan should motivate credit managers to improve average collection days and reduce bad debt expense.

Warning: An incentive pay plan does not eliminate the need for managers to still manage their employees. Managers still need to work closely with their people to help them avoid mistakes and make better decisions as they go about their day-to-day activities.

My old coworker and mentor, Lanny Moore, once taught me that all good managers must “inspect what they expect.” The most productive employees are usually the employees who have a good coach that is looking over their shoulder and helping them to improve their job. ■

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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SELLING THE DECK PROJECT

BOB HEIDENREICH

Exclusivity and buybacks are keys to winter buy deals

AS DEALERS ARE WORKING ON WINTER BUYS, it's important to keep in mind that the lowest price from a manufacturer doesn't always equal the highest profit potential for your lumberyard.

We all know that we don't realize our profits until we sell the last boards in a pile. As a dealer, we have to justify whether or not we're going to put our money into something expensive like composite decking. For example, say you're going to buy a unit of lumber for \$5,000, and the manufacturer offers a 10% discount. You have to sell all of that lumber in order to realize a profit on it. If you're unable to sell 20% of that inventory, then you've actually lost money on the deal.

A typical winter buy offer from a manufacturer may say that if you purchase three to five units of decking, they'll give you a discount over the out-of-warehouse job lot price. You have to do the math on a deal like this. If you buy out-of-warehouse at a higher price (say it's 10% more), there's less risk there than you'd otherwise have if you hold the inventory.

You won't have the risk of damaging materials while they're in storage in your yard. You won't have to insure the materials because they're not considered inventory, and you don't need to hold as much of the product, which is good since you don't know for sure which colors customers are going to pick, and so on. You also won't have to worry about the risk of obsolescence, in which a manufacturer discontinues a line or a color because it's not popular, and then you have that inventory left.

There are other risks, of course, to holding the inventory. It could get stolen or damaged. Any time you have inventory on site, all it takes is a forklift to bump something to scuff up the unit. When the material is at a warehouse and you're buying out-of-warehouse and a forklift hits that item, then that's not your expense. Buying decking isn't the same as buying dimensional lumber where if you scratch a few pieces, it's still sellable. Decking is expensive, high-dollar, high-value product that has to be handled very carefully.

Here are a few other things to look for in a good winter buy deal:

Exclusivity: If a manufacturer asks me to carry their product and in turn they offer some exclusivity and there's a big enough price difference compared to out-of-warehouse pricing—enough to assure me that if I stock the product and I cause some accidental damage to the inventory, it wouldn't take away my net profit—then I'd be more likely to consider that product. One of the best offers I've seen includes an exclusivity radius. For every unit I buy, for example, I get a quarter mile radius around my store for exclusivity. If I buy 20 units, that gives me a four-mile radius that I don't have to worry about competitors for that product.

Buybacks: A good winter buy deal includes a buyback agreement, so that at the end of the season, if I'm not able to sell their product because they set up too many dealers in the area, or they made an agreement with a box store to sell it for less, then I'm going to be able to sell it back to them and get my money back out of it. A deal like this helps me realize my profits. It does no good to make 15% to 20% on an item if you can't sell the product. As dealers, we can't control a lot of what the manufacturer does. There have been a number of times when a manufacturer will offer me a great price if I buy a truckload. In one case, I bought five truckloads. About two months later, the same manufacturer offered a dealer program that meant smaller buys got the same discount that I did for truckloads. Additionally, the other dealers got a \$500 credit back for only buying one unit. When I did the math, I actually paid substantially more, even though I bought five truckloads. Lesson learned.

Today, I'm very cautious about winter buy offers, and I think other lumber dealers should be as well. Do the math, calculate the cost to purchase from manufacturer or out-of-warehouse. Be sure to factor in your cost to insure any product against theft, damage, and loss. And keep in mind that until inventory is sold, your money is sitting in a pile getting weathered. Look at your inventory as money. It's not converted to cash until you physically sell it. If you don't sell it and can't return it, then you can't use that cash to pay the bills. ■

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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RECRUITING & HIRING

RIKKA BRANDON

How to use social media to recruit top talent

SOCIAL MEDIA doesn't just have to be about oversharing vacation pictures or even publicizing an upcoming event at your business. It also offers us new ways to connect and new pathways to meet others. As such, social media platforms offer an effective tool to reach qualified candidates. (Caveat: If you're not an active user or believer in social media, it may not be the right fit for you. Your time may be better spent writing a perfect help wanted ad for your business, and getting it in front of people.) Here are some best practices for leveraging social media for job recruitment.

PICK THE RIGHT PLATFORM

Social recruiting won't net the right candidates if the right candidates aren't on social media. Determine where your target recruits are online and go there. For many people this is Facebook or LinkedIn. For others it might be Twitter or Pinterest.

JOIN GROUPS

On LinkedIn and Facebook, join groups where people within your industry go and interact. Be an active participant by taking part in discussions or leaving insightful comments. This will help grow your network and raise awareness for your company.

USE KEYWORDS

Using keywords on sites like Twitter and LinkedIn will help attract the most appropriate individuals who will be right for your organization.

USE SIMPLE, CASUAL WORDS

Newspaper classifieds are often cold and to the point. Social media, on the other hand, offers an opportunity to give the candidates a real sense of life in your company. Being conversational makes your company sound more human.

INCLUDE THE WIIFM

Instead of just listing job requirements, consider the What's In It For Me (WIIFM) factor. Put yourself in their shoes. What would you want to see in a potential job offering? Write job posts from that angle for better results.

GET REFERRALS

Tap your connections to be on the lookout for you—let them know what you're hiring for and what kind of personality and experience you're looking for in your new hire. Don't forget to reward anyone who refers someone to you; even if

you don't hire that person, send a simple thank-you gift for their attempt—it's an easy way to ensure they'll continue to send you leads.

RECRUIT PASSIVE JOB SEEKERS

Social media can be a great way to connect with folks who aren't job searching. Leverage introductions through one of your common connections—especially on LinkedIn or Facebook—where people see their mutual friends.

LEVERAGE LINKEDIN GROUPS

Naturally, LinkedIn, and more specifically LinkedIn Groups, is one of the best resources for social job recruitment. Here's how to best leverage those groups for promoting your job opening.

- **Pick the Right Groups:** Before setting off to join every group imaginable, be clear about what you hope to achieve. It can be multi-faceted like building expert status, finding new customers, and creating a talent pipeline. Or it could be project-driven—to simply find a marketing manager.
- **Participate:** Contribute to group discussions, answer questions, share experiences and relevant information. The more often you do this, the greater the chance you could have of being recognized.
- **Post a Job:** You can post a job on LinkedIn the traditional way (links in your newsfeed and paid job listings) or you can post it on a group board. Job ads that are posted on group boards not only reach those who are directly looking for a job but those who may know someone who is interested in the job as well.
- **Recruit:** You can also directly message members of groups that you are part of to network or alert them to a job opportunity. If you really want to level up, get an upgraded subscription and use the advanced search feature and InMails to connect with people you're interested in.

Social media platforms offer opportunities to reach and engage with potential candidates. If you're in need of a great employee, spend some time, chat up, and stay in touch. ■

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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NEXT GENERATION

ISAAC OSWALT

How to use Facebook to strengthen business and community relationships

A BUSINESS IS ONLY AS STRONG as the community in which it operates, and any time a company can use its skills and resources to help elevate other businesses in the area, it only helps raise the entire community.

I've found that Facebook is a tool that helps do just that. Here's how:

In a recent meeting, I was presented with a review of our company's 2017 financials, sorted by vendor. As business people, it's truly amazing how many other businesses we support in our efforts to deliver quality products and services to the people we want to be meaningful to.

A local restaurant called Manna Café popped up as a line item and the number next to this breakfast joint was quite staggering. "I gotta call Craig, I need some equity in this place for this spend," I noted in my head. I know that Craig (the owner of Manna Café) truly appreciates my business as I affectionately refer to Manna Café as "my satellite office where I don't have to clean my coffee cup."

But that's not the point. I realized that I'm missing opportunity after opportunity as I look through my expense column. During the meeting, I blurt out "I can help more" completely out of context of the situation. The "Dream Team" looks at me funny which is par for the course and the meeting ends.

As a business owner and a good citizen, I want to be known as one of the most helpful people in my community. To be completely transparent, I do feel good about doing right but I also know helping others get what they want allows me to receive what I'd like. Doing the right thing is a solid business strategy for anyone.

Here's what I'm doing in 2018 and I invite you to join me.

Remember the acronym: **iPad**

- iPhone (or smartphone) w/ Facebook access to your business page
- Personality (pretend the phone isn't there)
- Authentic (be you)
- Do It. (Nike was right)

STEP 1

Pick a business from that expense column and go there (restaurant, car service, printer, etc.)

STEP 2

Open the Facebook app on your phone. Here's how you let them know how much you appreciate the products or services they offer.

STEP 3

Take a picture/video of the local business you support. It doesn't have to be fancy.

STEP 4

Write a crafty, yet heartfelt comment on how much you enjoy the people and the business.

STEP 5

Tag their business using the tag feature and searching for their business name (not just writing down their name, actually tagging the business Facebook account).

STEP 6

Press the Post button, and you're done. You're now tagging them in a photo or video and their fans, your fans, and other members of the community are going to see it.

STEP 7 (OPTIONAL)

Use Facebook advertising and "boost" a post for \$5 to share with more people. You will need to get set up on Facebook advertising, but that's not too difficult to do.

Congrats to you! You just gave your local buddy social proof of how much you value the people, and their business, and you made sure 200-400 people saw it. That's hundreds of real people, who now know real feelings about how one real business feels about another. ■

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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MERGERS & ACQUISITIONS

JOHN WAGNER

Should you consider an asset sale or stock sale?

ONE COMMON QUESTION that comes up as a deal moves toward a closing is whether the sale should be an asset sale or a stock sale.

A couple quick points before we get into specifics: First, this column contains around 1/100th of the information required to adequately cover this topic. So, any decision you make—asset vs. stock—must be made in consultation with your accountant and tax attorney. Secondly, in the “lower middle market” (up to \$100 million in sales), 70%-plus of sales are asset sales, because, to put it bluntly, that’s what buyers demand.

That said, of the five different company types, (sole proprietorships, LLCs, partnerships, C-corporations and sub-S corporations), each has idiosyncrasies that will affect your election. However, “non-corporate entities” (sole proprietorships, LLCs, and partnerships) can present special tax peril for the sellers, and no one-size-fits-all rule applies. Accordingly, in the most general terms, the election to go with an asset sale or a stock sale largely depends on the legal liability assumed by the acquirer, and by the tax implications to the seller and acquirer.

Liabilities: In an asset sale, the acquirer gets to rule in and rule out what assets it wants to purchase, whereas in a stock sale the liabilities are not just the encumbrances of the assets, but also any liability that may arise for wrongdoing of the entity under its prior ownership...unless the seller rules out certain liabilities in the “representations and warranties” within the purchase agreement. See why most acquirers want an asset sale?

Depreciation: In an asset sale, the acquirer’s basis for depreciation is the fair value paid for each asset, or class of assets, regardless of the tax basis of each asset or all assets taken aggregately. To the extent that the fair value of the company is greater than the fair value of its assets, this “excess” is allocated to “goodwill,” which is depreciated for tax purposes as a separate asset over 15 years. So, the acquirer has an incentive to allocate as much of the purchase price as possible to assets with the shortest recovery periods, determined with reference to the allocable purchase price. The seller’s gain is determined with reference to the basis in each asset sold

rather than the aggregate basis of all assets. Again, you see why acquirers want an asset sale.

