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BEST OF BOTH WORLDS

PENN VALLEY TRUE VALUE SERVES RANCH AND HIGH-END

IN DEPTH: SIDING

REAL ISSUES. REAL ANSWERS.

RISING LUMBER PRICES AND THE CREDIT CRUNCH

SCOTT GUTIERREZ, OWNER, PENN VALLEY TRUE VALUE



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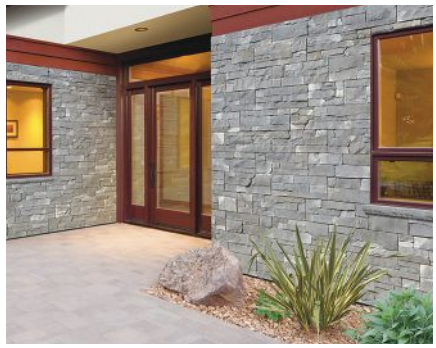
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NAHB National Association of Home Builders | Leading Suppliers Council | NLBMDA National Lumber and Building Material Dealers Association
NADRA North American Deck and Railing Association | NARI National Association of the Remodeling Industry | BPA Worldwide

EDITOR'S NOTE

Leadership

BY VIRTUALLY ANY METRIC, it's a very good time to be in the LBM industry. Builder confidence hit a very strong 70 in May (any number over 50 is positive), so our builder customers are bullish about the market. As of April, we were on track for a solid 1.29 million housing starts. This is far from the pre-crash peak of two-million plus, but with the post-crash realities of wide-spread labor shortages and transportation bottlenecks, it's a healthy number nonetheless. Prices for both new and existing homes continue to climb, demonstrating strong pent-up demand as well as rising material and transportation costs.

While the news is mostly positive, it's not always black and white. For example, record-high lumber prices are having a serious impact throughout our industry. For the week ending May 25, Random Lengths reported lumber prices hit a record $578 per thousand board feet. This represents a 42% jump from one year ago, 62% since Jan. 1, 2017 and 81% since the start of 2016. While this reality is bad for housing affordability, there's a strong upside for many dealers who are enjoying larger margins generated by the higher prices. Columnist Bob Heidenreich addresses this view in his column on page 24.

The other view is represented in this month's Real Issue, which begins on page 46, where an LBM dealer states that the combination of rising material prices and static credit lines have forced his company to change their buying habits—resulting in inventories with the same value but containing much less product. As with most things in life, whether something is good or bad comes down to perception, which is a direct reflection of our circumstances.

For anyone who has been in this business for more than a decade, we've all seen our circumstances vary wildly—from the depths of the Great Recession, through a slow, steady rebound that's brought us to the strong market we're enjoying today. While we can't always control our circumstances, we can control how our companies react. In my view, the secret to reacting positively comes down to leadership.

That's why I'm excited to announce another new addition to our editorial team and our column lineup. Russ Kathrein, President and CEO of Alexander Lumber, will be sharing his insights and experience in an every-issue column focusing on leadership. If you recall seeing Russ's name in our pages before, you're correct. His column, which officially launched in our June *LBM Journal*, resulted from a commentary that Russ wrote for our November/December 2017 issue. Also, attendees at LBM Strategies Conference 2017 heard Russ address "The Secret to Hiring and Developing Top Performing Teams." Russ grew up working in his family's lumberyard, then built his career with progressively tougher positions with 84 Lumber, BMC West, and ProBuild before taking on his current position with Illinois-based Alexander Lumber. Russ is passionate about the art of leadership, and the people side of our business. Armed with intelligence, humility and humor, Russ is a great addition to your magazine.



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UPDATES

PEOPLE


MERGY

John Mergy has been promoted to Vice President of Information Technology at **Do it Best Corp.**


SCHLAGHECK

Derby Building Products, manufacturer of the **Tando** and **Novik** brands of exterior cladding products, has named **Mark Schlagheck** Vice President of Retail Sales.


ODOM

Phil Odom has been named Business Director for Structural Products at **Roseburg**. Other staffing changes include: **Kevin Smith** as Sales Manager, Plywood and Lumber; **Gary Hayes** has been named Business Manager, Distribution; and **Blake Keitzman** has been named Sales Lead, Plywood and Lumber.


MAGEE

Superior Plastic Products and affiliated companies have promoted **Chase Magee** to Southeast Territory Sales Manager.

Guardian Building Products has appointed **Donald ("Donny") J. DeMarie Jr.** President and CEO, as well as a member of the Board of Directors.

U.S. Fence Solutions Co., a portfolio company of private equity investment firm **Building Industry Partners**, has announced that **Jeff Cook** has been appointed President of **Binford Supply**.

INDUSTRY

German company **Knauf** announced plans to buy **USG** in a $7 billion deal.

DuPont plans to increase **Tyvek** capacity with a $400 million investment at its facility in Luxembourg.

Kodiak Building Partners has acquired **Builders Millwork, Inc.**, a producer and supplier of millwork in the upper Midwest markets.

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APRIL NEW HOME SALES DOWN 1.5%

Sales of newly built, single-family homes edged down 1.5% in April to a seasonally adjusted annual rate of 662,000 units after a downwardly revised March report, according to newly released data by the U.S. Department of Housing and Urban Development and the U.S. Census Bureau.

"Even with this minor dip, new home sales continue to trend upward and reflect builders' overall confidence in the market," said NAHB Chairman Randy Noel. "Builders are optimistic that more prospective buyers will enter the market in the months ahead."

A new home sale occurs when a sales contract is signed or a deposit is accepted. The home can be in any stage of construction: not yet started, under construction or completed. In addition to adjusting for seasonal effects, the April reading of 662,000 units is the number of homes that would sell if this pace continued for the next 12 months.

"With job growth, rising incomes and overall economic strengthening, we can expect housing demand to continue to grow, particularly among millennials and other newcomers to the market," said NAHB Senior Economist Michael Neal. "However, builders need to manage rising construction costs as well as regulatory hurdles to keep their homes competitively priced."

Regionally, new home sales rose 11.1% in the Northeast and 0.3% in the South. Sales remained unchanged in the Midwest and dropped 7.9% in the West after a very strong March reading. The inventory of new home sales for sale was 300,000 in April, which is a 5.4-month supply at the current sales pace. The median sales price of new houses sold was $312,400.

MAY HOUSING STARTS REACH POST-RECESSION HIGH

Total housing starts rose 5% in May to a seasonally adjusted annual rate of 1.35 million units, according to data from the U.S. Department of Housing and Urban Development and the Commerce Department. This is the highest housing starts report since July 2007.

While housing production numbers rose, overall permits—which are a sign of future housing production activity—dropped 4.6% to 1.3 million units in May. Single-family permits fell 2.2% to 844,000 while multi-family permits fell 8.7% to 457,000.

"Ongoing job creation, positive demographics and tight existing home inventory should spur more single-family production in the months ahead," said NAHB Chief Economist Robert Dietz. "However, the softening of single-family permits is consistent with our reports showing that builders are concerned over mounting construction costs, including the highly elevated prices of softwood lumber."

The May reading of 1.35 million is the number of housing units builders would begin if they kept this pace for the next 12 months. Within this overall number, single-family starts rose 3.9% to 936,000—the second highest reading since the Great Recession. Meanwhile, the multi-family sector—which includes apartment buildings and condos—rose 7.5% to 414,000 units.

Year-to-date, single-family and multi-family production are respectively 9.8% and 13.6% higher than their levels over the same period last year. The year-to-date metric can help compare performance data over a specific time period and show growth trends. "We should see builders continue to increase production to meet growing consumer demand even as they grapple with stubborn supply-side constraints, particularly rising lumber costs," said NAHB Chairman Randy Noel.

Regionally, the Midwest led with a 62.2% increase in combined single- and multi-family housing starts. Starts fell 0.9% in the South, 4.1% in the West and 15% in the Northeast. Also regionally, building permits rose 42.1% in the Northeast and 7.2% in the Midwest. They fell 4.6% in the West and 13.9% in the South.



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UPDATES

INDUSTRY

U.S. LBM has acquired Arizona's **R&K Building Supplies**.

GPS Insight has received an investment from **Bregal Sagemount** aimed at supporting the company's continued growth.

Orgill, Inc., was one of 43 U.S. companies recognized by Secretary of Commerce Wilbur Ross with the President's "E" Award, which honors companies throughout the country that export U.S. goods and services.

The AZEK Company has acquired **Versatex**, a manufacturer of highly engineered cellular PVC products.

Do it Best Corp. kicked off its Spring Market in Indianapolis in May with a full lineup of educational sessions on a wide range of topics. Presentations included "How LBM Dealers can Build Their Brand with Social Media" by Natalia Dittmer of TAL Holdings, "Instruments of Cash & Profit" by Thea Dudley of SRS Distribution, as well as computer software-specific discussions and one presentation focused on the effects of the implications of the 2018 Tax Reform.

LBM Advantage dealers from around the country met in Nashville in May to learn about business finance, human resources, insurance, sales and marketing, and to kick off the first leadership conference of its NextGen initiative. "The mission of NextGen is to provide value to the next generation owners and key leaders of our membership through education, networking and peer development opportunities" notes Paul Dean, Executive Vice President of Marketing for LBM Advantage. "The conference was a tremendous success in terms of achieving that mission."

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LAWMAKERS PUSH FOR RETURN TO SOFTWOOD LUMBER NEGOTIATIONS

171 members of the House of Representatives have sent a letter to Commerce Secretary Wilbur Ross and Ambassador Robert Lighthizer, the U.S. Trade Representative, asking that the U.S. return to the negotiating table with Canada and redouble efforts to reach a new softwood lumber agreement. NLBMDA led the way in building support for the letter, which comes as lumber prices have reached record highs.

The Random Lengths Framing Lumber Composite price has increased 46% in the past year, and the Random Lengths Structural Panel composite price has increased 42% in the past year. Moreover, the Producer Price Index published by the U.S. Bureau of Labor Statistics shows that domestic softwood lumber prices have increased 22% since the softwood lumber investigation started in December 2016.

The U.S. International Trade Commission upheld antidumping duties and countervailing duties on Canadian softwood lumber in December 2017. Most Canadian firms are paying a combined AD/CVD rate of 20.83%. For the five companies (Canfor, J.D. Irving, Resolute, Tolko, and West Fraser) that were directly involved in the investigation, the rates vary between 9% and 23%. Duties do not apply to softwood lumber harvested in the Atlantic Provinces of Newfoundland and Labrador, Nova Scotia, and Prince Edwards Island.

Canada has responded on two fronts in recent months. First, it has requested a binational panel review of the AD/CVD determination as provided under the North American Free Trade Agreement. Second, at the Canadian government's request, the World Trade Organization has created dispute settlement panels to review the softwood lumber duties.

MULTIFAMILY BUILDERS AND DEVELOPERS REMAIN CONFIDENT AS DEMAND CONTINUES

Confidence in the multifamily housing market remained positive in the first quarter of 2018, according to the Multifamily Production Index (MPI) and the Multifamily Vacancy Index (MVI) released by the National Association of Home Builders (NAHB). The MPI remained unchanged from last quarter, coming in at a reading of 53, while the MVI remained essentially unchanged at 42.

The MPI measures builder and developer sentiment about current conditions in the apartment and condo market on a scale of 0 to 100. The index and all of its components are scaled so that a number above 50 indicates that more respondents report conditions are improving than report conditions are getting worse.

The MPI is a weighted average of three key elements of the multifamily housing market: construction of low-rent units; market-rate rental units–apartments; and for-sale units—condominiums. The component measuring low-rent units edged down two points to 54, while the component measuring market rate rental units increased two points to 56 and the component measuring for-sale units remained even at 49.

The Multifamily Vacancy Index (MVI), which measures the multifamily housing industry's perception of vacancies, remained essentially unchanged with an increase of one point to 42. The MVI is a weighted average of current occupancy indexes for class A, B, and C multifamily units, and can vary from 0 to 100, where any number over 50 indicates more property managers report more vacant apartments. A reading of 42 is seen as a healthy number.

"Multifamily builders and developers are reporting solid demand around the country, as shown in the vacancy rate for the first quarter," said Steve Lawson, president of The Lawson Companies in Virginia Beach, Va., and chairman of NAHB's Multifamily Council. "We anticipate steady demand through the rest of the year as household formations continue to grow."

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EVENTS

JUL 26-29
Building Material Suppliers Association (BMSA) Summer Conference
Virginia Beach, VA • www.mybmsa.org

AUG 22
LMC Hardware Express Las Vegas, NV
www.lmc.net

AUG 22-24
Florida Building Material Association (FBMA) Convention and Gulf Atlantic Building Products Expo Orlando, FL
www.fbma.org

AUG 23-25
Orgill Fall Dealer Market Las Vegas, NV
www.orgill.com

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 3-5
Mountain States Lumber & Building Material Dealers Association (MSLBMDA) and Mid-America Lumbermen's Association (MLA) Fall Leadership Conference Broomfield, CO
www.mslbmda.org or www.themla.com

OCT 7-10
Kerridge Commercial Systems (KCS) User Conference FUSION18, Scottsdale, AZ
www.kerridgecs.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

OCT 23-25
West Coast Lumber & Building Material Association (WCLBMA) Annual Convention, Carlsbad, CA
www.lumberassociation.org

OCT 31 - NOV 2
LBM Advantage Fall Conference Omni Atlanta Hotel at CNN Center Atlanta, GA

NOV 5-7
ECi Connect Conference 2018
New Orleans, LA • www.ecisolutions.com

NOV 6-8
Western Building Material Association (WBMA) Annual Convention
Marysville, WA • www.wbma.org

NOV 7-9
NAWLA Trader's Market, Chicago, IL
www.nawla.org

NOV 12-14
Epicor LBM User Conference 2018
Las Vegas, NV • www.epicor.com

FEB 18-20
LBM Advantage Meeting & Show
Orlando, FL • www.lbmadvantage.com

FEB 19-21
NAHB International Builders Show
Las Vegas, NV • www.buildersshow.com

FEB 27
IDEAS Show 2019, King of Prussia, PA
www.ideasshow.org

TOUGH CALL ANSWERS

ANSWERS TO OUR MAY TOUGH CALL:

DEALING WITH A MICRO NON-MANAGER

Claiming to be taking care of his clients, a salesperson is micromanaging his colleagues. What would you do?

YOUR VOTES ONLINE AT LBMJOURNAL.COM

5.3% **SUPPORT GREG.** If it's true that Greg's finding errors with his co-workers' work, then he's right. You should thank him, and search out the source of the errors.

5.3% **TURN THE TABLES.** Allow Greg's coworkers to double-check his work, and point out errors (regardless how insignificant), just to show Greg how irritating that is.

82.7% **DRILL DOWN.** You need to learn more before taking any action. Have a sit down meeting with Greg and one of Greg's accusers. Talk it out, and get to the bottom of it.

6.7% **DO NOTHING.** Greg is Greg. This is what he does. Sure, it's irritating, but he's an effective salesperson with fiercely loyal clients. It could be worse.

ONE READER'S RESPONSE

"What seems to be a tough call might just be an opportunity. Assure your team you are dealing with the issue. Then have Greg document the problems he finds in detail for two months. Review it and look for patterns. Maybe the crooked material is focused in certain sizes and you need a better grade (seen that). Or maybe it comes from a certain supplier and you need to buy from someone else (seen that also). Maybe it's one person making a lot of billing errors, or maybe there is a glitch in your billing system. Maybe Greg is just anal retentive, or maybe he has a couple of excessively demanding clients who have put him in a state of near paranoia. A review of his findings and some follow up should help determine where the problem is. At the end, your team can be better for the experience."

Thanks to everyone who voted on the May Tough Call. See page 88 for this month's Tough Call.

THE JOINT CENTER FOR HOUSING STUDIES RELEASES 2018 STATE OF THE NATION'S HOUSING REPORT

Since the Harvard Joint Center for Housing Studies first released its seminal State of the Nation's Housing report in 1988, more than 40 million housing units have been built in the U.S., the country has added 27 million new households, and last year's national homeownership rate of 63.9% was very close to the 64% rate of the late 1980s. At the same time, however, the number of Americans burdened by housing costs has risen by nearly 14 million households over the last 30 years, the number of households with student loan debt has nearly doubled, and the gap between black and white homeownership has widened.

These and other findings are detailed in the Center's 2018 State of the Nation's Housing report.

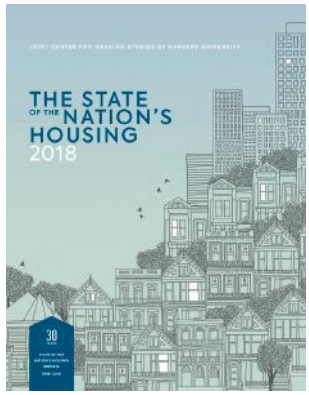
"By many metrics, the U.S. housing market in 2018 is on sound footing," said Chris Herbert, Managing Director of the Harvard Joint Center for Housing Studies. "But a number of challenges highlighted in the first State of the Nation's Housing report 30 years ago persist today, and in many respects the situation has worsened for both the lowest-income Americans and those higher up the income ladder."

Growing income inequality has helped drive the increase in cost-burdened households. According to the report, the real median income of households in the bottom quartile increased only 3% between 1988 and 2016, while the median income for adults aged 25 to 34 rose by just 5%. Meanwhile, the median home price grew 41% faster than inflation between 1990 and 2016, the median rent grew 20% faster, and the nation had 2.5 million fewer units renting for less than $800 a month (in real terms).

The increases in prices and rents combined with a growing lack of subsidies for low-income households mean that nearly a third of all households (38.1 million) paid more than 30% of their incomes for housing in 2016, the widely-accepted metric for affordability. These include 20.8 million renters (47%), and of these, 11 million pay more than half their income for housing. While these figures are down slightly from their peak during the recession, they are significantly higher than in previous decades.

"If incomes had kept pace with the economy's growth over the past 30 years, they would have easily matched the rise in housing costs," notes Daniel McCue, a Senior Research Associate at the Harvard Joint Center for Housing Studies and lead author of the report. "But that hasn't happened."

The Harvard report also points to constraints in the supply of new housing, which is helping fuel affordability challenges. Construction started on 1.2 million new housing units in 2017, up slightly from 2016. The entire increase last year came from single-family starts, which were up 8.6% but, at just 849,000 units in 2017, remained well below the 1.1 million per year historical average.



Download the full report at: jchs.harvard.edu/state-nations-housing-2018

BY THE YARD

NEWS FROM LUMBERYARDS AROUND THE COUNTRY

MARCUS LUMBER HOSTS SEN. GRASSLEY

Marcus Lumber hosted U.S. Sen. Chuck Grassley (R-IA) on Wed. May 30, as part of the senator's annual visit to each of Iowa's 99 counties. Sen. Grassley toured the fourth-generation family business's updated and expanded facilities, including a first-hand look at the lumber business and small family run businesses in general. Following the tour, a short question and answer session took place involving Marcus Lumber team members as well as other local community leaders. Topics included education, renewable fuels, the farm bill, and rising health care costs. Marcus Lumber's leadership was also able to address the many ongoing business-impacting trade agreements involving steel and lumber products. Sen. Grassley provided insight on many of the issues presented and recognized the uncertainty impacting famers and business owners.

MEAD LUMBER TO ACQUIRE IOWA'S H.L. MUNN LUMBER

Mead Lumber has entered into an agreement to acquire H.L. Munn Lumber in Ames, Iowa. Founded in 1891, H.L. Munn Lumber is a full service lumber and building materials supplier serving professional builders and commercial contractors in the greater Ames and Des Moines markets. "We are thrilled to join the Mead Lumber team. Mead shares our work ethic and values, our dedication to great customer service, and our commitment to employee development. I am very excited about our future with Mead Lumber," said H.L. Munn Owner and President Erik Munn. The business will continue to operate under the name H.L. Munn Lumber, Erik Munn and his management team will continue to lead day-to-day operations.

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LUMBER PRICES UP, BUILDER CONFIDENCE DOWN

Builder confidence in the market for newly-built single-family homes fell two points to 68 in June on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). The decline was due in large part to sharply elevated lumber prices, although sentiment remains on solid footing.

"Builders are optimistic about housing market conditions as consumer demand continues to grow," said NAHB Chairman Randy Noel. "However, builders are increasingly concerned that tariffs placed on Canadian lumber and other imported products are hurting housing affordability. Record-high lumber prices have added nearly $9,000 to the price of a new single-family home since January 2017."

"Improved economic growth, continued job creation and solid housing demand should spur additional single-family construction in the months ahead," said NAHB Chief Economist Robert Dietz. "However, builders do need access to lumber and other construction materials at reasonable costs in order to provide homes at competitive price points, particularly for the entry-level market where inventory is most needed."

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.

All three HMI indexes inched down a single point in June. The index measuring current sales conditions fell to 75, the component gauging expectations in the next six months dropped to 76, and the metric charting buyer traffic edged down to 50.

LOOKING AT THE THREE-MONTH MOVING AVERAGES FOR REGIONAL HMI SCORES:

NORTHEAST ROSE TWO POINTS TO...
57

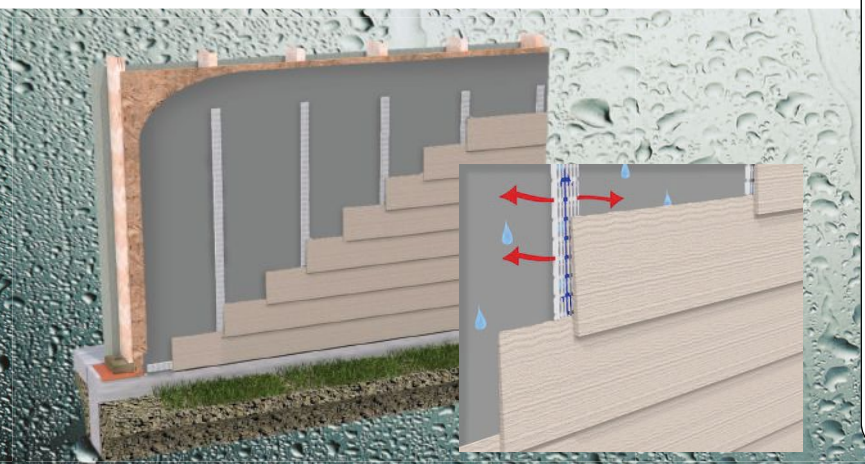
SOUTH FELL ONE POINT TO...
71

MIDWEST REMAINED UNCHANGED AT...
65

WEST REMAINED UNCHANGED AT...
76

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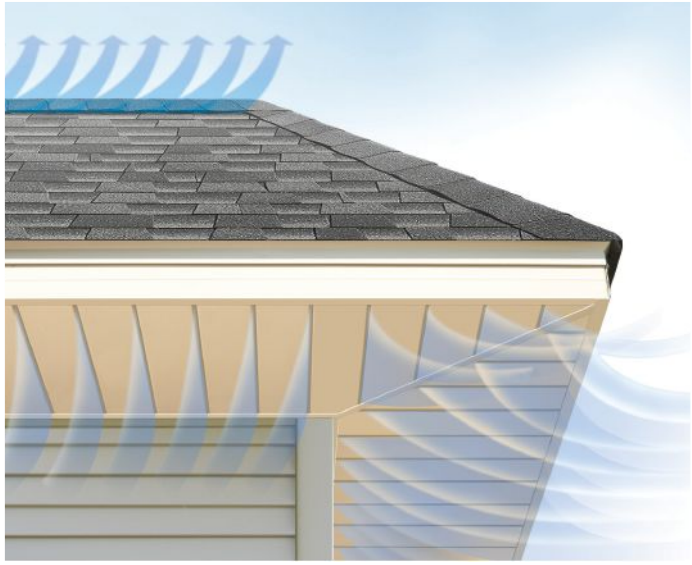


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PROGRAM AGENDA*

SEPT. 19 WELCOME NIGHT COCKTAIL RECEPTION

SEPT. 20

KEYNOTE: EMBRACING THE AGE OF SHARED LEADERSHIP

Kevin Hancock will lay out the rationale for creating a corporate culture where everybody leads, as well as share a roadmap for how to get there. Culture is what separates organizations, and deepening human engagement can be an organization's top strategic advantage.

KEVIN HANCOCK, PRESIDENT, HANCOCK LUMBER

THE LAW OF ATTRACTION: HOW TO MAKE YOUR COMPANY A "BEST PLACE TO WORK"

Jim Sobeck will share how his company has won numerous awards for its work environment, resulting in very high scores in employee satisfaction surveys and very low employee turnover.

JIM SOBECK, CEO, NEW SOUTH SUPPLY

THE CIA'S SECRET INFLUENCE ON RECRUITING IN THE LBM INDUSTRY

Does your company's recruiting platform run with the effectiveness of an intelligence apparatus? Learn the tradecraft used by intelligence agencies involved in recruiting assets, and how to apply that to your company's recruiting strategy.

CHRIS COSTELLO, PRESIDENT, TIMBERLINE ENTERPRISES

PANEL DISCUSSION: STRONG HIRES = STRONG PROFITS. HOW LBM EXECUTIVES ARE WINNING THE RECRUITMENT GAME

From navigating a shallow talent pool to developing your management team to understanding Millennials, hear how industry leaders are tackling the talent test to build strong teams that are helping their companies grow.

RIKKA BRANDON, CHIEF EXECUTIVE RECRUITER, BUILDING GURUS (MODERATOR)
GARY BOWMAN, PRESIDENT & CEO, T.W. PERRY
JUSTIN ELLIS, CO-FOUNDER & CEO, ELCO BUILDING SUPPLY

PANEL DISCUSSION: SUCCESSION PLANNING: TALES FROM THE TRENCHES

Successfully transitioning a LBM business is easier said than done. Inadequate planning can have devastating consequences. This panel discussion will address the critically important topic of business succession.

TERRANCE RESNICK, PARTNER, RESNICK ASSOCIATES (MODERATOR)
DENNIS STINE, CEO, STINE LUMBER
CHRIS GOEBEL, CEO AND PRESIDENT, STAR LUMBER
JIM DAVIS, CEO AND PRESIDENT, BARRONS LUMBER

BUILDING THE FUTURE: 3D AND VIRTUAL REALITY

Learn how to use these cutting-edge services to help your builders grow their business, while creating separation between you and your competition.

KIMBERLY SIMONSON, EXECUTIVE VP, SIMONSON DESIGN STUDIO

M&A IN THE REAL WORLD: VALUATION STRATEGIES & DEAL KILLERS

This session will examine what performance metrics and KPIs an acquirer will look for when determining the value they'll pay for your company. Plus the top reasons deals fall apart.

JOHN WAGNER, MANAGING DIRECTOR, 1ST WEST M&A
MATT LASCOLA, VP CORPORATE DEVELOPMENT, KODIAK BUILDING PARTNERS

COCKTAIL RECEPTION AND LBM CENTURY CLUB RECOGNITION

SEPT. 21

CLOSING DAY KICKOFF/LIVE PODCAST: THE SKEPTICAL LUMBERMAN'S GUIDE TO MANAGING MILLENNIALS

Working with two universities, Hartmann led an industry-specific study to evaluate how each generation views itself—and other generations. The results and recommendations will entertain and enlighten, enabling your multigenerational team to collaborate more effectively.

BRADLEY HARTMANN, PRESIDENT, RED ANGLE, INC.

PANEL DISCUSSION: GOING LEAN: LBM LEADERS SHARE THEIR INSIGHTS

With low unemployment and a high demand for qualified workers, find out why Lean is the four letter word you will want to start using in your operation. This panel discussion will focus on how to build a Lean Culture of Engagement within your company based on real-life trials and triumphs.

JEFF TWETEN, MANAGING MEMBER, WORKSAFEWORKSMART.COM (MODERATOR)
MARK HOPKINS, CHIEF OPERATING OFFICER, HANCOCK LUMBER
DEREK ROCHE, SITE OPERATION MANAGER, WEYERHAEUSER DISTRIBUTION
RICK KYSER, OPERATIONS MANAGER, GILCREST-JEWETT LUMBER COMPANY

CLOSING PRESENTATION & PANEL DISCUSSION: THE CONCIERGE SALES LEADER

This lecture and panel discussion will illustrate how powerful business models of the most competitive LBM dealers are taking market share without sacrificing margin while creating unbreakable customer loyalty.

RICK DAVIS, CEO, BUILDING LEADERS (MODERATOR)
DOUG CARLSON, VICE PRESIDENT SALES, DREXEL BUILDING SUPPLY
A.J. KONYNENBELT, VICE PRESIDENT SALES, ZEELAND LUMBER

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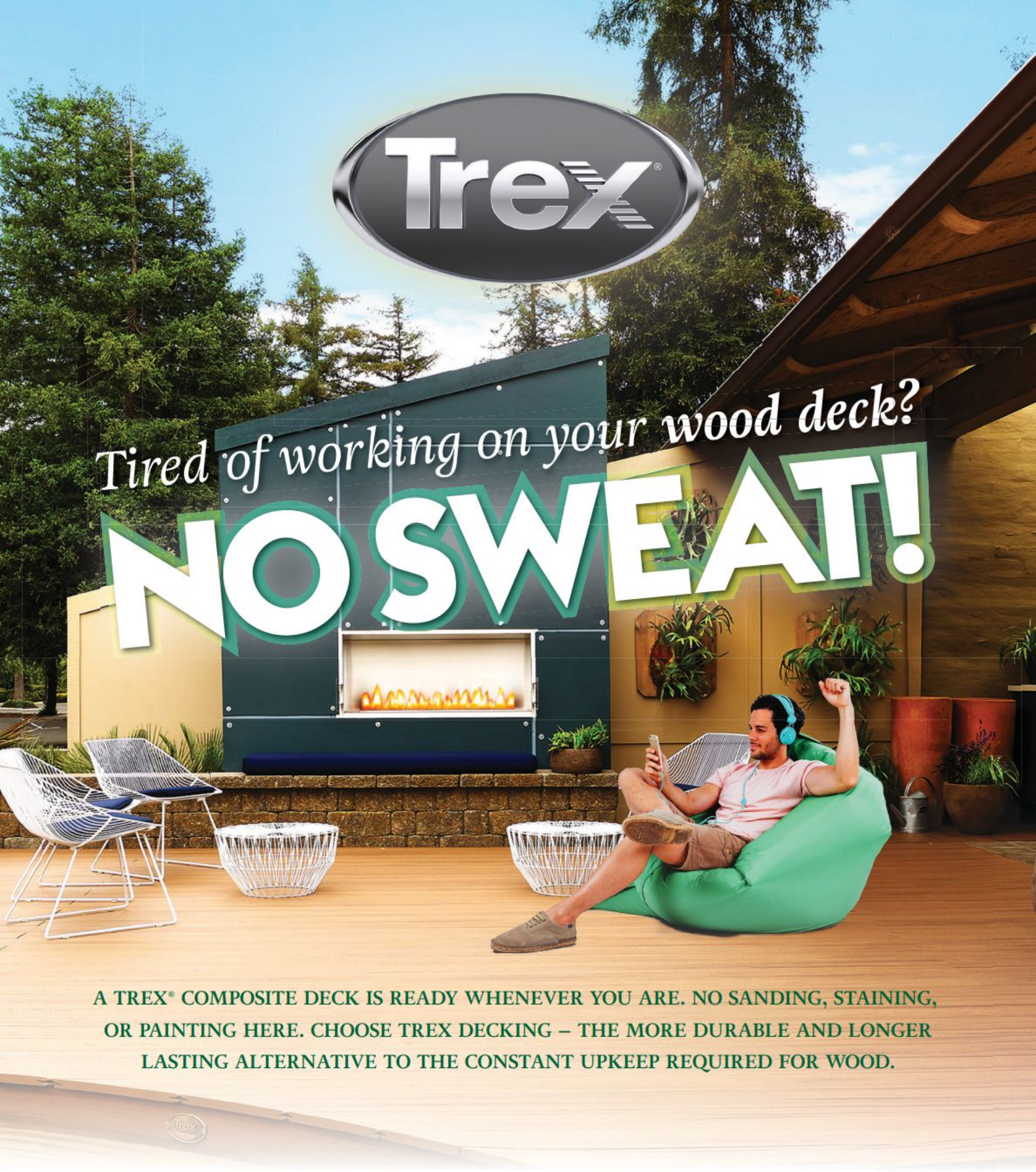
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FIVE QUESTIONS WITH...

CHRIS CAMFFERMAN / DECKORATORS

1

Q: With new construction and residential remodeling red hot in many markets, what do you see as the biggest opportunity for LBM dealers?

A: The biggest opportunity we see is increasing the overall ticket per deck project. Decks continue to be a strong investment for homeowners. A well-designed outdoor space adds value to a home and stays current much longer than some other popular home improvement projects. Dealers should ask homeowners specific questions about how they plan to use their deck, and offer up solutions that will help them enjoy their space and realize the benefits of their investment if they eventually sell their home. This approach is very similar to how kitchens have been sold for years. While it's important to be respectful of homeowner budgets, dealers should be confident about showing decking items that may be a good fit for the homeowner and how they plan to use their outdoor space.

2

Q: The flipside of that question—what do you see as the biggest challenge?

A: The capacity of labor is still the biggest issue looming in the industry. While this is a fairly new development, it's refreshing to hear the industry channels begin to change the discussion on labor. We have moved beyond the complaining-about-it phase and are looking for ways to be a part of the solution. Manufacturers have a much better sense of how something installs on the job site and are incorporating those insights into how they design and offer products. The same goes for dealers and distributors. Those who can help contractors keep their projects on time with fewer callbacks are helping to increase the building capacity of decks to meet the strong demand we're experiencing right now in our industry. Deck builders will continue to make room in their portfolios for decking products that are easy to work with and save installation time. Examples include composite deck boards that are strong yet lightweight, pre-assembled railing systems, low-voltage lighting with simple wiring, and solutions that combine weatherproofing and fastening in one product.

3

Q: What advice would you have for dealers who'd like to grow their share of their local decking market?