Rights: In a stock sale, you may risk that minority stock holders can block a sale. Many corporations protect minority shareholder rights by agreement, but such agreements can also compel minority shareholders to sell their interests, even when they don’t agree with the majority. This a frequent occurrence. (Minority shareholders may also assert their rights by filing a lawsuit claiming that majority shareholders are betraying fiduciary duties.)

Assets: Note that in an asset sale, there are some assets that are difficult for a seller to assign to an acquirer, such as a rail siding agreement, or a land-use covenant assigned to the seller’s family; licenses, permits...the list goes on. A stock sale entitles the acquirer to these assets without a re-assignment, driving down legal costs...and the time it takes to close a deal.

Taxes: Generally, the taxes are higher for the seller in an asset sale because of the differential tax rates that may apply to certain types of assets. The seller may end up paying capital gains rate on some aspects of the sale, and the seller’s marginal rate on others. But note that the seller’s tax treatment is due to tax rates on certain types of assets, but also due to exposure to ordinary income treatment for the portion of gain attributable to recapture of prior depreciation.

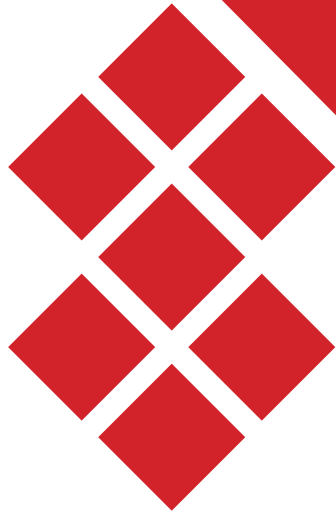
WHAT’S RIGHT FOR YOU?

Confused? I don’t blame you. When I’m asked if a stock sale or an asset sale is preferred, I have to answer: “Well, it depends, but the best advice I can give is to speak with your tax accountant and a solid tax attorney.”

Every business is idiosyncratic. When determining what’s best, we look at tax implications, the number of shareholders, and how willing they all are to sell their shares. We also look at the company’s locations, as well as the nature of the assets themselves (e.g. are there an abundance of licenses, permits, leases, etc.), and all potential liabilities—the known knowns and unknown unknowns. Only then do we make a recommendation that’s right for our client. ■

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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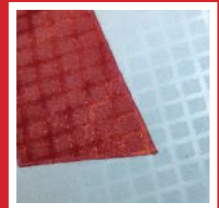
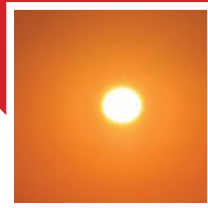
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Q&A

CHRISTINE BALSAN, CR

OWNER/SALES, REMODELING DESIGNS, INC.



COMPANY STATISTICS

REMODELING DESIGNS, INC.
DAYTON, OHIO

LAST YEAR'S SALES
\$2.1 million

YEARS IN BUSINESS
28

EMPLOYEES
9

SPECIALTY
Award-Winning Design/Build Remodeling

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

A: First is service. They need to respond quickly and communicate well. Secondly, quality products. Their products have to be far above and beyond other lumber suppliers in the area. Third is relationships. We work hard to develop relationships with our clients. I like doing business with companies with whom I have good relationships.

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

A: The Requarth Co. in Dayton is the best lumber company in the area. They have all the qualities I've listed above. Their service is fantastic. From the point in which I'm asking for a quote or take-off all the way through delivery, they respond in a timely fashion, are extremely helpful, and provide an excellent value. Most of what we need (trim, doors, lumber, etc.) is in stock and they can get what we need very quickly.

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

A: On occasion, we will use a different company if pricing isn't as competitive as we need it to be.

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

A: I try not to accept meetings with new suppliers and vendors in my office. Unless I'm looking for a specific specialty product, I think vendor meetings are a waste of time.

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

A: For a residential, design/build remodeling company, it is so important for us to keep our projects on schedule. Commercial work and residential work are so different. Residential clients have a very high expectation of the timeline and our partners play a huge part in keeping projects on schedule. Availability of products, correct delivery of products, and undamaged products are essential to both the timeline and the budget.

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

A: We will install everything we purchase from our lumber company.

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

A: Our clients are our number one priority and serving them is of utmost importance. The satisfaction and happiness of our clients is what creates our success. We rely on referrals for new business, which is why we put clients first.

Q: What do you see as your biggest opportunity?

A: Remodeling Designs, Inc. provides a service unlike any other in the Dayton area. I believe educating people about the design/build process is a huge opportunity for our business. ■

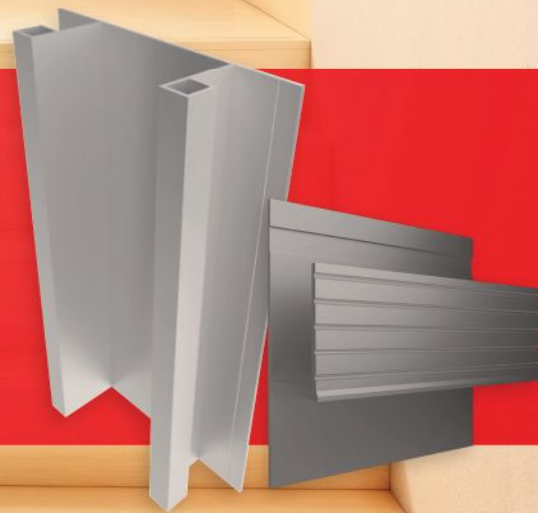


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CYBER SECURITY: WHAT YOU CAN DO RIGHT NOW TO FIGHT CYBER ATTACKS

Like water forcing its way through small cracks to flood a house, cyber criminals depend on small vulnerabilities to steal data, hold computers hostage and expose sensitive information. This reality—combined with extensive news coverage of high-profile data breaches—can make it feel like cybersecurity is impossible. But before you stop reading, consider this heartening fact: one of your greatest tools in preventing cyber incidents is simply education.

You can get started by understanding what you are up against. Cyberattacks and digital theft and intrusions fall into several general categories, like malware and phishing, but each business has slightly different vulnerabilities. Unlike healthcare or financial companies, LBM dealers do not depend entirely on sensitive, private customer data. But they may digitally store customer credit card numbers, employee social security numbers and company financial records. Plus, more businesses are joining the internet of things, that system of interconnected devices that talk to each other over the web without a lot of human intervention. If accessed by the wrong people, such devices can be a rich source of sensitive data. No matter how little sensitive information your business stores, you have a responsibility to keep it safe.



THE PLM CYBER SUITE OFFERS COVERAGE FOR DATA COMPROMISE RESPONSE EXPENSE, COMPUTER ATTACK, CYBER EXTORTION, DATA COMPROMISE LIABILITY AND NETWORK SECURITY LIABILITY.

Educate employees and vendor partners about the ways in which your company may be vulnerable. They understand how important it is for customers to be able to trust you, and securing customer data is important for maintaining that trust. Everyone from cashiers to managers to CEOs can adopt relatively simple practices, like creating strong passwords and changing them often. They can learn to recognize common social engineering threats. For example, phishing, where a thief hides behind an email that only looks legitimate, can trick the receiver into disclosing sensitive information, like passwords and credit card numbers. They are successful all too often. Fortunately, it is possible to train people to recognize attempted phishing before they have given away the company credit card.

Of course, staying up-to-date on cybersecurity isn't necessarily in your job description. But that doesn't mean you are helpless. You can work with IT and insurance partners who want to keep you educated. At Pennsylvania Lumbermens Mutual Insurance Company, our Cyber Suite insurance coverage includes access to the eRiskHub® Risk Management Portal, which provides a toolkit for understanding and mitigating your cyber risks. It includes a Learning Center with best-practices articles, an Incident Response Plan Roadmap, a News Center for keeping up-to-date on cyber risks and Online Training Modules that are ready to deliver.

It is unlikely any education program will prevent every cyber incident, and no modern dealer can afford to lose access to their computer networks and digital systems. It makes sense to prepare against cyber threats, and cyber liability insurance is a crucial part of incident response. The PLM Cyber Suite offers coverage for data compromise response expense, computer attack, cyber extortion, data compromise liability and network security liability. Whether a dealer has been victimized by ransomware or an employee has responded to a phishing attack, this coverage is designed to provide the support you need to get the digital side of your business back to normal as efficiently as possible.

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REAL ISSUES. REAL ANSWERS.

Should we or shouldn't we? That is one of the questions companies wrestle with when determining what financial information—if any—to share with employees. On the one hand, the more employees know about a company's operations, the more they'll understand the razor thin line between profit and loss. Then again, no one wants sensitive financial info getting into the wrong hands. As is the case with most thorny issues, there is no one right answer that fits every company. That's why this month's survey delves into the question of...

SHARING FINANCIAL INFORMATION

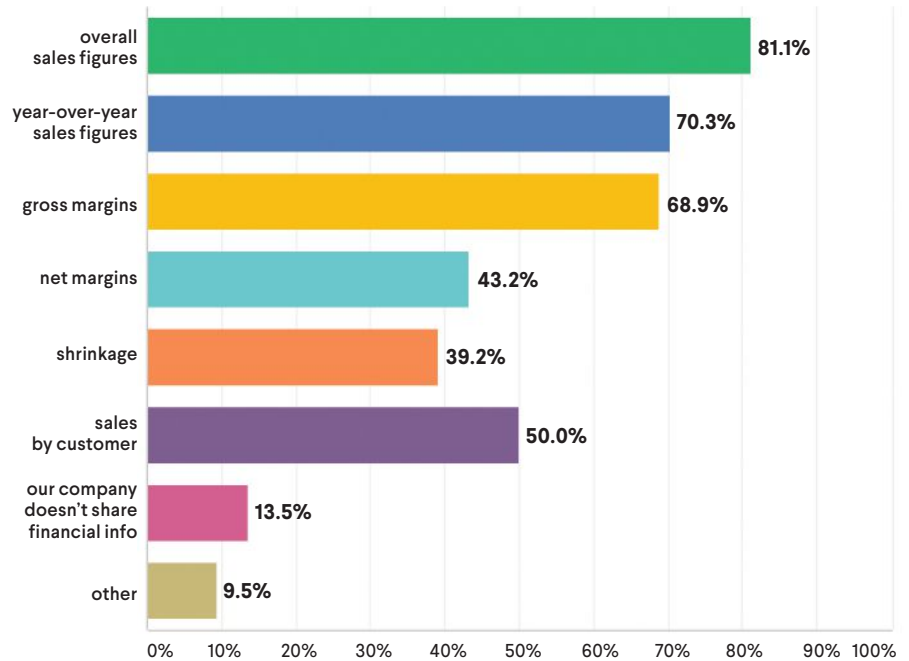
THIS MONTH'S REAL ISSUE came from an LBM industry pro in North Carolina who wrote, "How much financial information do other LBM dealers share with their employees?" As we do each month, we built a very brief survey around that reader's question, and emailed it to the subscribers who've opted in to receive our email communications. A big thank you to the nearly 150 subscribers who took a few minutes to share their experience and input. If you'd like to participate in future surveys, just drop me a note at Rick@LBMJournal, and I'll make sure we get you added.

QUESTION 1

Which of the following financial information, if any, does your company share with employees?

First, we wanted to get a feel for the percentage of dealers who share financial information—along with what specific info they share.

As the chart shows, the vast majority of respondents' companies—86.5%—share some financial information with employees. Of those, the numbers most commonly shared are Overall sales: monthly, quarterly and/or annually (81.1%), Year-over-year sales (70.3%), and Gross margins (68.9%).