A: The whole process of building a deck is something homeowners typically do only once or twice in their life, and it's not easy. It's important to meet homeowners where they are in the process of investing in a deck for their home. Many homeowners do their research ahead of time and then seek out advisors who can help them be sure of their decisions and offer advice on additional options based on how they plan to use their deck. If a dealer can be a resource and help make the process as easy as possible, it goes a long way. Our industry still operates heavily on word of mouth. If a homeowner's decking project goes well, they *will* tell their friends and family about their experiences. The same can be said about projects that do not meet their expectations.

4

Q: Deckorators made a splash when it expanded its Structural and Stain & Fade warranties to include labor, with a 25-year limited removal and replacement warranty. Do you think labor coverage will become more standard in building product warranties?

A: That will depend largely on contractors and end users of the products. If they start to demand warranty coverage for their entire project, then it will become more prevalent. Consumers typically look at the duration of their warranties and do not always dive into the fine details of what is specifically covered and what isn't. Those items are important for an investment like a high-end deck.

5

Q: Composite decking has been among the most dynamic building product categories. From your perspective, should we watch for a 'next big thing,' or incremental improvements over existing products?

A: We are still in the incremental phase but it's inevitable that smart home-type items will work their way into the outdoor space. As that happens, it will be exciting to see how they will be incorporated into a deck. The industry channels have been very focused on the front-end side of planning and installing a deck. How consumers enjoy their deck on an ongoing basis will become important as well. ■



Chris Camfferman is the Category Marketing Director for Deckorators, a manufacturer of composite decking, railing, balusters, post caps and related products. Camfferman has enjoyed being a part of the decking and outdoor living industry for nearly 20 years.

Serving North American Customers with Passion and Expertise



Kerridge Commercial Systems (KCS) has a 40-year track record of developing and servicing world-class ERP software systems. KCS has served the construction-related materials industries for 40+ years and fostered relationships with companies of every size. The KCS customer base includes some of the leading wholesalers, retailers, suppliers, dealers and distributors around the world.

KCS is passionate about positioning our customers to work smarter, make better decisions and ultimately help them grow margins. We deliver access to the most robust onboard business intelligence to give our customers the information needed to gain a real competitive advantage.

Within our company, we have high levels of expertise, not just in the way we develop software but in really knowing the industry. Our team is filled with experts who have worked in the industry for many years and understand the nuances and challenges you face every day.

Source Effectively



Dealers and distributors have to source products effectively at the right cost to achieve margins, sales, and service along the whole supply chain management system. Whether you are buying directly from North America or overseas manufacturers, procuring from multiple specialized sources, or purchasing stock from distributors, business performance depends on product quality, price differentiation, and availability.

Our systems capture, manage, analyze and deliver the knowledge you need to forecast, order, and manage costs, reduce stock and maximize rebates. Through accessible, real-time communications, it puts total control in your hands. Armed with certainty on purchasing history, current position, and future requirements wholesalers and distributors can build strong relationships with suppliers, on terms that profit all parties. Suppliers can predict and meet demand by the season, the day, or the hour. Retailers can flex their sources to locate or create the precise products their customers need.

Stock Efficiently



Stocking just in time, reducing handling costs and transporting economically are all important ways to protect margins. Your inventory is paramount, whether you are a wholesaler offering choice through a huge catalog and massive warehouses, a supplier supplying specialized products to a branch network, or a retailer focused on high-turnover outlets.

Our systems deliver information that's key to efficient inventory holding, movement, and replenishment. This real-time data can help you reduce working capital, minimize waste and improve margins across your business. If you can see all the inventory you are holding now, and implement the forecasting solutions you will need accurately, you can serve customers with confidence. Knowing where all of your product is located, and what's coming in and going out, you can source across warehouses without having to back-order or lose business.

Sell Profitably

Selling through multiple sales channels brings huge opportunities for all dealers and distributors. Retailers diversifying through outlets and online, wholesalers moving into e-commerce solutions, logistics and showrooms, suppliers widening their traditional trade customer base – every business in the sector has the potential to sell more product, to more customers, through more routes to market.

Our systems provide the power and information you need to maximize profit from these opportunities. Efficient processing means you can follow up and convert more quotes and generate sales more quickly. Sales analysis allows your business to measure revenues by product or branch, forecast demand, target incentives, and price competitively. Credit management ensures accurate till and bank reconciliation and control during the day. Integrated accounting provides daily revenue, costs, and margin data. Real-time business intelligence allows executives to view performance across the business and make fast, informed decisions.

Service Competitively

In a sector where traditional boundaries are breaking down and once clearly defined categories like wholesale, distributor, supplier, retail are now competing for the same customers and markets, it is vital to differentiate your business. To compete for customers and keep them on board, you do not just need quality products at the best prices, but also innovative service and support.

Our systems respond by giving you the knowledge you need to understand and deliver whatever your customers want, wherever and whenever they want it. Whether it is in the showroom, an e-commerce order or negotiating a deal on a smartphone, you have the customer profile, purchasing history, and product data on hand. Greater choice, better communications, and a faster response will help to secure the sale, satisfy the customer, establish a long-term customer relationship strategy and enhance your reputation.

Investing Locally

KCS has built its reputation by developing strong relationships with customers and listening to their challenges and aspirations. KCS supports and develops our software locally without outsourcing development or product engineering. 90% of our product roadmap is based on direct customer feedback, and we put 240,000+ hours of development into our system each year. Since the beginning of the journey in North America, KCS has increased the support operations for products in North America.

Our mission is simple: to design and deliver high performance, integrated ERP solutions that enable our construction-related materials customers to source effectively, stock efficiently, sell profitably and service competitively.

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Kerridge Commercial Systems have dedicated 40+ years to providing on-premise and cloud based software solutions specifically for dealers and distributors. With 800 global customers, 80,000 users across 8,000 branches it is easy to see why K8 is the fastest growing software solution in the building materials industry.

// K8 has the depth of functionality required to support our growing business. K8 was demonstrably the right choice for us. - Jay Lee, CFO, Lezzer Lumber

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SALES & MARGINS

BILL LEE

Service: To market it, it's best to measure it

I HAVE NEVER MET A SALESPERSON who didn't claim that his company had terrific service. And by the same token I have never met a salesperson in their right mind who would admit that her company's service was less than desirable.

It's for this reason that the hundreds of thousands of dollars pro-oriented building supply businesses invest in providing their customers covered storage, a fleet of delivery equipment to place material in just the right order and location to optimize ease of access, and a team of CDL drivers who are conscientious about making their customers' jobs go faster and more efficiently, doesn't buy them much more than a big "so what!" from their customer base.

Ask any building supply industry salesperson you meet to describe the service his or her company provides, and the odds are extremely high that they will answer with something like: "Service is what we are known for." Or, "Our service sets us apart." Or, "We provide the best service in town."

The most effective salespeople in any industry are generally quite persuasive. They should know how to explain to their contractor customers' satisfaction why their costs of construction will be lower when they do business with them and the companies they represent.

If you agree with what I have written thus far, have you ever wondered why service falls so far short of the mark? I believe a big part of the reason is because too few businesses in our industry measure the service they spend so much money to provide.

In sales seminars I present, I make it a point to ask the audience two service-related questions: 1. If I were to give you an order today, what are the odds the materials would be delivered to my jobsite by the time they are promised? 2. If I were to give you an order for one of my jobs, what are the odds the material would be delivered 100% complete with no backorders?

About 9.9 times out of ten, the salesperson answers with something along the lines of, "Pretty good!" Why are their answers so tentative? I believe it's because such a statistic is not provided to them by their company's set of metrics. I don't believe for a moment these salespeople are lying, I believe they just don't know the answer because the great majority of building supply businesses do not measure service. Most companies I work with just do the best job they can to provide excellent service, but because they don't measure, they really don't know how good or bad their service is.

On the other hand, price and gross margin are always measured. Because virtually all salespeople claim to have "terrific" service, the contractor's next question is, "Well, what is your price?" And to that question salespeople offer a numerical price and a specific range of time when the material will be delivered.

> "MOST COMPANIES I WORK WITH JUST DO THE BEST JOB THEY CAN TO PROVIDE EXCELLENT SERVICE, BUT BECAUSE THEY DON'T MEASURE, THEY REALLY DON'T KNOW HOW GOOD OR BAD THEIR SERVICE IS."

RULE #1: Never mention your company's service unless you mention a specific service.

RULE #2: Begin measuring the service you spend so much money, time and effort providing for your customers. When you can quantify the service you provide your customers, you can accurately determine whether you are moving in a positive direction; that is, whether your service is improving or deteriorating.

Based on my experience, there's no doubt that the consistency and quality of your company's service levels are far more significant factors in determining the value your company offers than price will ever be.

When suppliers are able to place a numerical measurement on their service offerings, they are immediately in a position to take their service level from subjective to concrete, giving them opportunities to set themselves tangibly apart from the competition using service as opposed to price. ■

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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PART II

From product peddler to sales concierge

THE HOUSING CRISIS of the previous decade forced LBM dealers to cope in a multitude of ways. Among the many adaptations was the recognition that selling lumber alone would not satisfy profit objectives. In this second installment of the series on the "concierge" sales leader, I will describe the role of the modern salesperson as a product generalist who serves as the gateway to products and services within an organization.

The best example of the product generalist serving as a concierge came during a sales call I observed with Jared, a star performer for an LBM dealer in America's heartland. A sales call was going perfectly while he learned about a potential client's business model. Jared asked the buyer at the exact right moment, "What problems are you having with your current lumber supplier?" I knew instantly there was a word added to the question which could hurt—i.e. lumber.

His timing was great, but the one word was wrong. The buyer quickly said, "There is no way you will get our lumber business. Our president's best friend owns the lumberyard we currently buy from." To his credit, Jared pulled out a line card, the powerful sales asset that lists all the products his company offers by category and brand.

The buyer, who happened to be the president of a large production builder, looked at the list and bluntly said, "We are not getting the support we need at all from our current window supplier. Tell me about your program." The power of this moment is revealed by the sudden focus on a challenge important to the prospect. Predictably the conversation blossomed into a very real sales opportunity.

The story got better when Jared noted he wasn't the expert on windows, but would involve his product specialist. This enabled him to create a dialogue based not on product features and benefits, but instead on program development. He and the buyer discussed scheduling challenges, delays they were experiencing, options offered to the builder's customers, and more. In short, it was a business development dialogue rather than a product pitch.

The story illuminates many ideas about the practices you can adopt as a modern Concierge Sales Leader.

Allow the client to direct you to the area of need. You might be an LBM dealer, but really you're a BM (Building Materials) dealer with some L (Lumber) in the mix. Instead of presuming you should lead with lumber solely because it is your area of comfort and expertise, introduce your complete product line and allow the buyer to direct you to the area(s) of his or her biggest concern.

Manage expectations first to build depth later. Competence wins. Buyers are loyal to companies that get the job done right. Your sales strategy should focus on managing delivery and service expectations of one product first. In Jared's story, he discovered a communication glitch in scheduling and solved a problem that had nothing to do with window product features. He helped the client fulfill his most important objective—i.e. manage costs to increase profitability. The success of one product sale breeds opportunities to add other products later.

Focus on business development first. The true concierge invests time wisely. One salesman I worked with in the great state of Georgia had an assistant who complained that the salesman didn't even know how to do a lumber take-off. I told the salesman and he said, "You didn't correct him, did you?" In other words, he could do the take-off but realize his time was more valuable when spent on prospecting and business development. Just because you have the ability to handle the administrative task doesn't mean you should.

The modern sales concierge is not a product expert first, but instead a business development expert. If you want to change your professional image, lead with a line card that illustrates your overall product and service capabilities. Then facilitate the dialogue that matters to your customers and act as the gateway to the services you can offer. ■

Rick Davis is President of Building Leaders, the leading supplier of sales training to the construction products industry. Rick can be reached at 773.769.4409 or rickdavis@buildingleaders.com

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SELLING THE DECK PROJECT

BOB HEIDENREICH

High lumber prices can actually be good for business

WITH THE COST OF LUMBER RISING due to the tariffs on Canadian softwoods, every lumber dealer you talk to is spending more for inventory. Yet any dealer who doesn't see that as a positive situation may need to rethink how he's doing business.

I get that prices are high, and that it takes more credit to bring in inventory. But as in most every business, that extra cost is handed down to the end user. Even though prices on lumber are higher, our economy is strong. I bet anyone complaining that the price of inventory is high isn't also saying there's no demand for the lumber. In fact, it's just the opposite. And even if customers gripe about the price, they're still buying product.

Here at The Deck Store, we've always marked up our materials based on a percentage of our costs. We've done that throughout the status of the softwood lumber negotiations. If you keep an eye on the market, you can adjust your prices accordingly. And we don't wait until the new material comes in to raise our price. We raise our price to the market. It's like a gas station. When the gas prices go up, they don't pump the cheaper stuff out of the tanks, they raise the price on it all. That way, when the times get soft and we have to lower prices, then the margins have a better chance of averaging out.

Perhaps an unintended consequence of the rising lumber prices is the recent surge we've seen in composite sales. When I complete an estimate on deck materials, I quote the customer two sets of numbers: one for lumber, and another for composites. Recently I've been hearing from more customers that since there's less of a difference between wood and composite prices, they're going to order composites. We already know that if a customer wants to build a cedar deck, after just a few years of having to maintain it, they're at the cost of a composite deck. As the gap in costs got closer recently, we're seeing record sales on our composites. I never believed that would happen prior to this year.

Another benefit is that U.S. producers of southern yellow pine are getting more of a fair cost for their materials. When a foreign country can import something at a lower cost than we can produce it, that, in my opinion, drives down local economies. I see tariffs as a good change. Almost everyone I've talked to in this industry sees the tariffs as a positive thing. I've heard some griping about inventory levels at the manufacturers, but that hasn't affected us. Others have mentioned credit lines, but that hasn't affected us either. All in all, we're seeing record numbers and a record year. Thanks to our strong economy, the tariff has been good for our small business. I haven't seen a downside.

> "I BET ANYONE COMPLAINING THAT THE PRICE OF INVENTORY IS HIGH ISN'T ALSO SAYING THERE'S NO DEMAND FOR THE LUMBER. IN FACT, IT'S JUST THE OPPOSITE. AND EVEN IF CUSTOMERS GRIPE ABOUT THE PRICE, THEY'RE STILL BUYING PRODUCT."

This isn't the same as what happened in 2007 and 2008, when we all paid a lot for our lumber and then the value of the product dropped. Then, we couldn't get rid of the stuff for what we paid for it. Today, we're seeing the opposite. We're in a situation in which the value of lumber is so high that any lumber we have on hand is worth just that much more.

It has been a fun time the last couple years for dealers who saw this coming. We stocked up, we bought a lot of lumber early on. Now our suppliers recognize that and have promised us we won't get cut out on inventory.

I can't believe any independent dealer is not excited about this market right now. Yes, lumber prices are up, but so are sales and so are profits. ■

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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Well this is awkward: How to talk about money

THE ONE THING that almost all hiring managers dread is the "money conversation." It's awkward, and it certainly isn't dinner party small talk. Money isn't the only reason people decide to accept a job offer, but it's a huge part of nearly every candidate's decision, so it's worth figuring out how to address it in a way that feels more comfortable and positions you to extend a job offer that gets a resounding yes.

Ideally, when you decided to hire, you did your research, using tools like the *LBM Journal's* 2018 Sales Compensation & Benefits Report (available in next month's *LBM Journal*), or salary.com, and have an idea of what you will need to pay to be competitive in today's market. But there can be a vast difference in the value to your company from one sales rep candidate to another. For example, are they new to the industry or will they bring 10 years of experience and millions of dollars of contacts with them?

The best way to get current and accurate compensation information for your market is by asking every candidate you interview about their compensation expectations. What I typically say is this: "I don't want to waste your time if we're way off in our expectations. So, it would be helpful if you can let me know your 'walk-away' point—the number that you need to see to reasonably consider making a change. If I know we can't get to that number, I won't waste your time (or mine)."

As you well know, sales compensation plans are often far more complicated than just an hourly wage or a base salary. This is why it's also good to ask about how their previous compensation was structured. You'll learn a great deal simply by asking this in your interview process. If you're not sure how to structure your compensation plan, you can use this information to inform your decision and to help you build a plan that is competitive and still leaves room for profit. It's a good idea to ask if they have a non-compete or non-solicitation agreement in place at this time as well. (Caveat: Avoid asking them about their salary history if you're in one of the cities or states that's made that question illegal. You can learn more about this new law by Googling "Salary Question Ban" to see if you're affected.)

Almost all candidates will answer immediately, relieved to determine if it's going to be an issue. But some candidates don't want to share for fear they're leaving money on the table. I usually let them know that we need to know what they're looking for to be able to continue the conversation; if they aren't comfortable sharing, we can't move forward in the interview process. If a candidate still won't answer at this point, consider it a huge warning sign of a future pain-in-the-neck employee and move on to other candidates.

> "THE BEST WAY TO GET CURRENT AND ACCURATE COMPENSATION INFORMATION FOR YOUR MARKET IS BY ASKING EVERY CANDIDATE YOU INTERVIEW ABOUT THEIR COMPENSATION EXPECTATIONS."

One of the biggest challenges in hiring is a disconnect between the compensation you expect to pay and the level of experience you want. If you're like most companies, you're not hiring for key sales and leadership roles often, and so you may be working off a compensation range you developed in 2013 and that isn't going to be competitive in today's market. Because I work with building product professionals every day and am much more aware of what the market is demanding, my pre-search client discovery sessions always include a discussion about compensation and expectations. It's often a difficult conversation, but it's better to know you need to lower your expectations or raise your compensation before you waste a bunch of time interviewing and getting frustrated. ■

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 building products talent.





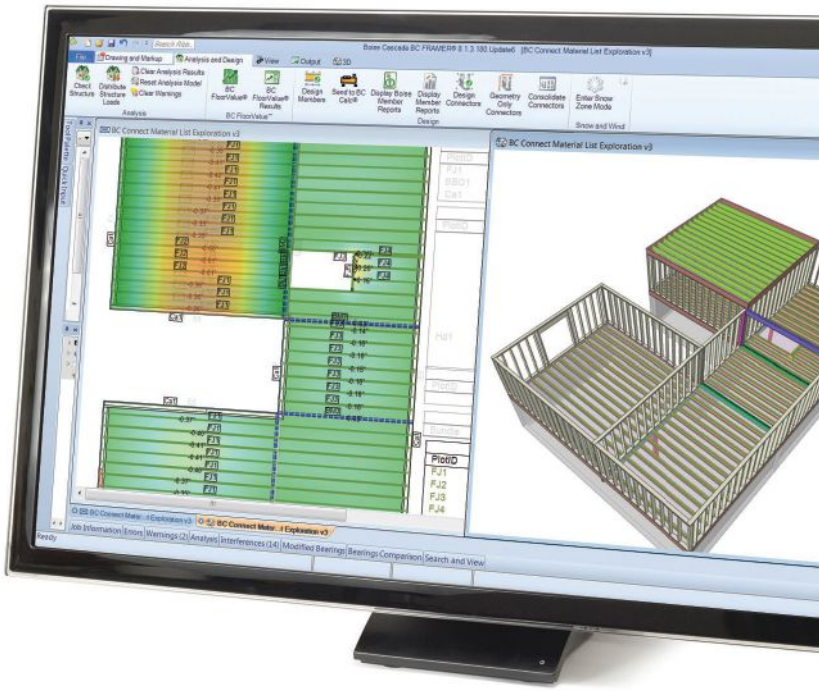


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LEADERSHIP

RUSS KATHREIN

What's your plan to win the World Series?

MY FIRST JOB OUT OF COLLEGE was as a financial analyst at a large computer equipment company. Working at its headquarters in Dayton, Ohio, I got a firsthand look at the bureaucracy of a large corporation where great ideas that started out as rich in flavor as rocky road quickly were reduced to another form of vanilla. It was here that I coined the phrase, "Big companies demand excellence but promote mediocrity." You rarely hear the statement, "Go big or go home" in a large corporation. Incremental improvement is favored because it involves less risk and doesn't upset the natural order of things at the company.

Another example of this way of thinking was the Chicago Cubs baseball team, commonly known as "The Lovable Losers," who always started out the year with enthusiasm and great expectations, only to collapse and end the year in the cellar. "Wait 'til next year" was the Cubs' annual post-All-Star Game chant. The Cubs had patient ownership that was content with incremental improvement, and they hired managers who would hopefully "take them to the next level."

The Cubs' destiny changed in 2009 when the team was bought by the Ricketts family, who then hired Theo Epstein as President of Baseball Operations in 2011. Epstein inherited a team that had posted a 71-91 record, but here is where it gets interesting. He didn't say to his team, "Let's get to .500" or "Let's try to make the playoffs." Instead, he created a five-year goal to win the World Series and instructed his staff that, going forward, all plans and evaluations would be viewed with this goal in mind. Period.

The Cubs lost 101 games in 2012 and had two more losing seasons, but throughout this time, all recruiting, hiring, and player development decisions were made with the goal of winning the World Series. They let go popular players whom they believed couldn't help them achieve that ultimate goal. They realized that, instead of hiring big-name free agents, they needed to develop their own players out of the minor leagues. They also took the best ideas from other clubs and morphed them into their own way of doing things. They then taught their unique approach to players and staff, making sure everybody bought into the culture. In 2015, the Cubs made it to the National League Championship Series and lost. In 2016, however, five seasons after hiring Theo Epstein, the Chicago Cubs ended a 108-year championship drought and won the World Series.

Let's think about our own businesses through the lens of the pre-2012 Cubs. I know that I have on occasion set the bar too low to just get to the next level. When you are trying to turn around an operation, it is hard to get rid of anybody—employee or customer—if you think it is going to make you take a step backward. How often do we tolerate a perceived high performer who bucks the system because we can't afford to lose the sales he or she brings? How about recruiting your competition's best salesperson because they would bring a lot of business, while overlooking the fact that they also bring a lot of baggage and bad habits?

What if we changed our perspective and set our goal as "winning the World Series"? What if, when reviewing an employee's performance, we asked ourselves, "Can this person play a part in helping us win our version of the World Series?" Try it out. Suddenly, that salesperson who hits below the Mendoza Line (under .200 in baseball) but is a great utility position player or just a "great guy" doesn't make sense. Why? Because you can't win the World Series with a bunch of utility position players or great guys. Hiring the competitor's top salesperson doesn't make sense if that person's ego will disrupt your team that is focused on the goal of winning the World Series.

With a definitive goal that is the equivalent of winning the World Series in five years, you can grow your own talent. Maybe you stop selling those customers who represent a lot of volume but are a drain on your profits. Maybe you look at your legacy product lines, businesses, or locations through the lens of, "Will they help me win the World Series?" and realize they need to go away. If you are the leader of your business and you are looking to change the direction of your company, why not borrow a page out of Epstein's playbook and set your sights on what you feel is your World Series goal?

- Define the culture you want to have and set expectations accordingly.
- Divest employees who do not fit the culture, who are unable to help win your World Series.
- Hire only talent who are a good fit culturally, who want to win your World Series goal.

You then are approaching all your business and personnel decisions from the perspective of "Will this help me reach my World Series?" It's still early in the season, so it's not too late to improve your line up and create a winning team for 2018. ■

Russ Kathrein is the President and CEO of Aurora, Ill.-based Alexander Lumber, which operates 22 locations throughout Illinois, Wisconsin and Iowa.



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MERGERS & ACQUISITIONS

JOHN WAGNER

How to communicate news of the sale of your business

IT'S HARD TO KEEP SECRETS around the office if more than a couple people are "in the know" about goings on. So, when a few members of your team are aware the company is going up for sale, it's hard to keep it as privileged information known only to a few.

Typically, when a company is prepping for sale, just the owners know initially. But the owners quickly realize they have to "bring others inside," to get information crucial to the offering, such as financial statements, customer lists, inventory, etc. That's information required to create the Informational Memorandum, a.k.a. the "IM" that's shown to prospective acquirers. After all, you don't need to have a Ph.D. to recognize that owners in their late 60s are preparing to sell when they start asking for historical quality-of-earnings statements and customer concentrations for three years running. So, let's prepare messaging now.

Typically, the pattern of communication that we see in our M&A practice goes like this: At first, just the owners are aware of the sale. They engage an investment banker (the seller's broker), who will request baseline information, including historical financial statements and trailing twelve months statements as well. That part of the process is easy to keep secret.

The next phase gets more complicated, in terms of confidentiality, because more detailed information has to be extracted from your accounting software or other record keeping programs; here's where the requests are peculiar, e.g. obtaining all leases and mileage on all rolling stock. It's this second phase where you'd create an inner circle of a few trusted team members. To prepare for the expansion of those "in the know," consider putting a two-track communications plan in place; one for the inner circle, and—just to be careful—prep a communications plan for the company at large, in case the story leaks. (There's nothing more destructive than gossip about a sale, rampant with fears of layoffs, that sends employees running off to work for your competition.)

For the inner circle, consider this message: You are seeking outside investment, which might result in the outright sale of the company if the terms are right. Further, explain that this search for an investor is being done to onboard more energized management, offer everyone more opportunity, and access capital for expansion. Make clear that you are selling from a position of strength and profit, and that the management and employees are the true value of the company, not the inventory and buildings. Underscore how essential the people are to preserving continuity and ensuring stability. Point out that acquirers never put millions into a company only to layoff employees and shrink the operation. Acquirers have an entrepreneurial bias for expansion.

As the preparation for sale proceeds, especially when you start getting site visits from prospective acquirers, you will find the need to bring more people into the inner circle, and by then, it's increasingly hard to contain the news of a sale. (You can just about hear the comments in the yard after site visits from prospective buyers: "Did you see those suits walking around today? Are we for sale?")

So, for the employees at large, be well-prepared with a message to them too, which is essentially the same one you delivered to the inner circle: We are seeking investment to grow, which many result in a sale, but the value of the company is in the employees, which an acquirer will be extremely eager to retain and reward. This is an exciting time of opportunity.

Take the time to draft these messages into written statements. But it's probably best not to email these kinds of statements, because they can be easily forwarded. Instead, present the statement verbally at a company meeting, and take questions. Explain the importance of confidentiality.

Know that competitors will feast on the news that you are for sale, and they might imply that volatility around the sale will lead to a drop-off in service or inventory and employee flight. So, while prepping these internal messages, draft one for customers too. If news of the prospective sale leaks out, you'll have a message ready. Finally, consider telling key customers about a potential sale long before they might hear any rumors, just to assure those high-volume accounts that things are good now…but they're going to get even better. ■

John Wagner is a managing director at 1St West Mergers and Acquisitions, which offers a specialty practice in the LBM sector. Contact John at 919.796.9984 or j.wagner@1stwestma.com. Learn more at 1stwestma.com.



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TIPS BY PLM

SAFETY: MODERN FLEET TECHNOLOGY IS DRIVING THE FUTURE

The numbers are staggering. Drivers of tractor trailer trucks and smaller delivery trucks, like those used in the lumber building and materials industry, experienced a higher rate of fatal and nonfatal injuries than the average of all private industry occupations in 2012, according to the U.S. Bureau of Labor Statistics. At the same time, truck drivers and those who drive for sales purposes experienced a rate of fatal injuries that was seven times above the workplace average. That year, 756 truck drivers died, while another 65,000 were injured or became ill in work-related incidents.

Typically, lumber building and material dealers use trucks to deliver or transport products from a manufacturer to a retailer or from a retailer to a worksite. For these purposes, trucks used can range from pickups and smaller box trucks to flatbed trucks and those with a boom or moffett attached. These vehicles are critical in keeping the industry moving, but in order to keep the industry's employees safe and margins profitable, proper safety protocols must be implemented and followed. New technology is helping to further this mission.

With the rapid pace technology is changing around us — our smartphones seem to be outdated before they first enter our pockets — it should come as no surprise that commercial driver safety technology has also made tremendous advancements. Collision mitigation systems, telematics, GPS monitoring and electronic logging devices among other technologies are helping to protect commercial drivers, cargo and company bottom lines.

One of the newest options available in safety technology for commercial drivers are collision mitigation systems. These systems monitor and process information from vehicle radar, video and braking systems. From this information, the technology can visualize driver conditions. The technology can scrutinize driver behavior and tap into emergency systems when necessary. One of the best parts of this new technology — data can be transmitted in real time to a fleet manager. Additionally, some systems contain Automatic Onboard Recording Devices to record and share data for future driver training.

Telematics is a term that is becoming more familiar within industries where commercial driving is a necessity. More than a GPS, telematics serve as a form of electronic logging device that send data from vehicles to fleet managers operating remotely. Telematics take GPS technology a step further. Using vehicle on-board diagnostic ports (OBD-II) on the driver's dashboard, telematics track a number of driver and vehicle diagnostics. They examine and gather a variety of information from driver behavior statistics, including speed and braking patterns to engine temperature. These systems can even include safety features like collision avoidance systems. This technology is not only critical to driver safety, it can also help with locating lost vehicles and help saving money on vehicle maintenance.

The Federal Motor Carrier Safety Administration actually mandated the use of electronic logging devices for the industry in December 2017. Now, drivers' hours of service are required to be logged electronically. Full compliance of the rule is required by December 1019. For building and material dealers, many will be required to use electronic logging devices that are certified as compliance with the FMCSA.

Unfortunately, all this technology does not come cheap. For example, a collision mitigation system can run roughly $10,000 per vehicle. However, business owners should not be put off by the high price tag. Other options are available, allowing business owners to purchase partial systems which can also make a big impact on driver safety and performance.

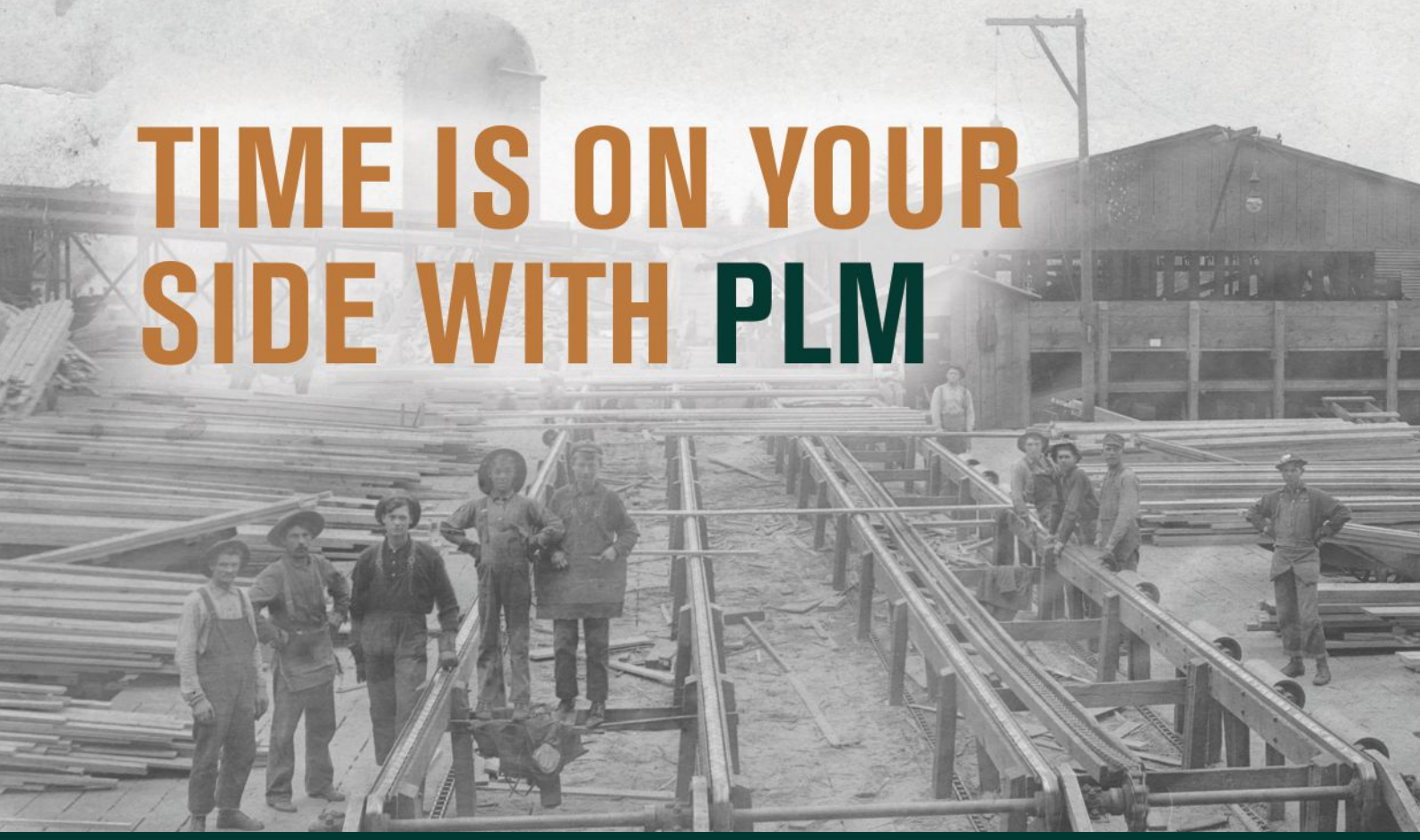
Another key in promoting safety on the roads is monitoring driver Motor Vehicle Records. These MVRs can show a pattern of high-risk behavior and help identify drivers who may be more accident-prone. Typically, employers pull MVRs for each state an employee has a driver's license. Unfortunately, it can be difficult for employers to check these reports regularly. Policyholders of Pennsylvania Lumbermens Mutual Insurance Company have access to a tool that will monitor that data for them. Company partner SambaSafety provides continuous monitoring of driver MVRs and alerts managers when an employee moving violation is identified.

While all this new technology may seem overwhelming, it is something employers in the lumber building and materials sector should recognize as the way of the future. This technology can and will vastly improve driver safety. At the same time, it will improve safety for all of us on the roads.

By investigating and implementing new technologies, lumber building and material dealers can reduce much of their risk related to commercial driving. However, some risk will always remain. To fully protect a business, businesses need to partner with the right insurer — one who knows wood risks and driver safety.