QUESTION 2

How much financial information does your company share with employees, and how often? What's the downside to sharing this info? What's the benefit?

RESPONSES

"We pretty much share everything with employees, other than individual salaries. Every quarter the P&L statement is presented to employees with a brief overview and a Q & A session. The benefits being, in my mind, that most employees want to know how the company is performing. As for the downside, I am sure there are some but have not come with any strong enough to hide information from employees."

"We shared much more information during the housing crisis so that employees understood why we made some of the difficult decisions we did. Now we primarily share changes to sales and gross margins year-to-year since these are easy for everyone to understand. We try to do this monthly. We also share individual challenges on expenses—like health insurance. There is no downside to this. The benefit comes from them understanding our challenges and working to help the company overcome them."

"We share the financial information with managers only. They are trained to understand that only a small portion of the gross profit dollars make it to the bottom line. We incent and share bottom line numbers with the location GMs. We do not share additional info with the associates, and I am happy we don't. We know this business is cyclical. In good years, we think the associates would expect more, then in a downturn, they would not understand a decrease."

"We share data company-wide monthly, mostly focused on sales growth and gross margin percentage. However, we also share profitability with our employees. While the downside can be some employees thinking corporate is fat and happy, the benefit is that most start to realize how the small things make a difference. They begin to realize that a truckload of material isn't as profitable as they thought, and one mistake can make that order unprofitable."

"We are a privately held company, so we do not share some info."

"Annually. Let's our team members know how the business is doing while instilling a sense of ownership in its success."

"We share the things they can impact, which they monitor closely. Other than the general health of the company, other info is kept more private. If we were asked by a couple key folks, we would no doubt share more, but I do not think they feel they need any more."

"Depends upon the position of the employee. Managers have full access to financial information for both their location and for their peers' locations. Hourly employees would not see detailed financial information, but communications would take place to share how the company is performing (high level)."

"We share everything with our Associates. They do their jobs better when they understand how each and every one of them contributes to our success."

"Since gross margin (\$) is the benchmark most important to our company, we share this with many of our employees. Our yearly targets are centered around this metric. We find it helpful in getting the buy-in from our employees, and providing them a single goal on which to focus throughout the year." ➤

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“Transparency helps greatly. We have bonuses based on net income. We give teams quarterly updates. This helps keep them connected and pulling together.”

“We share everything but salary information.”

“The management group of about 5-6 people see some financial information, since that is the most important way that we measure success. So this group needs to know whether we are doing well or not in this area. I generally do not share net profit margins, but focus on percentage changes from year to year.”

“Don’t know of a downside. Benefit is they get the real picture.”

“Basically just sales and margin amounts. As far as other financial issues, we do not divulge.”

“We share our information every quarter. It is beneficial to the employee because they see where the money goes and how much expenses really are. Since financials are tied to profit sharing, they really pay attention to that. We have had nothing but positive attitudes by sharing this information.”

“All costs, especially with the yard, so they can better understand how many more dollars we need to sell in order to cover the cost of the material they just damaged. Inventory turns with salespeople so they can understand there are carrying costs to overstock, but discounts in ordering larger quantities—which is why their feedback about our customers’ future needs is so important.”

“We share percentages of increase or decrease of each month-end, as well as margin change. We also reward our employees with a free lunch when we exceed overall sales from the same month the previous year.”

“We’re a small, two-person corporation, so all info is shared. Upside: we know how we’re doing at every moment in time. Downside: is the same answer (during a tough year!)”

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“Salespeople have daily access to YTD & LYTD dollars and margins so they can gauge their performance. It also allows them to see how their sales numbers compare to their peers. The downside is those with bigger sales *always* feel they should be paid significantly more. Our inside salespeople, who are straight salary, also bicker about a sale when they talked to the customer first. The friendly competition turns to animosity and we must remind them the sale is the Company’s Sale, not *their* sale.”

“I only share the financials with managers. Benefit: they take ownership as their compensation is dependent on the company’s performance. Downside: the possibility for leaked information. We share the overall sales and margins with all of our sales force. Benefit: each knows where they stand. The bottom half push to move up while the top pushes to stay on top.”

“It’s done at different levels and varying frequencies. The benefit at the yard level is to focus on the actual profit on an outgoing truck.”

“We share sales milestones, not monthly numbers. Some care, some don’t. We usually do food with each milestone, so they like that!”

“Getting the employee to understand what it takes to run a successful business, the risk involved and that a fair return on investment is needed.”

“We share sales, gross profit, overhead and expenses. Basic info to show how we got to the bottom line. Makes the employees realize we are not just raking in the money, and that margins are tight. They see the store making money, they may get greedy and want more and more. We pay a percentage of what we put on the bottom line.”

“All sales personnel have access to daily reports, with financial information for the balance of our personnel given out at quarterly company-wide meetings. Can’t think of a downside. Motivation, friendly competition, and useful information are among the benefits.”

“All employees see total sales figures compared to previous year at Christmas dinner. Only management see all of P&L statement. Downside of sharing any info is we wouldn’t feel comfortable if our competition knew any information. The benefit if we shared all information with all, would be that the employees would see how anything good or bad affects the bottom line.”

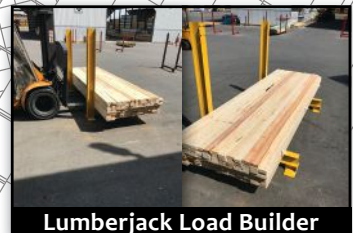
“Basically sales info.”

“We are privately-held, and ownership doesn’t think it’s anyone’s business other than ours.” ➤

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"We are an ESOP and share all information. Any employee can ask their supervisor or access the financial information from our computer system anytime they choose to. Managers do a monthly sharing with employees at their monthly meetings, and Senior Management visits each location after year end results and share the detailed P&L with all employees. Downside is that some staff may not understand what is covered, but they do not ask questions or they may share information with others who really do not need to have our results. Benefit is they see the results of their work and how they can impact the results on many P&L line items."

"We are an employee-owned company, so we are transparent with our employee/owners on most information."

"We do not share financial information with employees. We have considered it."

"Total sales and gross profits only."

"We share everything. Knowledge is power. Otherwise, how can our team members manage what they don't know?"

"Customer sales and profit dollars are available anytime, as well as the company sales and gross profit dollars broken out by salesperson. All sales commissions are based on GP, so we let everyone see it. People are competitive and we benefit from that. Don't see a downside."

"Monthly, we share 90% of the information. We don't feel that there is a downside. The more people with an understanding of the financial side makes it easier for a company to accomplish its goals."

"It varies by branch, but at minimum, the 'front page' of the financial statement is shared with employees on at least a quarterly basis."

"Some sales people do not understand numbers and / do not believe them. We take individual approaches towards them, as well as any new sales person who has not quite taken on the company sales philosophy or culture."

"As a privately held company, we do not share financial information with anyone. The downside of sharing financial info with employees is that it almost always results in morale issues, (i.e.) employees feeling that they're not getting their 'fair share' with regard to compensation. We see no benefit in having them feel 'slighted.'"

"We share customer sales information with staff. We also share total sales by location with our yard managers. I guess the downside is that there can be conversations between the managers about who is/isn't performing. I think the benefit is that they can see where they are compared to the prior year and also see how the company as a whole is performing."

"The downside is depression when sales are below our goals." ➤

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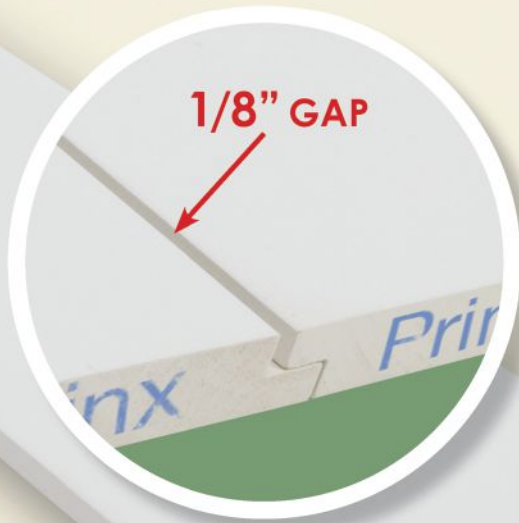


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REAL ISSUES. REAL ANSWERS.

"It all depends. It is a fine line on who you share it with. You want your people to understand how you are doing, with the cause and effect of everything that goes on. But sometimes, if you are a union shop, that 'good' information can come back and bite you during contract negotiations. Still, your employees need to be proud of the success your company is enjoying, so you want to share that information."

"I share a summary P&L with my employee team in each location at least once a year. There's way more upside than down. In the absence of the real info, the perceptions are that the business is taking loads of money to the bank."

"Daily. I don't see a downside."

"Weekly to the salespeople. Very little downside. The benefit is competition and disclosure."

"We are an ESOP company, so almost all our employees have some ownership. We give everyone a year-end P&L and have done so for the last 40 years. The benefit is huge—everyone has skin in the game. I haven't yet discovered the downside."

"We share our sales and margin with employee's to show them how important it is to get a fair market value to cover operational cost. The downside is that most employees think that a profit is cash in the bank."

"The big benefit is that our people understand how small the difference is between profit and no profit, or a loss. Coming in, our people imagine our margins are huge—50% and more. When we show them that if we do well, we have just 2-3% left after interest and taxes, they then understand the importance of each job in the company."

"We give every employee a snapshot of their store's P&L as part of explaining their quarterly profit-sharing bonus. The benefit is the employees understand how their store is doing and also how sales, margin, damage, etc. affect the bottom line and their compensation. There is no downside."

"A monthly letter goes out that compares current month sales with prior month, and same month a year ago. Same for gross margins. Been doing this for over 20 years. Downside is some think the company has all these sales and is rolling in cash. Upside is that they gauge our success on the growth or decline in the numbers."

"There's little downside. Whatever they think you make is almost certainly more than you actually do. You are asking them to go into your market and win. But they can't play the game if they don't know the score."



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"A few years ago, I read a book about getting employees to buy into the company. The book suggested sharing the numbers, having them help set sales goals, plus incentives if they reached the goals, etc. I tried this for two years, I do not think it helped at all and caused stress and competitiveness among the team members. This past year, I just shared the sales dashboard with them so they know the pulse of the business, with no responsibilities and goal setting on them, and the atmosphere has changed for the better. What I think I discovered is they are worker bees who just want to work, and to know that they have contributed."

"All financial information is regularly available for staff to review. No apparent downside. Everyone knows what's going on."

"All info at a monthly meeting."

"We share everything monthly. It takes a ton of educational effort, but its worth it."

"We share company sales; GM percentage; overall payroll expense w/ benefits as a percentage to sales on a quarterly basis. Customer sales and GM percentage can be obtained anytime by running reports. We do not share Net Margin/Profit. We feel by sharing this info, it negates the notion that the company 'makes a fortune', as most employees don't really understand the cost structure of a lumberyard. Secondly, the employees feel more a part of the company when we share such info. We tell them it is confidential, but we have no real control on the info getting out. It doesn't make a difference, because if the info gets out it tells someone the figures but not the details nor how we do it."

"Our company shares percentage-of-growth figures and profit sharing amounts at the end of the year. The downside to sharing only this information is that we have no idea of how the company compares to competitors, or to the industry as a whole."

"We are an ESOP, essentially an employee-owned company, and we share detailed financial information. The downside is that some employees don't understand what those numbers mean; a good example of this was when an employee interpreted sales dollars to mean profit. Even when the difference was explained, the employee was suspicious of the explanation. We do try to help them develop a better understanding by providing financial training performed by a third-party."