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SELLING TO REMODELERS

Q&A

BOB WILLIAMS

PRESIDENT, STAR CONSTRUCTION COMPANY, INC.



With NARI certifications of CR, CLC, CKBR, and CGHP, Bob Williams has won several Chrysalis and COTY awards. He is also the host of Star Remodeling and Home Improvement radio program at WNBP 104.1 FM Newburyport, Mass., a position he has held for the past eight years. Williams is a member of Eastern Mass. NARI, and the NHBA Seacoast Builders Association. He is the Immediate Past President of Clipper City Toastmasters in Newburyport and holder of three Triple Crown Awards.

COMPANY STATISTICS

LAST YEAR'S SALES
$700,000

YEARS IN BUSINESS
46 years personally and 60 years for the business

EMPLOYEES
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SPECIALTY
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Q: What are the top three things you look for from a LBM supplier?
A: The top things I look for are service, inventory on the shelf, and quality materials.

Q: Describe your best lumber building materials vendor and why they are the best.
A: We work with Jackson Lumber now-a-days. They have provided good service and are convenient to our work area.

Q: When was the last time you changed vendors and why?
A: We moved to Jackson Lumber a few years ago when they opened a new location close to our office. They had good service, quality supplies, and pricing was competitive.

Q: When and why would you accept a meeting from a new supplier/vendor?
A: If they have product lines that we use and our other vendors didn't have them, then we would accept a meeting.

Q: What do you wish LBM suppliers understood about your business?
A: I wish that LBM dealers would understand that "just in time" is too late, and that customizing everything is a problem, not a solution.

Q: What products (if any) do you buy installed?
A: We use all sorts of lumber and wood products, hardware, adhesives, finishes, roofing, siding and millwork, but don't buy them installed.

Q: What is the number one problem that keeps you up at night?
A: I wonder, will my industry go the way of the great builders of the past like the Incans, Mayans and Egyptians? So much knowledge can be lost before it could be passed on and documented.

Q: What do you see as your biggest opportunity?
A: Helping others to reach their greatness. ■

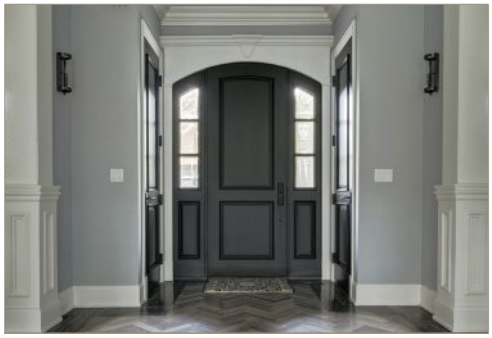
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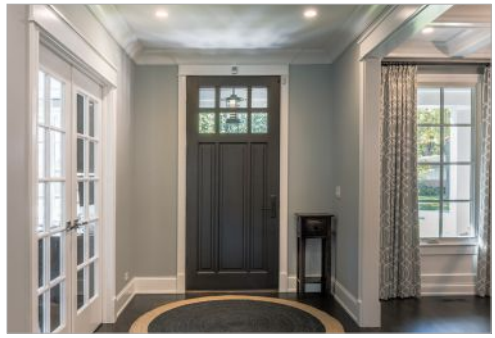
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Verify before you buy when taking on new product lines

BY BLAKE NELSON

One of my lumberyard clients in the upper Midwest recently found itself in a precarious situation. I'll call the client Midwest Lumber, a family-owned yard with annual sales of about $15 million. In business for more than 40 years, Midwest is not inexperienced or unsophisticated when it comes to new products. However, this particular case might have been avoided with a bit more due diligence up front.

One of Midwest's general contractor (GC) customers built a house for the Smiths in Minnesota. After the house was completed, there was noticeable buckling of the siding and it was eventually believed that the OSB was the problem. The GC had purchased the OSB from Midwest, which was manufactured by "Big National" located in the southern U.S. This OSB was a new product line for Midwest that it had only been selling for about a year.

As is typical, Big National's warranty allowed for replacing the bad OSB but disclaimed all labor to remove and reinstall it. Often this limited warranty language is stated on a page included with the packaging or on the manufacturer's website. These types of warranty exclusions are generally enforceable as long as the warranty language was published and available for the public to review, even if the purchaser or end user never actually saw it.

Legally, Midwest should not be responsible for problems with Big National's products and the customer's recourse should be directly against Big National. However, wanting to keep its customers happy, Midwest offered to pay a portion of the labor expense to replace the siding and OSB, with the GC and the Smiths also sharing in the costs. The Smiths objected and argued that they should not bear any of the labor costs. To make matters worse, the Smiths were under the gun to close upon permanent financing for their new home and their interest rate lock was due to expire in three weeks. Midwest asked me for some advice.

Upon further investigation I learned that:

- When Midwest added this product it was marketed as an innovative, non-standard and more energy-efficient OSB board.
- Big National had similar problems with this product and had in fact removed it from the upper Midwest market because it turned out it was not appropriate for the climate.
- There were online postings and reviews about others who had similar problems.
- By the time the materials were installed on the Smith's home, Big National had already been having problems with the product in colder climates.

I applied some arm twisting to Big National, arguing that its limited warranty excluding labor would not apply if it had continued to sell the product in Minnesota after knowing it might not hold up to the climate. Eventually, the parties agreed to have an OSB sample from the Smith home tested by a professional group focused on engineered wood. If the test found the OSB was suitable, then Big National was off the hook and the GC had an issue with the siding (likely the installation). If the test revealed a problem, then Big National would supply a suitable replacement and the GC, Midwest and Big National would split the labor costs three ways.

Drum roll: The test determined that the OSB was not suitable. The parties scrambled to tear off the siding and OSB and reinstall it in time for the Smiths to close on their loan.

After the saga was concluded, I discussed with Midwest that while technically it did not cause this situation, it perhaps could have been avoided through some additional diligence when Midwest added this "innovative" OSB product sold by a southern U.S. manufacturer. I realize hindsight is 20/20, but checking out whether this new "energy efficient" OSB material was suitable for the cold upper Midwest climate before agreeing to sell it might have avoided the entire mess. ■

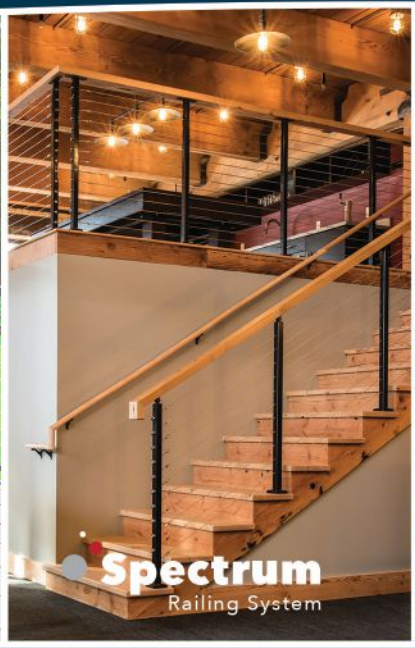


Blake Nelson is an attorney with Hellmuth & Johnson in Minneapolis and concentrates his practice on advising and representing clients in the construction industry. He can be reached at bnelson@hjlawfirm.com.

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The impact of housing removals on housing demand

BY BRENDAN K. LOWNEY

The rate of housing removals is an often overlooked, but surprisingly important component of housing demand. It is often overlooked because quality data on home removals are scarce to nonexistent. It is important because removals account for about 20% of the demand for housing over the course of a housing cycle. Only net household formation accounts for a bigger share of underlying demand for housing.

Unfortunately, none of the big government statistical agencies publish data on annual housing removals. Every now and then, a private group will take a stab at providing a point estimate in a given year. But these estimates usually only consider a subset of removals. For example, the National Association of Homebuilders recently estimated that nearly 60,000 homes were removed in 2017 to make way for new single-family homes. While this data point is interesting, it does not give us a complete picture of the removal category as it leaves out the multifamily and mobile home sectors and does not account for homes that are removed from the housing stock for other reasons.

The U.S. Census Bureau does not publish an estimate of annual housing removals, but it does provide the tools for motivated analysts to generate these numbers themselves. Census researchers publish housing unit loss rates in the methodology document found within the Population and Housing Units Estimates section of the Census website. These loss rates are updated on a sporadic basis, and the last update took place in 2011. The data for housing loss are taken from the biannual American Housing Survey. The following situations count as a permanent loss of a housing unit according to this survey:

1. Interior exposed to elements
2. Unit demolished or lost in a disaster
3. House or mobile home is moved

A housing unit is considered lost if it appeared in 2009 but was included in one of the three categories above in 2011. The loss rates vary by the decade in which the housing unit was built. The survey considers single and multi-family housing units, mobile homes and other types of homes.

The most recent loss rates are seen in **Table 1**. Note that homes built after 2000 are assumed to have a loss rate of zero and that all homes built before 1940 have the same loss rate whether they were built in 1939 or 1899. These factors would tend to bias our overall housing removal estimate downward somewhat.

To calculate our housing removals estimate, we apply various loss rates to the housing stock broken down by the year the structure was built. Fortunately, that data is easily found in the 2015 American Housing Survey (which was released in 2017). This data for single and multifamily housing is shown in **Graph 1**.

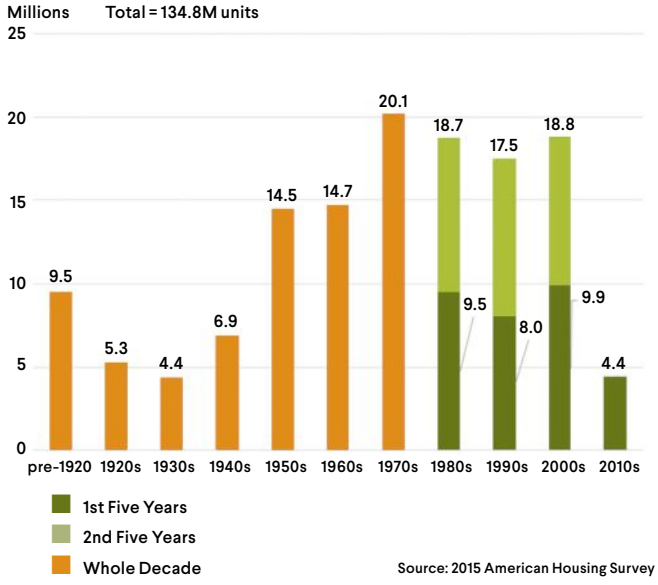
TABLE 1 HOUSING UNIT LOSS RATES

HOUSE, APARTMENT OR FLAT BUILT IN:	PERCENTAGE:
2000 - 2015	0%
1990 - 1999	0.03%
1980 - 1989	0.06%
1970 - 1979	0.17%
1960 - 1969	0.16%
1950 - 1959	0.19%
1940 - 1949	0.42%
PRE - 1940	0.364%

Source: U.S. Census Bureau

After applying the appropriate loss rates to the housing stock figures in shown in Graph 1, we get an annual housing removals figure of 200,000. Next, we consider mobile homes, of which there are relatively few, but which have a high loss rate of 1.76%. The mobile home loss rate is not broken out by the year in which the homes were built. The AHS Survey

GRAPH 1 U.S. HOUSING STOCK BY YEAR STRUCTURE WAS BUILT



Source: 2015 American Housing Survey

indicates that there were 8.686 million mobile homes in the U.S. in 2015. Applying the loss rate to this figure translates to a removal figure of 153,000 for this segment. Mobile home shipments have averaged only about 80,000 units per year over the last three years, which means that the installed base of mobile homes is shrinking in the U.S. Mobile homes are likely to continue to lose market share over the next 10-15 years as their popularity continues to wane.

The most reliable data on population and household formation are only released once every decade when the Decennial Census is released. As a result, the unit of observation for our underlying demand estimate is a decade rather than a year. We typically update our estimates for other determinants (e.g., underlying housing demand such as removals and second home demand) on an intermittent basis as data quality permits.

For the 2010-2019 period, we have raised our estimate for annual housing removals from 300,000 per year to 350,000 (200,000 single and multi-family units plus 150,000 mobile homes). We are also assuming that housing removals in the coming years will average 350,000 annually from 2020 to 2029, but we caution that this figure could be to low due to the aging of the housing stock. After all, the median housing unit in the U.S. was built in 1976.

Bottom line: Housing removals comprise a significant portion of housing demand, and there is a paucity of data for this key indicator. Using loss rates calculated by the Census Bureau and applying them to the U.S. stock of housing units and mobile homes allows us to calculate a plausible estimate of 350,000 housing removals per year in the U.S. for the 2010-2019 decade. ■

Brendan K. Lowney is a Principal of Forest Economic Advisors. As FEA's Macroeconomist, Lowney interprets and forecasts the North American and international economic landscape—analysis that forms the basis of FEA's industry projections. This article was excerpted with permission from FEA's "Spotlight." To learn more, visit www.getfea.com.



THE BUILDING AND LOGISTICS ECONOMY

In most regions throughout the U.S., the home building and remodeling market continues to recover and grow at a steady pace looking positive and strong well into 2020. While these positive trends are encouraging for many sectors of the construction industry — from builders, manufacturers and suppliers — there are challenges in keeping up with demand.

Across the U.S., skilled construction labor continues to be a major concern from cost to availability — more than 1.5 million residential construction workers have left the industry since 2011. Coupled with a reported 900,000 truck drivers needed to meet rising demand to move goods in the U.S. our industry is facing the perfect logistics storm — from the product manufacturing to distribution and dealers to the builder and eventually, the homeowner.

There's a lot of competition for younger people entering the workforce and many of them are not choosing technical and skilled labor fields. It's no surprise then that one of the biggest challenges facing the housing and economic recovery is transportation and delivery. Even with the logistical squeeze in the marketplace, Weyerhaeuser Distribution is able to consistently deliver what customers need — on-time and in-full — to support their business in getting product to the market quickly and efficiently.

TURNING CHALLENGE INTO OPPORTUNITY

Weyerhaeuser Distribution has always been an innovative business, and human capital is its strength. From flexing its fleet to changing normal delivery business hours, Weyerhaeuser works closely with each customer to better understand their needs and identify solutions, together.

In heavily-populated areas of the U.S. our drivers are leaving Weyerhaeuser Distribution centers between 1:00 a.m. and 3:00 a.m. to ensure a 6:00 a.m. delivery. "We are almost a 24-hour business today," said Joe Baker, area general manager, Easton Distribution.



WHAT TRULY SETS WEYERHAEUSER APART IS ITS PEOPLE. OPEN AND HONEST COMMUNICATION WITH DISTRIBUTION AND DEALER PARTNERS ARE THE KEY TO THE COMPANY'S SUCCESS.



"A number of our transportation partners work out of our distribution centers and watch the truck board to assist with aligning smooth deliveries," said Roger Gilley, national product development manager, Weyerhaeuser. This ensures ongoing communications between the Weyerhaeuser sales force, the delivery team and the customer.

BUILDING TRUST THROUGH TRANSPARENCY

What truly sets Weyerhaeuser apart is its people. Open and honest communication with distribution and dealer partners are the key to the company's success. While not every delivery will be next day, it's important to manage expectations and provide timely information to help customers keep up with demand and not make decisions in a vacuum.

"Our partners appreciate our openness regarding pricing and delivery and communicating what's to come," said Brad Brubaker, area general manager, Charlotte Distribution. "Our strength is consistency and not springing any surprises," particularly when it comes to managing delivery expectations.

Weyerhaeuser is continually developing its staff and coaching them. "We develop our people cross functionally, so we can flow work to different areas or teams as needed," said Graziella Terranova, area general manager, southern California Distribution. "We implement active people development and make sure that everyone is able to problem solve and pull from their innovative side." This is important as the market struggles with skilled labor and transportation shortages.

STRENGTH IN PARTNERSHIPS

Constantly communicating with its suppliers to make sure materials are in-stock for customers is a top priority. Many of Weyerhaeuser Distribution's supplier relationships span several years — some who stood by during the recession when circumstances were very different.

Long-term relationships with suppliers have helped Weyerhaeuser Distribution service customers in demanding market conditions. "We've been able to partner across markets as it permits and expand our offerings with high-performing alternative products as needed," said Amy Warren, director of business and sales development with Weyerhaeuser Distribution.

Products and delivery are key to every distributor, but what creates long-term competitive advantage is expertise in service, field support, education and even marketing. "We're an important part of our customers business from our diverse product line, on-time delivery, and customer service," said Baker.

Weyerhaeuser

For more information or to find the closest Weyerhaeuser Distribution facility, please visit Weyerhaeuser.com/distribution.

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BY TERRANCE RESNICK

PART III

SUCCESSION PLANNING INSIGHTS

INSTALLMENT PAYMENTS TO BUY OUT A BUSINESS INTEREST—NOT AS SIMPLE AS IT SOUNDS.

A common technique to buy out a co-owner's business interest is through installment payments. This method allows the purchaser some breathing room since it doesn't require the full purchase price to be paid upfront and also provides a steady income stream to the seller over a period of typically 5, 10 or 15 years. Seems logical and simple enough.

Let's assume we have a company, M&E Inc., a profitable S Corporation valued at $10 million that is equally owned by Mark and Edward. Additionally, the business owners had the foresight to establish a Buy-Sell Agreement which would legally dictate what would happen in the event one of the owners departed the business for a variety of reasons including death, disability and retirement.

The Buy-Sell Agreement requires the remaining owner to purchase the selling owner's interest through a ten-year installment for $5,000,000 plus interest. Sounds fairly common, right? Let's look at some of the potential issues with installment payments, issues so severe that they could cause the forced sale of the company.

INSTALLMENT OVERVIEW

The installment payments are not deductible by M&E Inc. and Mark and Edward are in a 40% combined marginal federal and state tax bracket. M&E Inc. operates on a profit margin of 10% for every dollar of sale.

INSTALLMENT METHOD FINANCIAL REALITY

The annual installment payment is $500,000 (not including interest), which means that the remaining owner has to earn nearly $850,000 to net the $500,000 in a 40% combined marginal tax bracket to satisfy the annual obligation. Earning $850,000 in income means that the remaining owner will have to generate annual sales of $8.5 million just to generate the $500,000 needed—which is $85,000,000 of annual sales needed to meet the ten-year required financial and legal obligation.

INSTALLMENT METHOD ISSUES

Will the remaining owner be able to generate enough profits to pay the installment payment *and* still pay himself the salary that he's been accustomed? Also, will the death of an owner have an impact on sales? If so, how is this going to be made up? Most likely the remaining owner will have to hire someone to take over the responsibilities of the departed owner. Where will this money come from and how much more will be needed? Additionally, the installment method may have a direct negative impact on the ability of the corporation to pay employee salaries, borrow money, expand and fulfill other business purposes.

Another issue that often isn't given consideration with an installment method is if the remaining owner or business becomes insolvent during the time period of the installment payments. It could mean that the departed owner and his family may only receive a fraction of the expected payout. Another possibility is that the remaining owner could pass away during the installment period which is even yet another potential risk that the original departed owner and his family incurs.

SUMMARY

Although installment payments as a technique to satisfy a business owner's buyout may seem basic, it is wrought with a number of potential risks, many of which are not thought through when the installment arrangement is entered into. There are other planning techniques that not only substantially reduce the inherent risk of installment payments, but are also less costly to the remaining owner. ■

Terrance K. Resnick is a partner in Resnick Associates, a nationally recognized business succession, estate planning and life insurance advisory and implementation firm with offices in Harrisburg, Penn., and Kansas City. Terry works with many LBM-related co-ops and their individual business owner members across the U.S. You can reach Terry at terry@resnickassoc.com or 717.652.2929



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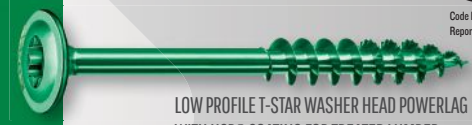


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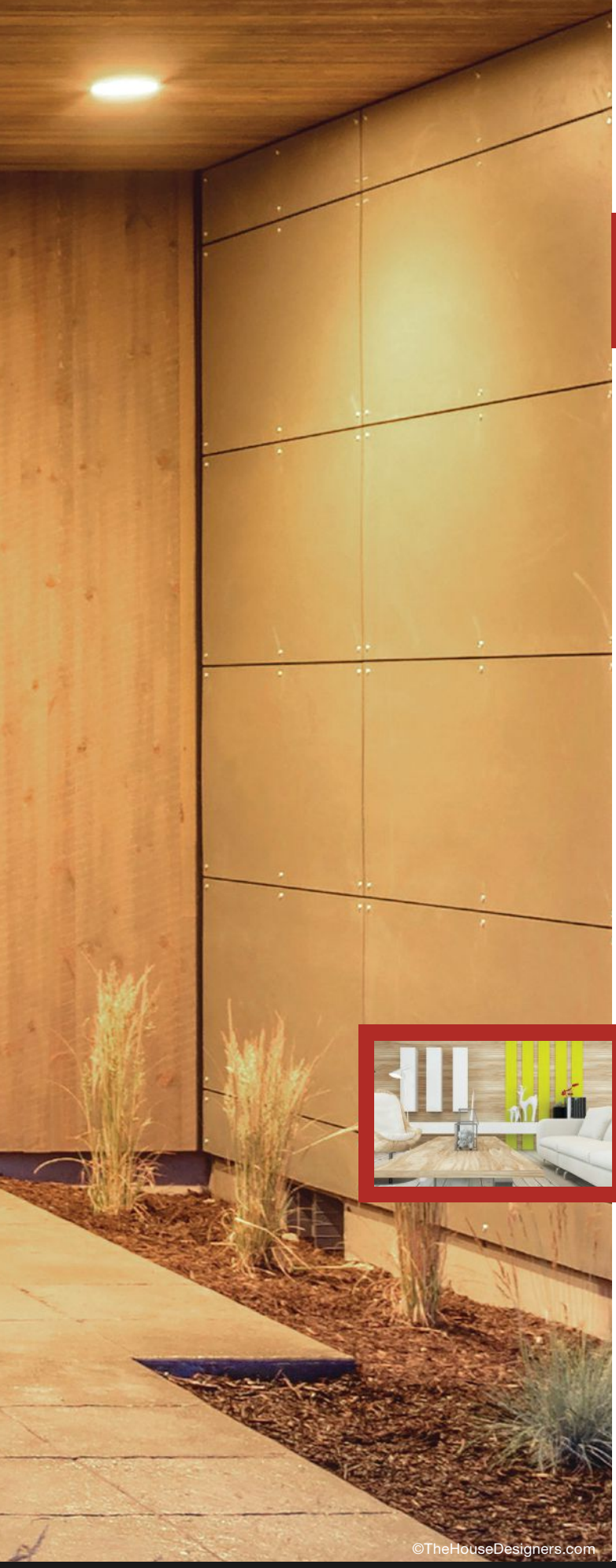


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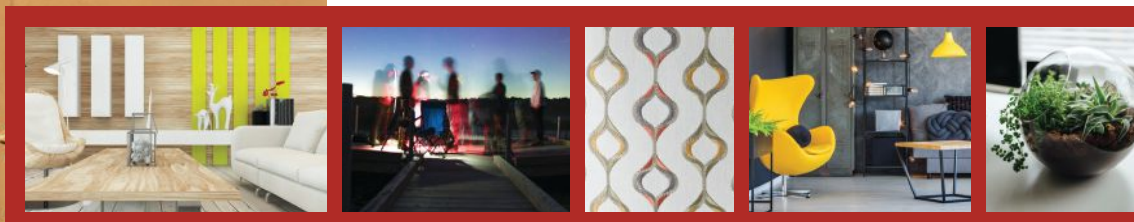
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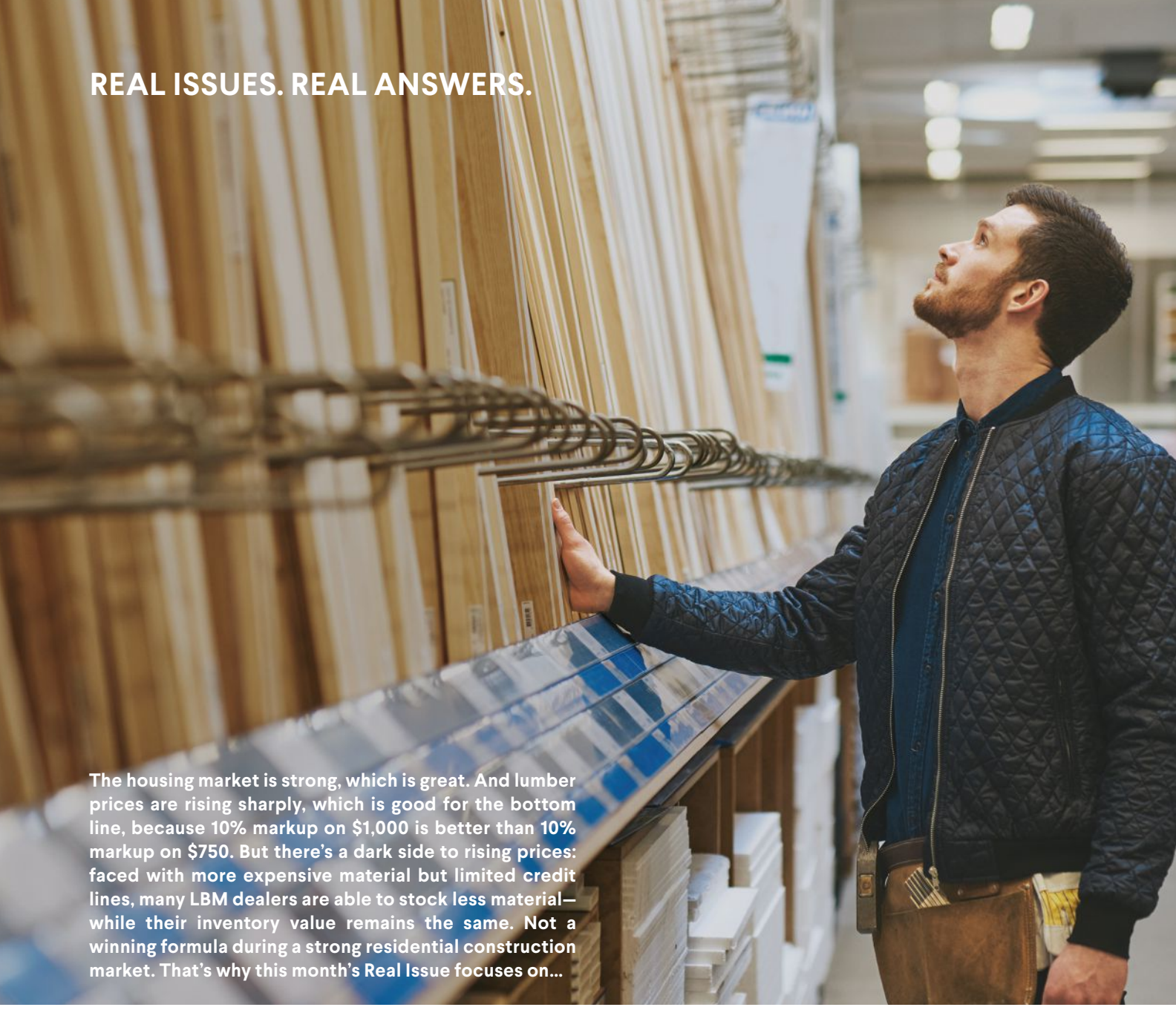
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The housing market is strong, which is great. And lumber prices are rising sharply, which is good for the bottom line, because 10% markup on $1,000 is better than 10% markup on $750. But there's a dark side to rising prices: faced with more expensive material but limited credit lines, many LBM dealers are able to stock less material—while their inventory value remains the same. Not a winning formula during a strong residential construction market. That's why this month's Real Issue focuses on...

RISING LUMBER PRICES AND THE CREDIT CRUNCH

BY RICK SCHUMACHER

THIS MONTH'S QUESTION came from a dealer in the Southeastern U.S. who wrote: "Prices on many building materials are up 25-50% in the last year but our line of credit didn't grow, so we are now forced to change our buying habits. We stock less lumber and other materials than ever but our inventory value remains the same. How are other dealers managing the credit crunch caused by rising material prices?"

As we do each month, we surveyed subscribers who've opted in to receive our email communications. A big thank you to the 270 readers who took a few minutes to weigh in on this issue. (Actually, according to Survey Monkey, the engine we use for our surveys, it averages less than two minutes to complete this very brief survey.) It doesn't take long, and based on the feedback we get from readers, the insights they gain from other dealers on current topics are invaluable.

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THE QUESTION

What advice would you have for this dealer? "Prices on many building materials are up 25-50% in the last year but our line of credit didn't grow, so we are now forced to change our buying habits. We stock less lumber and other materials than ever but our inventory value remains the same. How are other dealers managing the credit crunch caused by rising material prices?"

"Request a greater credit limit: now is no time to be running your inventory thin."

"Pick and choose your inventory items, keep more of the A's and less of the C's and D's. Your sales should be increasing too, so ask for a credit increase."

"Need to really focus on collecting receivables and cash velocity at this point. Manage slower moving inventory JIT. Turn dead inventory into cash. This could be a great forced lesson and exercise in efficiency."

"Your financial institution's collateral evaluation should be flexible enough to account for inflation. Of course, their risk would be lending in advance of a falling (deflation) market move."

"Make what you have work. We are all in a similar situation. The upside is turning our inventory over quicker. If the inventory factor is critical to your operation, then increase credit lines. It's a tough call, you need to make sure the business conditions reflect taking on more credit."

"We have approached our builders and request they give us a two-week notice on the materials they need. Seems to be working for us."

"We're managing it the same way you are: just trying to hold on."

"Short cycle ordering. Instead of ordering your material needs one month at a time, you may have to order bi-monthly or even weekly. Not the best method but it works."

"By narrowing some lines."

"Bite the bullet, use your line of credit, and cut expenses elsewhere. Customers know the problems, this also gives a chance to increase prices a couple of points to offset."

"Work with your lender to help them understand the industry and the volatility of pricing, they may grant you an over advance to help in season."

"Buying smarter and watching your buying habits as to be careful to not overstock on items that are non-movers."

"Working with our bank to get them to understand our industry better and create a different model for lending to our industry."

"Talk to your suppliers. If you have been a good payer in the past, they should up your credit limit."

"I'm more on the supply side of things but have heard many of our distribution partners mentioning this exact issue. 'Costs have nearly doubled and the builders are playing catchup. How do we deal?' While I don't have an exact answer, I've noticed a big uptick in lumberyards that have traditionally asked to hold stock asking whether they can move towards an on-demand model. Our ability to offer on-demand product shipped within a few business days has been a great benefit for many lumberyards feeling the squeeze from the drastic increase in lumber pricing. Work with your suppliers and see what your clients need today, then do your best to stock it. Anything you can have on hand within a week of order won't drastically affect your clients' workflow while giving you desperately needed cash flow. It's an interesting time in the industry and flexibility from all sides will help us overcome the issue."

"We have positioned ourselves for 'just in time' orders/deliveries for our customers. They can actively sell out of our inventory, and continue as a dealer with the same price incentives without committing any capital to inventory."

"1: Work with suppliers to get credit lines increased. 2: Work with your bank(s) to get credit line increased to handle additional business in dollars and sales. 3: Work harder to turn inventories. 4: Work harder to turn receivables into cash faster, first through your A/R team and customers and then by offering a fast pay discount."

"We have changed our estimates from being good for 30 days to just two weeks. In order to receive that pricing, we ask for a 25% down-payment. If we don't receive a down-payment, then we requote the project when they start."

"Managing low inventories, just in time from the manufacturer. It's not the best-case scenario, but it's necessary. We carry such a broad range of items that it's the only way we can manage at the moment."

"Buying from multiple sources and buying on a timely basis. Buying early in the month will give you at least 60 days before payment is due, and product may have turned by then. Projected sales and purchases should be closely monitored. Direct deliveries should be considered on large enough orders."

"Rely more on the wholesale distributor, reduce your inventory for slow-moving items, look for vendors who will deliver more frequently."

"Here's what we do for special order lumber sales. We sell a job through a wholesaler, and have the wholesaler deliver straight to the customer, which means no added inventory on hand."

"I would work with both your vendors and your customers. Vendors are willing to be more flexible and creative, we have found. Whether it is carload programs converted to trucks that ship more JIT, VMI, or simply receiving your cars and not charging you a storage and delivery fee until you use it. With customers, they understand the crunch and will work with you to give you better starts estimates to optimize inventory planning."

›

"You had better talk to your banker about, at the least, a temporary credit or start looking for another banker."

"Our profits are greater as a result of higher prices, greater sales volume, and more activity generally in our market. We have been able to use these higher profits to buy the lumber and materials we need within the boundaries of our credit line."

"We have increased our line of credit to make sure we have plenty of inventory."

"We're spending more time looking for better values instead of the easier standard packages."

"We are leaning heavily on our distributors to grow our business. Our theory is that more turns will make you more money. This also keeps the banks happy."

"By seeking other sources of supply. Loyalty to a vendor is marvelous, but survival is slightly more important. Many suppliers are more than likely to take an existing account away from one of their competitors by establishing a credit line for a new customer."

"Biggest advice I have for this dealer is: Don't depend on a LOC to help manage your business. Instead, focus on *controlled profitable growth*. It seems extremely risky to borrow funds to load up your yard with expensive inventory which will inevitably drop in value. Stay liquid enough to match your business model. Also a recession will come again at some point, and having a large debt could be your ruin."

"Increase your credit line. Do not hurt your ability to serve your customers. Work on getting your DSO [days sales outstanding] as tight as possible."

"Rising material costs can be helpful if the dealers can raise their sell price. Money can be made on the existing inventory. If the material dealers have collateral on inventory dollars, the increase should increase the collateral which should increase the borrowing capacity, provided they are not at the limit."

"The hand-to-mouth approach and not keeping as much inventory of all items on the ground."

"Look at buying groups to leverage your terms and, if you have a good relationship with suppliers, ask for longer terms. Lastly, try to extend your limits with the bank. If all that falls though focus on your A items you cannot run out of, and trim your inventory of B and C items."