"We share all info monthly and we do a deep dive into the full year financials at our annual kickoff meeting. There is no downside unless you don't share the wealth. In bad times, your employees understand why you are making cuts. In good times, as they see how well you're doing, you have no problems as long as you share the wealth like we do."

"Financial information is only shared with the owners. They see monthly P&L statements."

"The downside to sharing is the employee can figure out what the owners make and they may feel that is unfair not realizing all the owners have a stake. The benefit to our Sales Manager is to know exact sales trends."

"The benefit is goal-setting. Downside might be them sharing where you do not want them too."

"Not sure of the benefit, as profits lead to questions about bonuses, pay increases, etc., while losses lead to worry about things they can't influence."

"Sales and gross profit on a weekly basis —shrinkage on a yearly basis."

"Sales info and margins. I find that most of the lower tier employees really don't care."

"Sales and margins mostly."

"We are a public company, but we also feel sharing this info makes employees feel like they have more of an impact on the numbers."

"We share nothing. Most employees do not understand what it costs to run a business. They see figures and assume the boss gets rich, and they are not getting a fair share."

"We share quarterly/YTD financial performance at quarterly employee meetings. We compare to prior year and budgeted performance. We are an employee-owned company. Downside is some employees don't understand what we are communicating, so they misinterpret the information provided. Upside is that they understand the fluctuation in the value of their retirement benefit."

"I do not think of the downside, just a motivating factor to work harder. Back in the day, the goal was to simply keep your job, now it is an incentive to get a bonus. No fancy cars, no boats, just forklifts, paid inventory and owning the building. Employees feel secure."

"I am willing to share all facets of the business except for individual salaries. It is important that employees know how much their benefits cost and what percentage of every dollar goes toward compensation and benefits. The yard and delivery crew take pride in knowing how much volume they ship monthly, and the average transaction size per delivery. We are tying incentives to that by setting benchmarks for size and complete, on-time delivery." ■

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

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



BY JAMES ANDERSON

REMODELED RIDGEFIELD

PRICE LEADS RIDGEFIELD SUPPLY INTO NEW ERA

A remodel can have great impact on a company. In the case of Ridgefield Supply, it impacted a community. When Margaret Price came back home to take over her father, Lou Price's, lumberyard in Ridgefield, Conn., she knew that a remodeled and redesigned facility would be necessary to carry on the company's success. "It was your typical third-generation lumberyard," she explains.

"There had not been much investment into the property and it was under-performing because it wasn't the best use of the facilities."

Price returned to the family business in 2000, and officially acquired the company from her father in 2011. Before she did, Price and her father began the process of planning the remodel. >

Margaret Price, CEO of Ridgefield Supply, took over the family business and saw the company through a major facilities renovation.

PHOTOS BY KATHY RUSSELL PHOTOGRAPHY



The facility remodel was an investment in the future that took place over the course of three years from May 2014 to September 2017. Including 11 new buildings, the company now stores 90% of its materials under cover. The office building is now state-of-the-art, and the entire company has a renewed focus on material handling, safety, and efficiency.

Price says her father would be proud. He passed away in February 2014, and was not able to see the remodel to completion. His last time out of the house was to hear the planning and zoning approval that allowed the remodeling to take place.

Now, among the company's 11 newly-remodeled buildings on five acres, stands an 1840s train station that was faithfully restored from its original design.

"It's something we're very proud of," Price says. "It's a showcase. We even set railroad tracks down. Every building that is visible from the street shows our product in some way or another. Also, the way it is designed, you can't see from the outside that it is a lumberyard."

From the community's perspective, Ridgefield Supply's remodel helped spawn a revitalization of Prospect Street. What once housed a rundown library and movie theater now hosts more destination businesses.

"In the past seven years, the library, movie theater, Ridgefield Supply, and a restaurant have been redone," Price says. "It's a beautiful area where people want to come now."

FAMILY BUSINESS

As an only child growing up in a lumberyard family, Price says she didn't think much about one day owning her father's company. Yet after graduating Wheaton College with degrees in political science and international relations, she found herself back home taking on the challenge of transforming the family business.

"I realized very quickly after college that I didn't like the concept of working for somebody else," she says. "The opportunity here to carry on the family tradition was huge—to be involved in an awesome industry, where a handshake is still a handshake."

Since then, Price has been carrying on a tradition that her family has been involved in since 1933, in a business that was originally founded in 1883.

Remodeling completed at Ridgefield Supply Company includes a sales and solutions counter, project pro desk and spaces where customers can meet with Ridgefield Supply staff in a one-on-one setting. Vendors like Benjamin Moore Paint are featured at a display and sales counter. A Kolbe show room is located in a renovated 1840s train station on the company's grounds. Walls in the Hardware Design Center display numerous accent hardware possibilities.

After losing her father, Price says, one of the things that helped her move past the loss was her love of horses. She returned to competitive show jumping and working with young horses after a 16-year hiatus.

“It has really grounded me mentally and helped me physically and it has brought so much joy to my life.”

Price says that throughout her childhood, her involvement in equestrian sports had provided her the confidence that she would later use to help grow her family’s business. In equestrian sports, men and women compete as equals.

“I grew up competing, nationally and internationally, as equal to men. It certainly gave me more of a backbone.”

REMODELED GROWTH

With the remodel, Price expects her company will still serve a mix of 80% contractor and 20% retail customers, though she predicts both sides of the business will increase as the company realizes new operational efficiencies. Already, paint sales are up 42%, Price says. Hardware sales are up 51% as well, all since April.

To lead her company into the next generation of growth, Price still relies on the practices her father and grandfather instilled in the business since her grandfather acquired Ridgefield Supply in 1933.

Today, those business practices still carry the family name in the Louis H. Price Education Center. The second floor of the company’s main office building now serves as an education center, with technology and seating for 50 people. The space is used for staff education and training as well as architect and contractor meetings.

The Louis H. Price Education center empowers the Ridgefield Supply team’s 47 employees to focus on product and building information that has enabled the team to offer advice to customers on everything from design to tool selection.

The education center is open to the community as well, free of charge, and is used for meetings and blood drives. Since every aspect of the building is also a showroom, Price says she welcomes the opportunity for potential customers to see what Ridgefield Supply has to offer.

Another aspect of the education center and the remodel as a whole is that it allows Price to attract a younger employee base to the company. >



An 1840s train station was moved and renovated in 2017 as part of the redesign of the property. From left, Ed Rekos, VP of sales; Glen Albee, President; Margaret Price, CEO.

Sales offices were redesigned to create unique meeting spaces for customers and the team at Ridgefield Supply. Storage facilities were also redesigned to optimize space and staff efficiencies.





I REALIZED VERY QUICKLY AFTER COLLEGE THAT I DIDN'T LIKE THE CONCEPT OF WORKING FOR SOMEBODY ELSE. THE OPPORTUNITY HERE TO CARRY ON THE FAMILY TRADITION WAS HUGE—TO BE INVOLVED IN AN AWESOME INDUSTRY, WHERE A HANDSHAKE IS STILL A HANDSHAKE.

— MARGARET PRICE

“A lot of these big organizations like Google and Apple and the tech companies have created these dream workspaces for the younger generation,” she says. “Mom and pop stores and other industries have a hard time competing with this, but we’ve been able to create that space that is comfortable and allows for creativity.”

As with many in the industry, Price sees the hiring of millennial talent as an obstacle in the future. Particularly in Connecticut, she says, it seems as though people under the age of 40 aren’t staying around for work.

“It’s one thing to look at macroeconomics and the state of the company, but the micro in the state of Connecticut shows us a mass exodus of young talent,” she says. “Now that we have the opportunity to cultivate young talent, we’ll run with it. I think I have one of the youngest teams.”

Company President Glen Albee often jokes that he’s the old guy of the group, Price says, and “he’s not that old.”

At the vice president level, everyone is in their late 30s, and early 40s. Price, herself, just turned 40 recently.

“We’ve created an environment where people want to work,” she says. “We have an employee here who left another

lumberyard after 42 years there to be a part of what we have. His knowledge and experience is invaluable.”

Price and company use a Best Places to Work study to gain insight into how the company can best serve employees.

“It’s not something we market to the world. President Glen Albee and I use it as a tool to listen to our employees who may not be comfortable talking in a public forum. We get 100% participation, and that’s very valuable to us.”

With the remodel and grand opening now behind them, Price and the staff at Ridgefield Supply will focus on networking in 2018, she says.

“We try to bring people together in the right way. We are not an industry where everybody is on social media. We try to be a solution-finder for our customer base and for potential customers.”

Networking has led to great connections in the industry and has helped Ridgefield Supply be more competitive as well through market research studies.

“Not only are we able to listen to contractors, but also homeowners. With a new retail store, that is very important to us,” Price says. “Back in the day, we were known as ‘the Tiffany’ of lumberyards because of our pricing. We’re not anymore. We truly keep people from going to the box stores.”

As with many businesses, Price says she keeps her company focused on the future, and how online retail and digital marketing has the potential to transform the industry.

“Our footprint is substantially larger now because of technology,” she says. “And because of that footprint, we’re not afraid to go after the big guys.” ■



GET TO KNOW RIDGEFIELD SUPPLY

FOUNDED	1883
OWNERSHIP	FAMILY
LOCATIONS	ONE
EMPLOYEES	47
PURCHASING GROUP	LMC
SOFTWARE PLATFORM	EPICOR BISTRACK
TOP 3 VENDORS	ANDERSEN WINDOWS BENJAMIN MOORE PAINTS KOLBE WINDOWS AND DOORS



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IN DEPTH

MOULDING, MILLWORK & TRIM

EASE OF USE, NEW APPLICATIONS GIVE DEALERS AND HOMEOWNERS MORE OPTIONS.

rom quicker installation to more robust product choices, trim and moulding manufacturers are responding to demand for products that are simpler to use, last longer and can be used for a growing number of applications.

“When PVC trim was introduced, it was just guys using it for trim, fascia and soffit, maybe corners, window surrounds,” says Rick Kapres, Vice President of Sales at Versatex. “Now, we’re seeing it used in every type of non-structural element outside the home. Shade structures, louvers, shutters, garage doors, all kinds of outdoor living areas. So what we’re doing is we just continue to try to put products out in the market that feed that audience.”

From PVC to fiber cement to wood products and more, dealers have a

number of options available in the market to offer their customers. And manufacturers in all categories continue to innovate in response to growing demand for low maintenance, long-lasting design options.

With homeowners staying in their homes longer than in the past, they are looking for options that will make it easier to take care of that home as it ages, says Loi McLoughlin, Azek Building Products General Manager of Trim.

“Homeowners are renovating and upgrading their existing homes instead of moving,” McLoughlin says. “In addition, they are also closely considering the maintenance requirements around those upgrades. For example, if you have wood trim or trim that is susceptible to moisture and does not hold paint

well, you might have to go through one or two paint cycles or replace the wood trim entirely in that time. Also, people want to invest in products that will provide good curb appeal when it does come time for them to sell.”

Homeowners also want a home that isn’t the same as their neighbors.

“We see customers wanting to differentiate their homes from the next, expressing their own individual tastes,” says Randy Miller, Director of Sales for Nu-Wood. “Nu-Wood products are a great way to provide customers with architectural details that can set their home apart. Darker colors such as Walnut, Espresso, Greys and Blacks remain popular and our urethane has the right properties to allow customers to go with darker color options.”



ABOVE: Ply Gem has organized its entire line of cellular PVC trim into two different offerings: Build Ready, designed for everything a builder needs to complete a mid-grade job; and Design Ready, products that are arranged specifically for the fabricator on jobs with more custom features.

RIGHT: AZEK’s Flange Slotted Window Trim is engineered to eliminate the need to shim around window frames, reducing installation time for contractors.