"Work very hard at managing your accounts receivable." ›



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"I told my venders that I was not buying any more material than I had bought in the past, and the problem was that they had just raised prices. That being the case, they could also raise credit limits to correspond. So far, no problem."

"We joined with a buyers group to use their leverage in the market and to get more rebates. Even though they charge a percentage, the rebates more than make up for the cost."

"We have enough capital or the availability of capital to carry the quantities (at a higher investment) needed to satisfy our increasing sales."

"It is wise to increase inventory levels to manage the risk of higher prices. Pay promptly and negotiate higher credit lines. Buy ahead especially on staple items. Sequence deliveries to manage cash and meet customer needs."

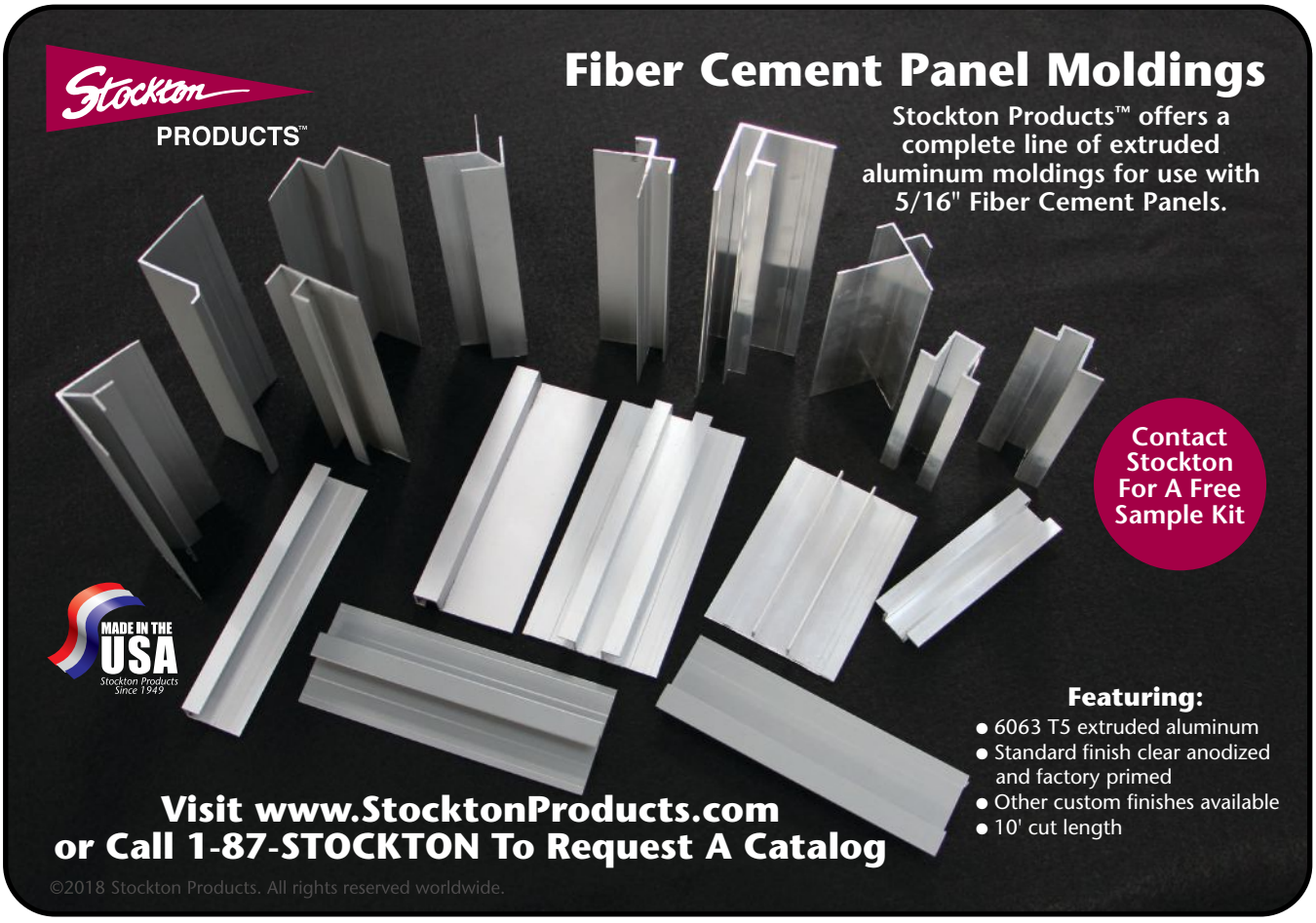
"You must grow you credit line however you can. The lost sales alone from not having inventory will kill your bottom line. Change banks if necessary. The hard fact is your inventory will grow as the market does, and it'll do the same thing on the way down."

"We are watching payables and are following up on receivables more quickly and more frequently than before."

"We are working real hard to get rid of slow-moving inventory, discontinued products, and special order items that we have been stuck with. The dollars that are being freed up from doing this are helping to offset the increases in lumber costs. It's also going to bring a smile to everyone's face when we do inventory and these things are gone and don't have to be counted. What's in your yard that you don't need that could be turned into cash?"

"Lumber prices typically change by Tuesday afternoon and Thursday afternoon. If dealers will anticipate market direction they can buy in front of weekly rising prices and behind weekly falling prices. Without adjusting inventory size, each purchase can save $10-$20 per thousand board feet in this market. As the market declines, those savings could be much greater. As a rule, in rising markets, anticipate your needs and buy before noon Tuesday. In falling markets, buy after 12 noon on Friday. (Mill time zones.) Over the course of a year, the savings will drastically improve the bottom line without taking any risk... just by being proactive."

"Talk to the bank, as your invoices to your builders are also getting larger proportionally. Also spread out purchases from two or three regular suppliers or three or four suppliers. Seize the opportunity, do not back down." ›




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"We renegotiated our line of credit as the cost of money was low. Look to suppliers for vendor-managed inventory on specialty items."

"Seek a greater line of credit from a financial institution that understands the building market."

"Elimination of slow-moving and zero-turn merchandise, and elimination of any DOGs [damaged or obsolete goods] in the current inventory."

"Vendor-managed inventory."

"The answer is leveraging two-step and other one-step distributors to supplement stock."

"We are fortunate to have enough cash (so far) to buy as needed. Our biggest problem has been late loads—mostly due to trucking issues."

"Time to have a chat with the banker. If they don't understand what's going on in the market, you have the wrong banker."

"10% of $10.00 should be more than 10% of $8.00."

"Managing inventory turns more closely."

"No one is exempt. One has to keep his eyes on the game and not get too lost in doing business."

"Just stay in stock at this point."

"We are fortunately in a good cash position, so we are not having to deal with this."

"Raise your retail margins across the board to help with cash flow to help keep your contractor business competitive, and keep asking for increases in credit line."

"Look at your inventory turns. Are there products you can change to a special-order status? Is the volume of your product mix matching your turns? Do you have suppliers who keep material on the ground with a quick delivery time so you can reduce some volume?"

"First of all, keep your inventory moving but keep levels low. You realize that prices will start to drop, and you do not want to be setting on high-cost inventory when the prices begin to fall. Secondly, maintain your margin based on the cost of inventory. Do not try and adjust it for profit dollars. Understand if your profit margin is consistent, you should be making more profits on higher inventory cost. Think of it in these terms, 25% on $800,000 = $200,000 gross; 25% on $1,000,000 = $250,000."

"Use your wholesale distribution partners to help you manage inventory levels and minimize lead times."

"Buying habits have certainly changed, to operate efficiently, yards must stock more lumber and increase the inventory value. We can no longer rely on local distribution to cover shortages. If you hit the ceiling on your credit limits, private investment may be your last resort."

"A good bank will understand your company's needs. Frankly the higher prices are helping the bottom lines."

"Tough spot. Maybe cut back to buying some of the items from distribution a few units at a time, so you can buy the bigger volume items in truckload or by the car? Ask your bank for a temporary larger line of credit because of the situation."

"Watch stock levels every day. We are doing our best to purchase larger stock buys on the day after the books close to give us an extra month to pay. We also watch our receivables super-close. Call when payments are barely past due. We have no line of credit, so we really have to be creative."

"My small yard in Central Illinois has been dealing with this for the past four years. We must 'artfully' manage the receipt of product just as our anticipated needs require. Quite the juggling act that has sometimes caught us off guard. We are blessed with a few vendors who have extended credit terms to us that help manage inventory need/cash flow problem. That, and only the grace of God."

"We have raised our line of credit twice this year. High lumber prices causes high receivables and high inventories. Plus, the long winter caused project delays, therefore higher receivables (our customers were not getting paid) and holding inventory longer. We can survive higher pricing if inventory and receivables turn quickly."

"We push our vendors for higher credit limits. It generally takes a meeting with the person that can make the decision."

"We don't have this issue. I'm seeing that trucking/transportation is starting to be an issue, so running too lean might lead to lost sales. So, if I were in your shoes, I would suggest discussing your credit lines with your vendors, and be prepared to supply them with up-to-date data that will enable them to extend you a higher credit line."

"Orders requiring a purchase order are pre-paid by the customer, so our cash flow isn't affected."

"So long as you are keeping your selling price up in accordance with your costs, getting paid timely, and otherwise running a sound business, you should be able to show the financial results to warrant a credit-line increase."

"We have increased our credit and our inventory to match demand and have covered this with the price increases we have had to charge to our customers."

"Plan ahead and buy your needs as trucking issues are a deep cause of product shortages."

"I wish I knew…focus on what sells the most and has the quickest turnover, curtail products that remain in your yard the longest, and hope this nonsense ends soon."

"Making a good profit in the current atmosphere should be extremely easy. If you're putting good profit on the bottom line, your bank should work with you to increase your line of credit."

"Pare stock on the specialty items."

"We are encouraging contractors to buy ahead of their needs to protect themselves from rising prices. This will help dealers improve their cash position as well."

"Have not changed much. We made more on old inventory, which allowed us to buy more at these prices. Same as years past, just be careful if market drops."

"I would encourage this customer to play to the strengths of their own customer base. Companies cannot afford to be everything to everybody. Many customers are actually fueling this market with the 'just in time' or 'week-to-week' buying they have all grown accustomed to doing. I have personally seen some customers in similar situations go to more of a specialty lumberyard rather than a traditional commodity lumberyard. The only alternative to continue buying lumber would be to buy through distribution which often allows for longer payment terms. Unfortunately, this type of buying only continues the fueling of soaring lumber prices."

"In the past, down-payments were a luxury. Now they are a necessity. We require a 25% down-payment on every project we do. This has helped ease the cash flow burden."

"Talk to your banker and get a larger line of credit. Follow the market up immediately. Do not sell material based on inventory value. A balanced inventory is critical. Out-of-stock equals lost sales."

"Good luck, it's also harder to get material due to trucking issues. I would suggest obtaining a higher credit limit, so you can buy more."

"Our turns are quick. I have stopped buying carloads and truckloads at this time. Only doing fill-ins."

"Our suppliers' prices have stayed the same. We buy local, shop local and reap the benefits. We are able to keep our prices at the same low price for the last few years. So we have not been affected by this."

"By keeping a close tab on inventories, and what projects contractors will be needing materials for."

"Ask to boost your line of credit. If you have a good payment history and relationship, this shouldn't be a huge issue. Use credit reports to show you are a good payer as well."

"Talk to your co-op about proactive solutions unique to members."

"I would hope that with rising prices all dealers are realizing increased cashflow that should offset the increased product cost. If there is a cash crunch I would lock margins and expenses to increase cash on-hand to deal with higher inventory costs."

"Encourage customers to pay prior to month end. Perhaps offer a slight discount for doing so." ■

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BY JAMES ANDERSON

BEST OF BOTH WORLDS

PENN VALLEY TRUE VALUE SERVES RANCH AND HIGH-END.

When Scott Gutierrez opened Penn Valley True Value in 2011, the demographic projections for first year profits were a little under what he had in mind. Gutierrez knew he could do better. With the unique blend of small business experience engrained in his childhood, and the time he spent working for a large chain of lumberyards, he set out to do better. As a result, he doubled his first-year projections.

It's Gutierrez's focus on both the family business of his childhood and the corporate structure in his work history that continues to drive success at Penn Valley True Value in Penn Valley, Calif.

In many coming-of-age stories, the main character strikes out from home and makes a go at the world on his own terms. For some, it's a move across the world into unchartered territory. For others, there are close ties to family that maintain a bond that shapes the character's new adventure. For Gutierrez, it's the latter. The boy who grew up in the family hardware store sought fortune in the corporate world and eventually returned home to start a family business of his own.

When Gutierrez was just two months old, his parents had moved to Placerville, Calif., where they purchased a hardware store. Some of his first memories are of helping out in the store as young as five years old, working alongside a familiar coworker in his twin brother.

"We were raised in that store," Gutierrez says. It was a good life, and a life that Gutierrez grew up thinking he might someday want for his own family. But first he had to strike out on his own and make sure there wasn't another way of life he liked better.

That's where the corporate experience comes into play. During a college job fair, Gutierrez approached a group from Meek's Lumber Company to ask how his childhood growing up in the hardware store business might help launch a career with the $300 million a year, nearly 50-location lumberyard chain. With hardware experience and a start on a college degree, Gutierrez joined Meek's as an intern. When he graduated college in 2002, he was promoted to the corporate office.

"I got an events manager job," Gutierrez says. "I planned golf tournaments and skeet shoots. We had season tickets to the San Francisco Giants and the Sacramento Kings and I managed that whole process of the events side of Meek's Western Division."

In 2007, when the economy slid toward the Great Recession and Meek's trimmed down its events budget, Gutierrez was again promoted, this time to Merchandising Manager for the West Coast. His responsibility was hardlines and he had input in store remodels. He was on a track to grow within the company, but something from his childhood still pulled him back to Placerville and his family's True Value hardware store.

"I was always aware, in the back of my mind, of the family business. I just wanted to go back to that," he says.

In March of 2011, Gutierrez started back at Placerville True Value, working alongside his twin brother in the store where the two had grown up together. But he soon discovered that his father had made a big sacrifice to get him there.

"My dad really wanted me to come back and work with my brother, but to make that happen, he took a huge pay cut to get me aboard," Gutierrez says. ›





"OUR CUSTOMERS ARE OUR GUESTS. WE MAKE SURE THEY HAVE A GREAT EXPERIENCE, AND WE MAKE SURE THEY'RE COMFORTABLE. WHETHER THEY'RE A PRO OR DIY CUSTOMER, WE TRY TO GREET EVERYONE BY NAME."

– SCOTT GUTIERREZ

PHOTOS BY TERENCEDUFFY.COM

Members of the Gutierrez family working the store then included his father, mother, brother, an uncle and a cousin. As Gutierrez says, it became apparent quickly that there were "a lot of mouths eating from the same trough."

By the time June came along, Gutierrez and his wife, Rory, were making visits with True Value in search of stores to open on their own. They found one in nearby Penn Valley, a town close enough to easily visit family and share business strategy, but far enough away to not have to compete against each other. "We took one loop around the town and drove down the main roads and said, 'this is where we want to spend the rest of our lives.'"

After a few months of remodeling, they opened Penn Valley True Value in December 2011. The store features True Value's Destination design, which Gutierrez says is "the best shopping experience you can have."

LBM ADDITION

If Gutierrez learned one thing from his post-college job at Meek's, it was that he needed to expand his hardware store to include lumber and building materials. While his lot size doesn't allow for a full-line stocked lumberyard, Gutierrez special orders "pretty much anything for any customer."

"We've expanded the LBM side quite a bit," he says. "We've brought convenience lumber, composite decking, pressure treated lumber, added Simpson Strong-Tie, and now we have contractor customers who buy full house packages from us."

The decision to bring on LBM inventory has helped secure business in a town that serves as a supply stop for a nearby affluent gated community. Penn Valley itself is what Gutierrez refers to as "a cowboy town." It's near enough to ranches that locals sometimes call the town "PennTucky".

The dichotomy of the two areas has worked out well for Gutierrez. On one side, contractors purchase full house packages, while on the other side the store also includes a separate nursery and gift shop. His farm and ranch sales took off to the point he was able to open a fence and ranch supply division. Penn Valley True Value also supports the building, remodeling, hardware, retail, and decorating needs of the nearby gated community. The store now serves about 80% retail customers and 20% pro contractors.

"We're like a convenience store," Gutierrez says. "We cater to everyone."

It's the blend of small town hardware store and the 12 years at Meek's Lumber Company's more corporate structure that has allowed Gutierrez to thrive in Penn Valley. When the store opened in 2011, there were six employees. Now the store employs 52, overseen by Manager Matt Buhman, who Gutierrez recruited from the Placerville store. Gutierrez said he recognized Buhman's degree and skills in mechanical engineering and offered him a management position at the store that he said would challenge and reward him as much as any engineer role.

"My philosophy is always to make sure everyone is on the right seat on the bus," Gutierrez says, referring to his approach of identifying talent and placing that talent in the right position within the company. "As an engineer, Matt solves problems. He's the guy who looks at the process and procedures and makes sure we're as efficient as possible."

The outside sales seat is just one of the seats that Gutierrez occupies on the Penn Valley True Value bus. He is the company's sole outside salesperson and he wouldn't have it any other way.