OPPOSITE PAGE: Versatex has introduced its Canvas Series to meet the need for a porch ceiling product that is an alternate to wood. It’s available in Macore (shown), Black Cherry, Walnut and Amber.



MAKING IT EASIER

A common refrain from manufacturers is the need to make working with and selling trim easier for everyone in the process, from the dealer to the contractor to the homeowner.

Ply Gem has embraced that idea by organizing its cellular PVC trim and mouldings into two different offerings, Build Ready and Design Ready.

With Build Ready, a contractor “can get everything he needs to complete a mid-grade job and have all the mouldings and all those accessories that he needs available in one line of products,” says Dan Hawk, Acting General Manager for Ply Gem Trim & Moulding.

The Design Ready group of products are designed specifically for more high-end projects that require a fabricator.

The Build Ready products also include features that take into account the environmental realities of transportation and jobsites.

“We’re now putting a peelable film on our Build Ready trim boards that keeps the product clean while it travels from the manufacturer to the dealer,” Hawk says. “It also keeps a product clean if it’s sitting at a jobsite or in the dealer’s lumber bin. One of the worst things that can happen is to have a board that has to be washed or cleaned or isn’t suitable for sale, and so the film is one aspect of making sure that the product gets to the market clean and free of dirt.” ➤

The Ply Gem Build Ready boards also have a secondary sealed edge, created by a patented process with a smooth edge that dirt won't stick to, Hawk says.

James Hardie is also emphasizing the one-stop shopping benefits of its line of fiber cement siding and trim products.

"We continue to stand on the platform of no one else can deliver a full house of fiber cement, which gives the homeowner a durability package that's unmatched in the market," says Trim Product Manager Jeremy Harris. "And then as far as the dealer is concerned, they can order all their products on one truck...so they manage [inventory]

a little tighter, get more turns because you could essentially order panel, shingle, soffit, trim on the same truck."

The durability, stability and fire-resistance of the James Hardie fiber cement are another advantage of the product.

"So as we move forward, I think it will become very important that homeowners and dealers will want more choices of colors and we can offer that because we have a dimensionally stable product," Harris said. "And then we also paint our products in factory so you can get a paint warranty and a substrate warranty from one manufacturer, so that's a pretty big advantage."

Making a product that is easy for the contractor to install is important. MiraTEC trim by Jeld-Wen offers that, says Marketing Manager Laura Brown.

"We all are pressed to make the most of our time and builders are no exception making product ease of use extremely important," Brown says. "MiraTEC helps builders save time at the jobsite because it handles like wood, making installation a simple process."

In addition, MiraTEC recently introduced Smooth Select to its trim offerings. "Smooth Select builds on the MiraTEC heritage of extreme performance and durability, but with a super smooth finish and square edges," Brown says.

MiraTEC trim has several other advantages, the company says, including resistance to moisture, rot and termites; a reversible panel with woodgrain on one side and smooth finish on the other; a 50-year warranty; is environmentally friendly; and handles like wood.

Fypon recently launched two new lines of polyurethane crossheads offering different design options, but also easier installation so jobs can be completed more quickly.

"We've exclusively designed two new Craftsman-style crossheads that are simple [and] understated, that add some character and charm to the elegance to many of our different home styles, which include Craftsman and bungalow home styles and many modern variations," says Product Manager Mary Nesper.

Fypon also has a new Distinctions Crosshead, which is a melding of Fypon's traditional crosshead with a slightly new look, but that the company says is easier to order and install than its traditional crosshead.

"It will be orderable in one-inch increments to match the exact requirements needed for the window or door size," Nesper says. "Or you can also order it trimmable in small lengths for ease of handling or long lengths to minimize waste when cutting multiple crossheads for the home. No miter cuts are required at installation. Different size ends are available to complement standard window trim and pilasters."

RIGHT: MiraTEC Smooth Select is the newest member of the MiraTEC trim family, offering performance and durability but with a super smooth finish and square edges.

BELOW: HardieTrim Boards from James Hardie are designed to complement the company's fiber cement siding products. Like the siding, HardieTrim has a look that mimics wood, with or without grain texture, without the maintenance requirements.



RIGHT: In response to demand from its customers, Fypon has introduced two new lines of crossheads. The Craftsman Cove Crosshead is available in one-inch increments from 24" to 215", and a number of widths that are dealer-trimmable.





ABOVE: The PrimeLinX family of multi-use, real wood products from BlueLinX features an exterior primer and exterior glue. The full line is ready to paint and designed to be easy to install.

BELOW: Boral's TruExterior Beadboard profile trim is available in a 4", a 6", a double-4", and a double-6". Boral TruExterior is manufactured with a blend of proprietary polymers and fly ash designed to avoid the problems that plague wood, such as rotting, cupping and twisting.



BlueLinX is also seeing increased popularity of Craftsman and Farmhouse-style homes, which is driving interest in its real wood products, says Sam Scandlyn, General Manager of Interior Products.

"We developed our PrimeLinX family of multi-use products with primer coats that are far more advanced than what was previously available in the marketplace," Scandlyn says. "They are a real wood product manufactured with an exterior primer and exterior glue. All PrimeLinX family of products offer a 'Ready to paint' and easy-to-install feature."

With its PVC product, Klear also believes it has the right mix of style and convenience to meet the needs of today's homeowners.

"Now more than ever our time, and our money, is precious," says Product Manager Matt Michalski. "Driven by

a growing demand for high-quality, low-maintenance products that last—without requiring additional investment—consumers see the value in products like Klear, which are designed to stand the test of time while meeting the aesthetics they desire."

Klear recently introduced two new PVC outside corners with an integrated nailing flange, designed to work with polymer shake and shingle siding products.

"Like other Klear products, they are an affordable, sustainable and low maintenance alternative to wood exterior products—without compromising beauty or function," Michalski says.

That twin focus on ease of maintenance and aesthetically pleasing products is important, as homeowners want to enjoy their outdoor spaces, not spend time cleaning and repairing them, says Tom Zimmerman, Vice President of Sales for Boral Light Building Products.

Boral TruExterior Trim, made with the company's proprietary blend of polymers and fly ash, "offers a high level of dimensional stability for reduced expansion and contraction, and durability for resistance to warping, cracking, and splitting," Zimmerman says.

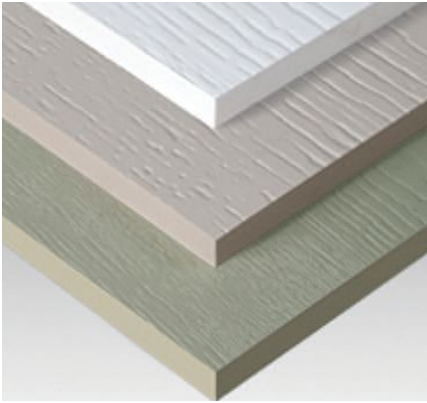
There have been several recent additions to the line.

"One that we're particularly excited about is our new double-4" and double-6" beadboard, which offers the same look as single-profile beadboard, but with twice the coverage area," Zimmerman said. "That means less cutting, half the trips up and down the ladder, and fewer seams."

Boral also introduced four trim accessories aimed at saving installers time and ensuring a polished look: Rabbeted Trim with Window Pocket, Rabbeted Trim with Siding Pocket, Rabbeted Trim with Window and Siding Pocket, and 2x2 Trim.

Manufacturers are continuing to roll out new products and expand their offerings as demand for the trim category grows.

In 2018, Royal Building Products will be expanding what it says is already the widest product offering of any PVC trim manufacturer. >



ABOVE: Palight trimboard by Palram is designed to install easily and was developed to reduce on-site project time. The free-foam PVC trim features EverClean™ protective film on both sides, plus sealed edges and two finishes (smooth or reversible smooth/woodgrain). Plus, it is waterproof and designed to not warp due to moisture. The industry-first Color2Core™ trim is available in Classic White, Sand or Clay colors and comes in standard lumber sizes. Backed by a 30-year transferrable homeowner warranty.

BELOW RIGHT: Conceal Column Wraps from Royal Building Products are available in column sizes from 4" to 12", and two lengths of 8' 6", and 10'. Three sides are assembled in the factory, requiring only the final side to be locked in by the installer.

BELOW: Kleer recently introduced two new PVC outside corners with an integrated nailing flange designed to work with polymer shake and shingle siding products.



"We are excited to expand our line of products in our Royal Conceal Trim System to include Conceal Column Wraps, Conceal New Construction Window and Door Surrounds, Conceal Water Table and Conceal Stone Water Table," says Steve Booz, Vice President of New Product Development & Product Management. "All four products fit with our customers' needs for both new construction and remodeling/renovation work."

Conceal Column Wraps are available in column sizes from 4" to 12", and two lengths of 8' 6" and 10'.

"With three sides already assembled in our factory, installers need to simply slide the wrap around their column and lock in the last side and secure," Booz explains.

Conceal New Construction Window and Door Surrounds allow the trim piece to install level to the wall with an accommodation for the nailing flange on a new construction window.

"With our unique birds-mouth design on the back" Booz says, "you can easily fasten a miter joint with hidden screws."

Conceal Water Tables are now available in two styles from Royal Building Products: traditional and stone.

"With our unique design, the traditional water table can be used in conjunction with any size Royal S4S or SurEdge trim board in any thickness 5/8" through 1", Booz says. "The beauty is that the dealer stocks one water table SKU and can then pair it with whatever trim board the architecture requires. The Conceal Stone Water Table is the perfect transition from a faux stone façade to siding with a sharp looking transition trim with enough depth to make the change from one material to another."

As homeowners become more comfortable with PVC products, the applications are growing. That trend led to the recent introduction of the Canvas Series by Versatex.

"We noticed that on a lot of projects we're getting all the trim, but on either the back or front porch ceiling, they're still going with a high-end wood, like a mahogany or an ipe look, a dark rich wood for the ceiling on the porches and the back porches," Kapres says. "We took a WP4, which is a traditional SKU of ours, and we laminated it with a tried-and-true, exterior-grade laminate that's been used in the window business for years. ...The process to put it on binds the laminate to the PVC so it's extremely durable. It does not come off, and when you put it on it really looks like real wood, like a rich high-end wood."

The Canvas Series is available in four colors—Macore, Black Cherry, Walnut and a lighter Amber.

AZEK will be rolling out several new cellular PVC trim products this year.

"In the meantime, we are making it even easier and more convenient for contractors to install our AZEK Trim with our new line of AZEK Adhesives," McLoughlin says. "We speak with contractors regularly and found there was a demand for the suite of products we're releasing. Also, we have recently introduced our AZEK Flange Slotted Window Trim. We're excited about this offering because it reduces installation time for contractors. Typically, they will have to shim around the window frames, and with our Flange Slotted Window Trim, that step goes away." >





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FINDING THE RIGHT MIX

With all the options out there, dealers can face some tough choices in deciding what—and how much—to stock.

With that in mind, Ply Gem has reduced the number of pieces on a pallet to help dealers carry a broader range of products.

“It’s so important that the dealer be able to turn this inventory, and have diversity in what he offers,” Hawk says. “We’d rather him have an offering that is four miles wide and four inches deep than one inch wide and four miles deep of all the same product that doesn’t turn for him. Our dealer approach is to make sure that he doesn’t get bogged down with inventory that doesn’t move but can instead offer more opportunities for increasing the scope and size of job by having all the mouldings and accessories that a contractor might need without taking on large inventories.”

Dealers need to be comfortable with their brands, and knowledgeable about their offerings to be successful in the category, says Fypon Product Manager Michelle Hull. “It’s our job to train dealers on new product, ensure they have samples and marketing materials, which in turn allows them to provide contractors with products that get the job done faster,” she says.

When working with a customer, dealers should help them see the whole picture and not just focus on one factor.

“By urging them to factor in all aspects of the product, including the initial purchase price, installation time and any special equipment/training that could be needed, as well as the product’s lifespan, dealers can help their customer make an educated decision,” Brown says. “Know your products so that you can steer customers to products that will both serve their needs and drive repeat business.”

Dealers also should go beyond carrying the basic trim products to be successful in the category. Strategically adding key accessories can help separate a dealer from the competition, Booz says.

“If LBM dealers can focus on a few products that are key to their market, like our new Conceal Water Table, New Construction Window and Door Surrounds or Column Wraps, they will be able to set themselves apart from their competitors,” Booz says. “They will become the go-to dealer to buy not only the commodity 1x trim products, but also be known as a reliable supplier of problem-solving, architecturally correct trim, and moulding products.”

Miller echoed the importance of variety in trim offerings.

“We find a good way to increase margin is to increase choice, by reviewing your portfolio of exterior millwork to make sure it includes enough breadth



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that will extend into niche oriented selections that may provide incremental margin opportunities," he says.

By educating their employees, dealers can offer a high value to their customers, both pros and homeowners, Michalski says.

"For LBM dealers to grow their sales in the category, especially of higher margin products, they need to become the source for the products and the product information. Being able to explain the product features and benefits goes hand-in-hand with having them available in the yard," he says. "Dealers can help their customers buy the best product for the job by having a strong knowledge of the product features and benefits, and by having the ability to provide them with products in a timely manner."

Zimmerman agreed, noting the importance of understanding the real-world jobsite challenges faced by builders and remodelers.

"The most engaged dealers are the ones that drive business, and we can help facilitate that engagement," he said. "Show me an engaged dealer, and I'll show you a successful dealer."

It's an attitude that is important to driving innovation and one that Boral tries to embrace with its customers.

"We like to engage with our customers just as we advise dealers to engage with theirs," Zimmerman said. "Our sales reps are in dealers' stores and out on jobsites to understand each customer's needs. The dealers who understand innovation and understand customer needs, and who understand where those cross, will start to grow their profits and margins. And we're a value-added resource to help them do that."

Encouraging the use of trim products for both interior and exterior applications can also help grow demand, Scandlyn says.

"That means promoting trim boards for interior moulding rather than just in the exterior aisle," Scandlyn says. "Offering a complete family of products like PrimeLinX can also assist dealers to grow new sales of higher margin products."

"It may seem like an oversimplification, but dealers need to make sure that

they offer products that today's customers and consumers demand. More and more often we see product decisions being made by the DIYer and designer, not just the builder or sub-contractor. It's important to offer the products that consumers can use to recreate the looks they see on HGTV, design networks and other social media sites," he added.

Kapres recommends finding a supplier that offers plenty of resources for educating the dealer team, as well as marketing and displaying the products. And be sure to take advantage of those offerings.

"If you're going to put your money into an investment in our product, your inventory dollars, your hard-earned inventory, you owe it to yourself to take the time to make yourself successful selling it," he says.

"So, at Versatex, we have a variety of things that make you better," Kapres says. "Number one: merchandising. Take advantage of it. Put the counter racks up, put the counter displays up, put the wall boards up, put the floor displays up. Don't do it just 10 minutes at the counter. Do an hour with your people and go through the selling features of the products, the installation of the products. It'll make your people better."

Versatex also encourages its dealers to send at least one person to its two-day "Versatexpert" training at the Versatex plant to become the in-house expert on the products. Versatex Contractor College—hosted during the slow winter months at locations across the country—also offers a chance to educate contractors on the benefits of the product.

"And then the final element, I always believe, is not just taking advantage of the standard merchandising items, [but] actually putting the products to work in a custom display or on the building somewhere," Kapres says. "They'll build a little display, put it up, take some product, put fascia up, put the soffit up, maybe some Versawrap columns...put it into use so that when the contractor and homeowner walk in, they can see it on the building or on the showroom floor and you can say, 'Yeah, that's Versatex. We sell that. It looks great.'" ■

INTERNET INFORMATION

Companies highlighted participated in this article.

Allura:
www.allurausa.com

Arauco:
www.arauco.cl

Azek Building Products:
www.azek.com

BlueLinX:
www.bluelinxco.com

Boral:
www.boralamerica.com

CertainTeed Corp:
www.certainteed.com

Collins:
www.collinsco.com

EastCoast Mouldings:
www.eastcoastmouldings.com

Fypon:
www.fypon.com

James Hardie Building Products:
www.JamesHardie.com

Kleer:
www.kleerlumber.com

KOMA:
www.komabuildingproducts.com

LP Building Products:
www.lpcorp.com

Metrie:
www.metrie.com

MiraTEC:
www.miractrim.com

Nu-Wood:
www.nu-wood.com

Palram:
www.palighttrimboard.com

Ply Gem:
www.plygem.com

Royal Building Products:
www.royalbuildingproducts.com

Selex:
www.selex.cl

Trex:
www.trex.com

Universal Forest Products:
www.ufpi.com

Versatex:
www.versatex.com

Woodtone:
www.woodtone.com

Woodgrain Millwork:
www.woodgrain.com

Jonathan Sweet is a Minneapolis-based writer and editor who has covered the construction industry for both consumer and trade publications for more than 15 years.

PRODUCT PICKS

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

Huber Engineered Woods ZIP System Tape Roller

Huber's ZIP System sheathing and tape line of products now includes a new ZIP System tape roller with a tape marker designed for rolling accuracy. The roller features a unique marking mechanism, leaving a Z-shaped indent in the tape where pressure has been applied. The marking mechanism provides indication of where tape has been rolled and is said to allow for a quick quality assurance check by general contractors, project leads, waterproofing consultants, and installers. The new ZIP System tape roller is light weight and includes a wide, split roller head. The handle is specially designed to allow easy rolling in hard-to-reach areas like inside corners or around windows and doors. www.huberwood.com



Simpson Strong-Tie Fire Wall Hanger

The Simpson Strong-Tie DGH fire wall hanger can now be ordered with a skewed or offset option. The hanger is part of the new DG fire wall hanger series designed for connecting floor trusses and joists to wood stud walls. All models in the series are said to be easy to install on a two-hour wood stud fire wall (e.g., Type III construction) during framing. These top-flange hangers are designed to feature space to allow two layers of 5/8" gypsum wall board (drywall) to be slipped into place after the framing is complete. The DG/DGH/DGB fire wall hangers have been tested according to ASTM E814 and received F (flame) and T (temperature) ratings for use on one or both sides of the wall. All models of the DGH hanger may be ordered with a skew angle of up to 45° or with the top flange offset left or right. The skew and offset options may not be combined.



www.strongtie.com/firewallsolutions

LP TopNotch OSB Sub-Flooring 250

TopNotch OSB sub-flooring from LP is designed for optimum stability in both directions. A unique RainChannel™ notch system allows water to drain quickly from the surface. Combined with a moisture-resistant edge seal, the RainChannel system is designed to help prevent moisture absorption and edge swell, reducing the need for sanding. Available in performance categories from 19/32" to 1-1/8". The product is backed by a 25-year transferable limited warranty, and can be used for residential and light commercial applications. www.lpcorp.com



Deckorators Porch Flooring

Deckorators has introduced porch flooring in three colors that are designed to offer the traditional look of painted wood: Chicory (brown, variegated), Kettle (gray) and Macadamia (beige, non-variegated). Deckorators porch flooring is available in two profiles: Tongue-and-groove: 3 1/8" by 7/8" x 10', 12' or 16'; and Solid: 3 1/8" by 7/8" x 12'.

The company says Eovations™ technology makes Deckorators porch flooring strong, lightweight and stable.

Because Eovations technology was developed to allow virtually no water absorption, Deckorators porch flooring is backed by a 25-year structural, 25-year stain-and-fade and 25-year removal-and-replacement limited warranty that covers water and ground contact. www.deckorators.com/gobeyondordinary



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PRODUCT PICKS



CertainTeed Certaspray

CertainTeed's Certaspray open cell spray foam insulation is said to expand to fill every opening that can potentially leak air, resulting in a more energy-efficient living environment. As an all-in-one insulation air sealing system, Certaspray foam insulation is designed to solve extreme insulation requirements. A high R-Value minimizes hot and cold spots in a home to improve efficiency and comfort. According to the manufacturer, Certaspray foam reduces the penetration of moisture, outdoor allergens and pollutants while diminishing the sounds like wind and traffic from outside as well as inside noises like plumbing and playrooms. www.certainteed.com



Caulking Gun Applicator from Irion-America

Irion-America's FX7-90 Caulking Applicator is a professional grade quality cartridge applicator for use in construction or manufacturing. The product features a rubber-coated handle and trigger along with a rotary cartridge and ladder hook. It has double sided bearings designed for smooth-running function and high viscosity dispensing material. Its thrust ratio is 17:1, said to provide extra power with thicker materials, and has multiple-strength thrust block (resistance 6000N). The product is ideal for cartridges 310ml/10.5 fl. oz.

www.irion-america.com



COAST Rechargeable Flashlight

The all-new POLYSTEEL 600R LED flashlight from COAST is dual-powered, able to operate using its high-quality lithium rechargeable battery pack or with four standard AA batteries. The lithium battery pack also includes an out port, which allows the recharging of other devices that use USB cords via the battery pack. The light projects a beam up to 810 feet, is equipped with COAST's Twist Focus, and boasts three levels of light output. The POLYSTEEL 600R is said to be waterproof, crush-proof and drop-proof. It has a waterproof rating of IPX8 at three meters and has an impact-resistant rating of two meters. It is designed to withstand daily use in even the toughest environments. Available in five colors.

www.coastportland.com

Masonite Heritage Series™

The Heritage line of fiberglass entry doors from Masonite is available in 6'8" and 8' heights and features an optional dentil shelf and Craftsman-style architecturally correct detailing to mimic the look of a real wood cottage or bungalow-inspired door design. The doors are offered in smooth surface and fir-grain textures and either clear or opaque glass in a 22" x 17" light frame that allows the door to be glazed. Add SDLs to any Heritage Series Craftsman door. Available in hollow or solid core with a paintable finish.

www.masonite.com



Barn Door Hardware from L.E. Johnson

L.E. Johnson has introduced new modern styled barn door hardware. The new Soft Close Wall Mount Barn Door Hardware features built-in bronze fascia. The new Soft Close feature is designed to protect fingers from getting pinched and allows anyone to open and close doors even when their hands are full. The door is developed to be easy to install. The hardware supports barn style doors that are marketed as space-saving alternatives, allowing homeowners and additional 14 square feet of floor space. The hardware holds doors up to 200 lbs. Tracks are 48" to 96" to fit a wide variety of room openings. L.E. Johnson hardware carries a lifetime warranty against defective manufacturing. www.johnsonhardware.com



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PRODUCT PICKS

TamlynWrap® Drainable Housewrap

TamlynWrap Drainable Housewrap is the newest moisture management product from Tamlyn. The product is designed to effectively eliminate excess moisture and mitigate the damaging effects of mold and rot. The housewrap's design is said to remove at least 100 times more bulk water from a wall versus standard housewraps. This is achieved through the gap created by 1.5 mm spacers bonded to a high performance housewrap. Available in Drainable or Commercial grades. Drainable product offers a unique drain plane that removes accumulated moisture from the wall cavity without need for costly furring strips. Drainable grade is available in 5' x 100' rolls at 24 or 28 rolls per pallet. Commercial grade comes in 5' x 200' rolls. www.tamlynwrap.com



PORTER-CABLE® Random Orbit Sander

PORTER-CABLE has introduced a new 20V MAX 5" Random Orbit Sander. Sold as a bare tool (battery and charger are not included), the new sander is an extension of the PORTER-CABLE 20V MAX System, and is designed for professionals working in residential construction. The sander is said to quickly help users remove old material, like paint and varnish. The 20V MAX Random Orbit Sander boasts a 12,000 OPM (orbits per minute) speed, and a high-performance dust collection system. To collect dust, users can either utilize the included PORTER-CABLE dust collection bag or use the sander's integrated multi-port adapter to connect to a vacuum like the PORTER-CABLE 20V MAX 2 Gallon Wet/Dry Vacuum. The multi-port adapter accepts vacuum hoses of different diameters. www.portercable.com



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“We are constantly working to expand our product selection. Right now, we are focused on enhancing our indoor and outdoor lighting departments. We’re using Orgill programs to help us reset and update these categories.”

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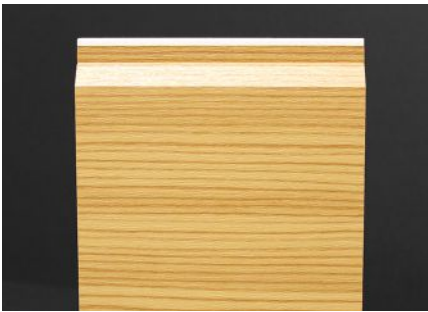
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PRODUCT PICKS

Versatex Woodtone for Porch and Veranda Ceilings

Versatex has introduced a new woodtone, called "Amber" to its Canvas Series of PVC surfaces for porch and veranda ceilings. Like the original Canvas Series, the Amber shade conforms to the standard Versatex WP4 T&G profile, with tactile woodgrain laminate permanently bonded to moisture-resistant, cellular PVC. The Canvas Series is designed for any exterior or interior application where moisture-resistance is an issue. Versatex manufactures the nominal 1" x 6" WP4 profile (actual thickness a full 3/4") in 18' lengths that can span up to 24" on center. The matching 4" crown moulding comes in 16' lengths. The system provides a color-matched touchup kit for use on butt joints or fastener marks. www.versatex.com



Tru-Scapes Tru-Post® LED light

The Tru-Post LED light accessory is designed to be featured on a fence gate, around a pool or along the railing of a deck. The lights are said to require a low voltage transformer for installation. The LED light design is a heavy gauge, fully powder coated aluminum fixture with a weathertight rubber gasket glass jar enclosure to protect the bulb and socket area as well as provide 360° of light output. Included is a 6' line wire. Designed to fit: Standard 2" x 2" aluminum fence or railing posts (available in black only); Standard 2.5" x 2.5" aluminum fence or railing posts (available in black only); Standard 4" x 4" vinyl fence or railing posts (available in white only); Standard 4.5" x 4.5" Trex Transcend railing post (available in black, brown, and white). Light source is a 2.5W G4 LED bulb. www.tru-post.com



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TerraMax Flooring Products

PremierBuilding Solutions has introduced TerraMax, a new eco-friendly family of flooring products. TerraMax products are available in a variety of strength and chemical components for various flooring applications including solid wood planks, stone inlays, vinyl flooring, acrylic planking, bamboo wood flooring, ceramic tile, engineered hardwood, plywood and more. TerraMax flooring products are backed by the GREENGUARD Environmental Institute, an industry-independent scientific testing organization that certifies products and materials for low chemical emissions. www.terramaxflooring.com





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PRODUCT PICKS

DEWALT® 20V MAX Cordless Tripod Light

DEWALT's new 20V MAX Cordless Tripod Light is designed to illuminate dark work areas and withstand tough jobsite conditions. The 20V MAX Cordless Tripod Light is compatible with all DEWALT 20V MAX and FLEXVOLT® batteries. The light has three brightness settings and illuminates work areas with a maximum output of 3,000 lumens. Its telescoping design sets up in seconds and collapses for easy portability and storage. Users can position the light overhead to reduce shadows and glare as well as illuminate hazards, workstations, and equipment. The light can also help provide contrast and color visibility for detailed tasks or to direct light at work surfaces. The light comes with the standard DEWALT 3-year limited warranty, 1 year free service, and 90-day money back guarantee. www.dewalt.com



MoistureShield Refine™ Decking

MoistureShield Refine line of decking is designed to present a combination of beauty and durability. The composite decking is built to be installed on the ground, in the ground, or underwater. The Refine line enhances MoistureShield's proprietary moisture-resistant core with an added layer of protection that features enriched natural coloring and enhanced durability to hide wear and tear, along with fade and stain resistance. Each Refine board is said to provide an advanced blend of enriched natural variegation and high definition wood-grain detail. Available in 1" x 6" (nominal) deck boards of 12', 16' and 20' lengths and 12' fascia boards. MoistureShield backs the products with a lifetime residential warranty and a 25-year fade and stain warranty. www.moistureshield.com



Milwaukee® 12V Drill Driver and Hammer Drill

Milwaukee Tool has introduced the next generation of its M12 FUEL™ Drilling and Driving solutions. The completely redesigned M12 FUEL 1/2" Drill Driver, M12 FUEL™ 1/2" Hammer Drill are designed to perform a wide range of applications in the tightest of spaces. The new M12 FUEL™ 1/2" Drill Driver and M12 FUEL™ 1/2" Hammer Drill are said to be the most capable, lightest weight, and most compact tools in their class. These are also the only 12V tools on the market with an all-metal 1/2" chuck, giving them the power to perform a wide range of applications. Each features a POWERSTATE™ Brushless Motor that delivers up to 1700 RPM's and 350in-lbs of peak torque. Weighing 2.8lbs with battery and 6.6" in length, both tools are designed for overhead applications and tight spaces, optimal for MEP, HVAC, MRO and remodelers. www.milwaukeetool.com



TYTAN® Subfloor Adhesive

Formulated for installing OSB, plywood, treated lumber, composite decking and other materials, TYTAN's new Subfloor Adhesive is made of high yield polyurethane developed to meet stringent environmental regulations while offering easy and efficient installation. Available in 20 oz. cans with straw applicators, or 29 oz. professional cans that require gun applicators. 12", 22", or 39" gun applicators available. The product is designed to prevent floor squeaks and is said to work in a variety of temperatures including wet or frozen surfaces. One can is said to replace 12 28-oz. caulk adhesives. www.tytan.com



DAP Platinum Patch™ Advanced Exterior Filler

DAP has introduced Platinum Patch™ Advanced Exterior Filler. Formulated with advanced Weather Max™ Technology, Platinum Patch is developed to provide all-weather protection and superior multi-material adhesion for demanding exterior repairs. Platinum Patch is said to provide weatherproof protection preventing discoloration, cracking, crumbling or other damage. The hydrophobic surface provides a waterproof repair that won't swell, soften, blister or break down and also is mold, mildew and algae resistant. Its strong adhesion to porous and non-porous materials, including metal, composite, PVC, fiber cement, wood, vinyl and more, is said to make the product ideal for exterior applications. Platinum Patch is designed to be sandable, paintable and 24-hour rain-ready, and available in a variety of sizes. www.dap.com



L.J. Smith® Stair Systems Linear Collection

The Linear Collection from L.J. Smith Stair Systems now includes a variety of metal newels. First launched in 2016, the contemporary stair system includes marine-grade stainless steel cable along with brushed stainless-steel tube designed for a sleek stairway appearance. The company's modern and code-compliant handrail options (available in Red Oak or Hard Maple) are designed to create a clean, refined look for the stair system. L.J. Smith offers a dozen new metal newel posts, all sized and pre-drilled for simple installation of the company's Marine Grade 316 stainless steel cables and fitting. Box treads are available, designed to create a modern and open stairway. The company also offers newel mounting kits, post protector tubes, and reminds installers that the swageless cable fittings. www.ljsmith.com



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SUPPLY-SIDE RESPONSE TO RISING HOME PRICES HAS GONE MISSING

BY BRENDAN K. LOWNEY

Home construction remains frustratingly slow, even with the long-expected tailwind associated with the transition of the Millennial generation into their key home-buying years. It has become apparent to most housing market observers that a slew of supply-side constraints are conspiring to reduce the pace of new home production. The most obvious constraint is a shortage of labor throughout the home construction supply chain, particularly among framers and remodeling contractors. Other constraints are: (1) a shortage of prepped lots; (2) a higher degree of industry concentration in some markets that has allowed some major builders to maintain high margins by restricting supply; and (3) an increase in regulation that has made it more difficult for builders to build affordable homes profitably.

Some observers are not convinced that the recent slump in home construction is supply-driven at all. A recent *Wall Street Journal* article quoted a prominent housing economist—

Doug Duncan, chief economist at Fannie Mae—as asserting that “It’s a late-cycle economy.” Slowing sales “happen in housing before there’s a downturn.” We disagree for a couple of reasons. First, since we see little evidence that a recession is on the horizon (unless the Fed loses its mind and ratchets up interest rates), it is not clear that we are in a late-cycle economy. Second, this cycle has been highly atypical with regard to residential construction. The large majority of “early-cycle” economies are accompanied by residential construction booms. Housing starts remained moribund in the early days of the current cycle. Thus far, the current cyclical peak in housing starts was 1.248M starts in 2016Q4—a level not far off the trough in previous recessions.

The U.S. residential housing market is clearly underbuilt by a variety of measures. For starters, low inventories simply are not triggering new home supply as one would expect. As shown in **GRAPH 1**, existing home inventories stand at just a 4.2-month supply (at current sales rates), and yet housing starts have failed to breach 1.2M units (seasonally-adjusted at an annual rate) in recent quarters. By contrast, the last time inventories were this tight, U.S. housing starts were about 70% higher.

For years, FEA has illustrated the U.S. supply shortage by showing the ratio of housing starts to population going all the way back to 1920. Home-building remains near recessionary levels by this metric.

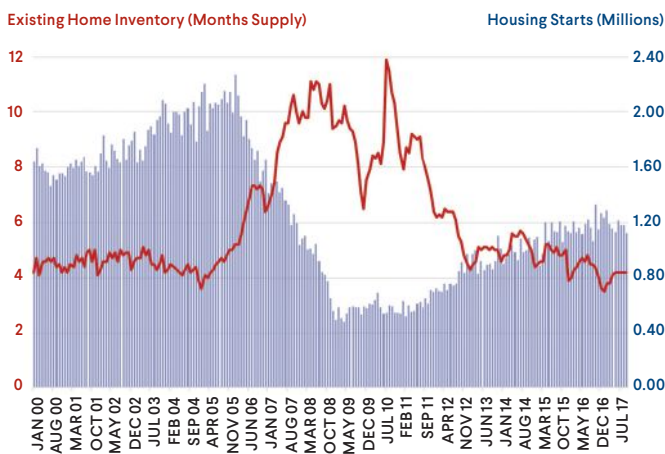
In this Spotlight, we want to illustrate developments at a local Metropolitan Statistical Area (MSA) level, so we need to modify our choice of metric. We chose the ratio of housing permits to employment because that is where the available data led us. Housing starts are not available at an MSA level, but housing permits are. Population data is available at an MSA level, but only at an annual level. A glance at **GRAPH 2** shows that our chosen metric is just as useful as the housing start-to-population metric for showing the extent of underbuilding of homes in the U.S. on a national basis.

While the economy did shed 7.7M jobs from 2008-2010, it has added a whopping 15.3M jobs since 2011 and the response from builders has been anemic. Seven years into the economic cycle, the ratio of housing permits to employment remains below the levels associated with previous recessions.

Does home construction follow job creation?

In the very early days of the recovery, clients would frequently ask where the new homes would be built when the economy recovers. We usually advised them to follow the jobs. In recent years, it has become clear that the arrow of causality runs in two directions.

GRAPH 1 THE LAST TIME EXISTING HOME INVENTORIES WERE THIS LOW, HOUSING STARTS WERE 70% HIGHER



GRAPH 2 US HOUSING MARKET IS UNDERBUILT



Let's compare California and Texas. California has fared well with regard to job creation. Since the start of 2011, California has added 2.46M jobs—a 17% increase. This one state accounted for a third of U.S. jobs created since 2011. Over this same period though, California accounted for only 8% of total U.S. housing starts and 6% of U.S. single-family starts. By contrast, Texas has added only 712K new jobs since 2011, but has accounted for 15% of housing starts.

California has a high regulatory burden and other costs associated with new housing. It simply is not easy to build affordable housing there—particularly single-family housing. This has created a severe supply shortage which has pushed up prices and made housing unaffordable for a wide swath of the population. According to Zillow, the median value of a home in California was \$469.3K, compared to a median household income of \$67.7K per year (2016 data). By contrast, the median value of a home in the U.S. is \$202.7K, compared to a median household income of \$57.6K per year. Texas is even cheaper than the U.S. as a whole. The median home value there is \$159.0K, with a median income of \$57.0K per year.

California is not the only section of the U.S. that is failing to satisfy a burgeoning demand for housing. The problem is endemic in high-cost areas on both coasts for a variety of

reasons. Most obviously, development in coastal cities can only occur in semi-circles (limited by water), in contrast to most inland areas where development occurs in full circles around the center city. Of course, different political cultures in the South have resulted in a more building-friendly regulatory framework than we see in the major coastal cities.

Just as policymakers need to figure out how to facilitate the construction of affordable housing in the expensive coastal areas, it also seems obvious that employment will continue to shift to more affordable areas. The pending Amazon decision to locate a second headquarters away from high-cost Seattle could prove to be a bellwether in this regard. We would be surprised if Amazon were to choose another high-cost coastal area for its second headquarters.

Bottom Line: U.S. home construction is vastly underbuilt by historical standards. Rapidly rising home prices have failed to elicit the sort of supply-side building boom that occurred in the late 1990s and early 2000s. The supply crush is national in scope, but most acute in coastal cities. ■

Brendan Lowney is a Principal of Forest Economic Advisors (FEA), and serves as the company's Macroeconomist. This "Spotlight" was excerpted with permission. Learn more at www.getfea.com.



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NLBMDA unveils national policy agenda ahead of legislative conference

BY BEN GANN

NLBMDA has finalized its National Policy Agenda for 2018 as the Trump Administration begins its second year and following passage of tax reform at the end of 2017. As the association works to advance the interests of the lumber and building material industry, NLBMDA is holding its annual Spring Meeting and Legislative Conference at The Wink hotel in Washington, D.C., from March 19 through 21.

Wildfires burned 9.7 million acres in the U.S. in 2017. The frequency and intensity of wildfires in recent years demonstrates the need for responsible forest management policies that promote environmental sustainability.

Recognizing the need for improved federal forest management, last year, the House of Representatives passed the Resilient Federal Forests Act (H.R. 2936). The legislation helps protect the national forest system by implementing best practices intended to reduce and eliminate the threat of wildfires.

In addition, the forest management legislation includes a provision from the Timber Innovation Act (H.R. 1380) that would establish a performance driven research and development program for advancing tall wood building construction in the U.S. NLBMDA supports both the Resilient Federal Forests Act and Timber Innovation Act, and will continue to push for consideration in the Senate this year.

Despite the failure of Congress to pass health care reform last year, NLBMDA remains committed to reform parts of the Affordable Care Act (ACA). Established as part of the ACA, the health insurance tax (HIT) is charged to health insurance companies providing fully insured plans to employers.

The HIT amount paid by a health insurance company is determined by its share of the fully insured market. Unfortunately, the health insurance tax (HIT) is often passed on to employers and employees in the form of higher premiums.

In 2014, the first year the HIT took effect, \$8 billion was charged to health insurance companies. For 2015 and 2016, the tax was \$11.3 billion annually. Last year, in 2017, employers benefitted from suspension of the HIT. For 2018, the tax is back and is \$14.3 billion. In 2019 and beyond, HIT increases are based on premium growth.

Last fall, Sen. Cory Gardner (R-CO) introduced the Small Business and Family Health Tax Relief Act (S. 1978), which would suspend the HIT for 2018 and 2019. As part of the Stop

the HIT Coalition, NLBMDA is working to suspend, and ultimately repeal, this unfair tax passed on to small businesses that offer health care coverage to their employees.

NLBMDA also continues to monitor the regulation of lead paint in residential buildings. On December 27, a federal circuit court ordered the Environmental Protection Agency (EPA) to take action in revising standards meant to protect children from lead-based paint. In its ruling, the court stated that the Agency must propose a new rule within 90 days and finalize it within six months.

The EPA told the court that a new rule regulating lead-paint hazards was not expected to be proposed until 2021, with a final rule not taking effect until 2023. The court ruled that the Agency has taken too long in acting on a 2009 petition to further regulate activities involving lead paint.

It is not yet clear what the court ruling means for the EPA or the Lead: Renovation, Repair, and Painting (RRP) program. In 2012, the Centers for Disease Control (CDC) found that elevated blood levels as low as 5 micrograms per deciliter were sufficient to trigger a public health response. That level is half of what the CDC previously estimated was needed to trigger a public health response.

As part of the Regulatory Flexibility Act (RFA), the EPA is already conducting a review of the RRP program. The RFA requires federal agencies to review regulations that may have a significant economic impact on small businesses, and if so determine if they can be changed to make them more effective or less burdensome in achieving the stated objectives. Completion of that review is tentatively scheduled for April 2018.

NLBMDA continues its outreach to the EPA and is working with other housing industry groups to determine the impact of the ruling and what it means for the future of the RRP program.

The National Policy Agenda reflects NLBMDA's position on a range of public policy issues. To learn more about these issues and to read the entire 2018 National Policy Agenda, please visit www.dealer.org.

Dealers and LBM stakeholders are also encouraged to travel to Washington, D.C. and meet with their lawmakers concerning industry issues at the 2018 NLBMDA Spring Meeting and Legislative Conference. More information about the meeting can be found at www.leg-con.org. ■

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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The high cost of special order mistakes

Like LBM dealers in most U.S. markets, your company is doing well. Sales are up, margins are stable, and your team is working at near capacity. At this point, it appears that your company's growth—like the builders and remodelers you serve—is limited only by the shortage of good people. Given that reality, you've decided to focus on making sure that your company is operating as efficiently as possible.

You've decided to let your recently upgraded computer system help justify its expense by generating the kind of in-depth management reporting you've never had access to before. After getting over the initial information-overload factor, you've found a few areas that, with a little tightening up, have potential to make a big difference in profitability. The area that's demanding your immediate attention is special orders.

With your customer base of remodelers and custom builders, special orders are a key part of your business. When the market was down, and employees knew that there was little margin for error, mistakes on special orders were kept to a minimum. Now, with the market on fire, and your salespeople writing up orders as fast as they can, the opposite is happening. There are problems with a far bigger percentage of special orders than ever before.

Since your company has a long-standing policy of not requiring established customers to prepay for special orders (neither in part nor in full), the result is that your company eats those mistakes. Just last week, an order for custom windows came in that was the wrong size and shape. It turns out that the builder didn't measure, he just told the salesperson to work from the blueprint. As it happens, it wasn't the latest blueprint—so you're stuck with four oversized angle-top windows with a retail value of nearly \$8,000.

Oops.

You've decided that that can never, ever happen again, so you put a rule in

place that special orders must be paid in full before the order is placed with the manufacturer. That way, if there's a mistake, you're not responsible. You figured that there'd be a little push-back. But you had no idea.

The backlash was fast and furious. "Why do you no longer want our business?" your biggest customer demanded to know. "You know how much business we do with you, and how much of that is special orders. We can't possibly prepay for all of our special orders. If this is how it's going to be, we'll be taking our business elsewhere." That was just one example of the conversations that consumed your next few days.

You called a meeting of your salespeople to talk this through. "We went from an error rate of less than 2% to nearly 10% on our special orders," you explained. "Since we don't require prepayment, these mistakes are costing us tens of thousands of dollars. This isn't sustainable."

"It's not our fault," the salespeople reply. "We take the builder's word for it when they place an order, and we don't want to insult them by checking all of the measurements. And we've never required prepayment—so that's why they're pushing back. We don't know what to do."

What would you do?



Cast your vote online at www.LBMJournal.com

- 1 STAY STRONG.** Prepayment in full on special orders is how they do it in other industries, and it only makes sense. If your sales take a temporary hit for this, so be it. They'll be back.
- 2 BEND A BIT.** Instead of requiring full prepayment from existing customers with a good track record, charge a deposit. That way you're sharing the risk. They should accept that.
- 3 MEASURE.** Your salespeople are paid on the products they sell, so it's their job to make sure they fit. Train them on proper measuring techniques, give them the tools, make them take some ownership.
- 4 WORK IT OUT.** Sit down with your customers, explain that you can't afford the cost of custom-order mistakes. Ask them to work with you to come up a solution that works for everyone.

SOMETHING ELSE?

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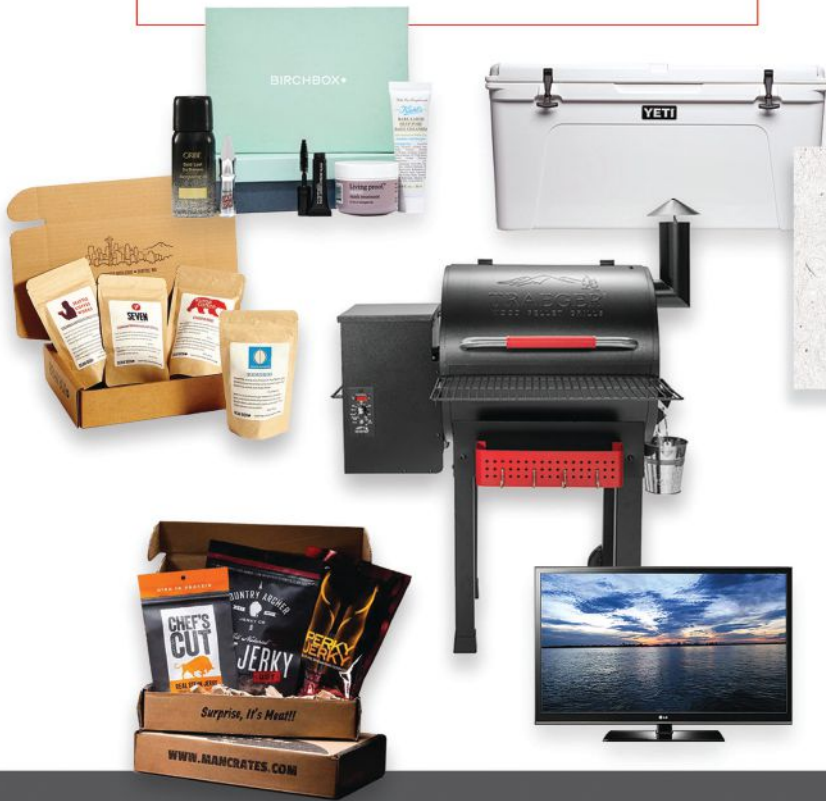
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