"Being in a small town, it really speaks volumes when I come out to the jobsite to see how our customers are doing," he says.

COMPETITION

Just 10 miles away in Grass Valley, there are five independent lumberyards that Penn Valley competes with, but Gutierrez quickly found that there is a natural advantage that works in his favor.

"The difference is that it's a 1,000-foot elevation climb. People feel like they don't want to go there. We give them a reason not to go up that hill. They'd rather support their community than make that trip, so when we opened it was huge. We had lines going through the store."





And at Penn Valley True Value, those lines have apparently continued. The doubled projected revenue from year one has now been turned into three times that amount. It's not unusual anymore to anticipate a double-digit increase in sales year-over-year, Gutierrez says.

"With the opportunity of expanding into niche areas along with improving our selection of products and maintaining our customer service, we have continued to grow very rapidly."

More than 70% of Penn Valley's sales are on a rewards card system. To recognize that loyalty, the team at Penn Valley True Value personalizes those transactions. "We instill that the cashiers, as the first person a customer sees and often the last person they see, need to offer smiles and good customer service," Gutierrez says.

It is because of the community of Penn Valley that his business has grown. "We're always listening and always changing along with our customers. I think people are going to shop where they feel comfortable to shop. I'm really happy with how successful we've been, but we're nothing without the community. The community is such a huge part of our business model."

Gutierrez believes so much in the community, that he tells his staff members to give out his personal phone number to any customer who has an issue, and he encourages them to make use of it.

"One of the greatest compliments I've heard at the store, is someone said, 'I feel like I should take my shoes off because I'm coming into someone's home.' That's how we run our business. Our customers are our guests. We make sure they have a great experience, and we make sure they're comfortable. Whether they're a pro or DIY customer, we try to greet everyone by name."

There's no sign that the growth is over for Penn Valley True Value. Gutierrez says he would like to replicate in another area. "We've been so focused in the past six years on growing through the support of our community in Penn Valley that we haven't looked at expanding, but it's definitely something we see in our future," he says. ■



GET TO KNOW PENN VALLEY TRUE VALUE

FOUNDED:	2012
OWNERSHIP:	FAMILY OWNED
LOCATIONS:	ONE
EMPLOYEES:	52
CO-OP/BUYING GROUP:	TRUE VALUE
SOFTWARE PLATFORM:	EPICOR EAGLE
TOP THREE VENDORS:	BASALITE CONCRETE PRODUCTS HILLMAN FASTENERS STIHL POWER EQUIPMENT

Scott Gutierrez and his wife, Rory, focus on supporting both the residential and the farm and ranch markets in the Penn Valley, Calif. region. The small-town hardware store expanded its lumber and building materials selection and has perfected the art of special orders.







IN DEPTH

SIDING

BY MIKE BERGER

IN A CHANGING MARKET DOMINATED BY TECHNOLOGY AND INSTANT CUSTOMER GRATIFICATION, DIVERSE PRODUCT OFFERINGS AND A TRUE UNDERSTANDING OF BUILDER AND HOMEOWNER NEEDS ARE THE FORMULA FOR SUCCESS.

BACK IN 1972, a line of children's clothing called "Garanimals" was launched with the intention of making the mix-and-match nature of kids garb so simple that even the children themselves could do it. Simplicity aside, it was a wildly successful concept: mix and match components to create unique looks.

Today's exterior siding market may be taking a page from the Garanimals playbook, as combining textures and bold, rich colors to create individualized looks for houses is the hot trend for 2018. Gone are the days when houses tended to be rather homogeneous in terms of colors and textures, when siding may have served a purpose but offered precious little in personality. That was then—this is now. In today's siding market, it's all about mixing and matching of textures and products.

"People are playing with texture and mixing styles within the same home to create dialogue within the siding," says Kate Wyeth, Market Development Manager of LP Building Products. "We're seeing increased interest in modern exteriors through blending different siding textures, styles and materials."

"Homeowners are opting for more accent pieces for a one-of-a-kind design," explains Matt Gibson, Director of Vinyl and Marketing Communications for CertainTeed Siding. "They're mixing textures on front facades with different materials, such as lap siding, shingles, board and batten, and stone veneer, and trim lines are being expanded for architectural detailing."

Daniel Franklin, Product Manager of Boral's Grayne engineered composite shingle, agrees with Gibson. "Homeowners continue to gravitate toward the use of multiple textures and color palettes across the facade, such as blending stone veneer, lap siding, accent cladding, and brick."

"Architects, designers and home owners are looking to add a reclaimed-look siding or a rustic interior accent wall to their contemporary design," adds Eric Pommerening, Director of Sales for Coeur d'Alene Wood. "Demand for the reclaimed/barnwood siding continues to grow in the traditional markets; however, where we are also seeing growth is into the contemporary style building market."

Hand-in-hand with this shift towards mixed textures is a significant shift towards darker colors, with a growing interest in dark tones and deep, rich hues combined with white or light colors to create more visual interest. "We are seeing more and more requests for dark red and deep blue siding in particular," says Delaina Lee, Director of Customer Engagement for Ply Gem's Siding Group. This isn't to say that it's all about dark siding; oftentimes, the color palette is reversed and white siding is paired with bold trim to create visual drama. "In terms of paint colors," says LP Building Products' Wyeth, "we're seeing an increase in sharper contrasts to achieve that modern aesthetic, like pure white siding paired with darker browns or wood-stained siding and trim." ›





OPPOSITE PAGE: Distributed by BlueLinx, the Compass line of Georgia-Pacific Vinyl Siding comes in the rich, vibrant hues homeowners are asking for and with the ease of install builders need. Finish the look, add Board and Batten or Cedar Spectrum to create a truly unique look.

TOP RIGHT: CertainTeed has recently expanded US distribution of its STONEfaçade Architectural Stone Veneer Cladding System, which according to CertainTeed offers the industry's only fully integrated rainscreen.

RIGHT: Grayne recently expanded its siding offering to include a 7-1/2" Red Cedar Shingle, which features graining patterns that create natural depth and shadows along with sharp, crisp edges and dual-offset installation for a more authentic look.

Changes in technology and development of new materials are allowing manufacturers to now offer these bold colors that were never before available. As Kevin Mickle, Product Manager of Siding for ProVia, explains, "While the actual process of extruding a vinyl panel hasn't changed, the collection, mixing and delivery of materials has been automated to increase the consistency and quality. In the past, deeper colors were limited to thinner profiles to avoid heat deformation. With new additives, modifiers and films, manufacturers can extend their full palette of colors to wider panels."

It's all about authenticity. Buyers are craving authentic looks while also wanting to avoid having to do too much work on the exterior. Aaron Sims, Product Manager of Boral's TruExterior Siding and Trim and Versetta Stone, explains, "There's an authenticity people want with products today. They want it to look like wood. They want it to feel real. They want the details to be right. They want it to look very authentic to replicate a traditional Craftsman-style or Farmhouse-style home."

Still, distributors need to stock product lineups that work together as an integrated whole. "First and foremost, the exterior cladding needs to match the architecture of the house," says Steve Booz, Vice President of New Product Development and Product Management for Royal Building Products. "With so many builders today mixing materials such as siding and stone, you want to make sure you have the right look. While you want your house to be unique to your neighborhood, you should also make sure you match with your surroundings and fit the local architecture."





TOP RIGHT: This year, ProVia is introducing its new Willowbrook Super Polymer Siding, a .042" panel that, according to the manufacturer, gives dealers more features than most entry-level siding panels on the market. Available in six profiles and 22 colors, it is backed by a lifetime limited warranty.

MIDDLE RIGHT: Royal Building Products' Celect Cellular Composite Siding features a patented interlocking joint system that according to the manufacturer virtually eliminated seams, resists moisture and stops warping, buckling, and shifting.

BELOW: TruExterior Siding & Trim's Nickel Gap tongue-and-groove profile is self-gapping, which according to the manufacturer allows for a quicker and easier installation. Made with Boral's proprietary blend of polymers and fly ash, the siding provides dimensional stability for reduced expansion and contraction, and resistance to warping, cracking, and splitting. It can be used in ground-contact applications, and it can be painted any color, including dark hues.



STORMS, FIRE, AND LABOR, OH MY!

There's no arguing that 2017 was a beast in regards to storms and other natural disasters. Last year alone there were 17 named hurricanes—six of which were major—and according to Dr. Phil Klotzbach, Tropical Scientist at Colorado State University, that level of storm activity placed 2017 among the top 10 most active Atlantic storm seasons on record. And when it comes to wildfires, California experienced historic levels of destruction last year. Nearly 9,000 wildfires ripped through the state, burning 1.2 million acres of land and destroying more than 10,800 structures. As a result of these events, codes are changing to make structures more storm- and fire-resistant, and manufacturers are taking note.

"From increasing wildfires in the West to intensifying hurricanes in the East, homes must withstand the forces of nature more than ever before," says Grayne's Franklin. "That's driving safeguards like California's Wildland-Urban Interface code (WUI) and changes to the Florida Building Code and the Texas Department of Insurance regulations. If you want to get your products on those jobs, the architects are asking if you meet these certifications."

To meet these needs, manufacturers are developing products to withstand the rigors of storm and fire. For example, Grayne reports that its engineered siding has been designed and tested to meet or exceed those certifications, and Boral's TruExterior siding is approved for use under California's WUI code and the Florida Building Code. ›

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The evolving product lineups are being hampered, however, by a nationwide shortage of labor to install the products. NAHB recently found that 82% of its members believe the cost and availability of labor are their biggest issues. When looked at historically, only 13% of builders rated labor issues an important concern back in 2011, followed by 30% in 2012, 53% in 2013, 61% in 2014 and 71% in 2015. To combat this increasingly concerning situation, manufacturers are designing products that are easier and quicker to install.

"Across the industry, we are seeing how the skilled labor shortage is affecting housing supply, affordability and workmanship," says LP Building Products' Wyeth. "Building solutions should be easy to learn and easy to implement." CertainTeed Siding's Gibson concurs. "Labor shortages are a challenge in our industry, so there's a greater emphasis on developing products that are easy to install."

THE DILEMMA OF DISTRIBUTION

In today's world of instant gratification and fast access to information, manufacturers agree that it's vital for distributors to be able to quickly meet the needs of an ever-more-educated customer. It's no longer good enough to simply have product available for order; rather, distributors need to understand their customers' needs, then deliver an effective solution. "Dealers and their builder customers are being forced to learn more about products because consumers are more educated," says Boral's Aaron Sims. "So it's important to have the right training and ensure dealers know the product well so they can be effective in selling. And if customers are asking about competitive products, how can the dealer answer questions properly to keep the business?"

"More dealers and distributors are embracing digital marketing efforts and getting more savvy with the tools and platforms available," says CertainTeed's Gibson. "They are using social media more, and providing digital marketing support to help their customers with marketing their businesses and communicating with prospects. Education is a key element—by gaining more knowledge about tools and products, they are able to better serve their customers."

So how, exactly, are manufacturers getting knowledge to the distributors? Every manufacturer who participated in this story conducts dealer training and provides product samples, and many are offering innovative new approaches for both product knowledge and presentation. For example, in the case of Tando, it recently launched its "Tando Atlas," a high definition collection of its complete product line that walks the purchaser through the texture and color selection process. This oversize catalog is available to all Tando dealers (and online as well). The contractor or consumer can then order an 11x17 high definition product photo in the actual size, texture and color so that both contractor and homeowner have confirmation of what the installed product will look like.

To help distributors, CertainTeed conducts nationwide tours to demonstrate installation techniques as well as sales tips, and it provides different levels of training for credentialed installers and hosts business-building workshops in various regions as a resource to help its distributors grow their businesses. ›







ABOVE: While long popular in the traditional market, Coeur d'Alene Wood's reclaimed/barnwood siding (that's now available in three new colors—Silver Lake, Barnwood Red, and White Wash) is increasingly being used in the contemporary building style, as architects, designers, and home owners are looking for unique ways to personalize their contemporary designs.

MIDDLE RIGHT: At the 2018 International Builders Show, Tando introduced two new colors for its Beach House Shake siding. Now in addition to Sandcastle, customers can also choose Hatteras (shown here) and Pacifica (which features the look of western red cedar).

RIGHT: LP Building Products' SmartSide Perfection Shingle is an engineered wood fiber lap shingle that features a fine sawn wood texture with no knots that, according to LP, achieves the balance of cedar-like texture and the clean lines of shingles.

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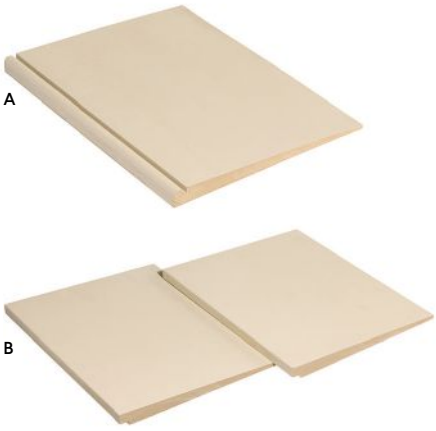
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In the case of ProVia, its design team assists dealers by providing marketing collateral such as displays, literature, product samples, branded apparel and merchandise. And for unique opportunities, it will help develop customized graphics and messaging to support a dealer's individual requirements ranging from a targeted marketing campaign to a complete showroom redesign. "We work with internal and external partners to create a comprehensive marketing plan," says ProVia's Kevin Mickle. "Based on the dealer's needs, this can involve brand strategy, website audits, advertising and marketing campaigns."

"Helping to design a siding job is one of the best benefits available," says Royal's Booz. "Using on-line design tools such as Royal's HomePlay allows users to mix and match products and colors on a home. It's the ultimate 'try it before you buy it.' Homeowners want design options and to see what their home will look like when it is finished. This helps the dealers bring the vision to life and give the homeowners what they need."

Education, however, is only half of the equation; being able to put the correct product solution into the buyer's hands is just as important. As LP Building Products' Kate Wyeth explains, "We're seeing dealers increase their efficiency as they're starting to have tremendous levels of products stacked in their yards, resulting in quicker product delivery and project turnaround. We're also starting to experience a more collaborative market where communication between manufacturer, builder, and dealer is improving. With the increased demand, we're all needing to work together to be more efficient and finish projects faster."







ABOVE: Boral recently launched two new products in its TruExterior Bevel siding collection: Beaded Bevel (A) and Rabbeted Bevel (B). Beaded Bevel features a bead at the bottom of its 6", 8", or 10" bevel profile, while Rabbeted Bevel includes a pocket for a consistent reveal.

TOP RIGHT: Ply Gem recently improved its SolarDefense Reflective Technology that the company describes as an advanced formulation that shields the darkest colors from the sun with light-reflecting properties and a strong heat-resistant base layer.

BOTTOM RIGHT: AZEK has developed a series of window and door surrounds curated from its most popular trim and moulded products. According to AZEK, these six surround designs provide sophisticated styling in a low maintenance material and were developed to simplify the design decision for both builders as well as homeowners.

WARRANTIES ARE WINNING

It should come as no surprise that product durability and ease of maintenance remain top of mind for both the contractor and the homeowner—the contractor wants to know that the product he or she is installing will not result in callbacks, and the homeowner wants to know that their siding choice won't result in continual maintenance on their part yet still maintain its visual appeal year after year.

Boral's Aaron Sims points out that contractors and consumers alike need to consider how a siding product impacts them directly when making a purchasing decision, and distributors need to be prepared to answer those questions. "For example," he says, "in regards to durability, longevity, and ease of maintenance, does the product accept paint? Can you clean it? What are the things that can impact it? If you clean it, does it void the warranty? One of the best things a dealer can do is get to know their customers—what attributes are most important to them? How will that home be lived in? What challenges does the contractor want to avoid? Dealers who know their products well will be able to offer the ideal solution for each customer and project."

For Ply Gem's Delaina Lee, these factors equate to peace of mind. "We understand that when recommending siding—and all exterior building products—it's important for builders and contractors to fully understand their homeowner customer's personal design preferences and house performance needs," she explains. "We continue to encourage dealer customers to highlight durability, quality and beauty. Our materials are built to last and we invest an incredible amount of time and effort into testing, researching and developing. We want to ensure that builders and contractors can have confidence when choosing to install Ply Gem products. That peace of mind is then passed down to the homeowner as well." ›



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THINKING INSIDE THE BOX

At its most basic form, a house is nothing more than a very large box, and when it comes to dressing the outside of that box, siding is an obvious and natural fit. But if you're not incorporating siding *within* the box as well, you're losing out on a potential sales opportunity. Using wood siding to create unique ceiling treatments or statement walls that incorporate rustic textures and unique colors is an emerging design trend that's poised for continued growth.

"Demand for the reclaimed/barnwood siding continues to grow in the traditional markets; however, where we are also seeing growth is into the contemporary style building market," says Eric Pommerening, Director of Sales for Coeur d'Alene Wood. "Architects, designers, and home owners are looking to add a reclaimed look siding or a rustic interior accent wall to their contemporary design."

Likewise, Universal Forest Products sees strong growth opportunity in the interior use of wood siding products. "Our UFP-Edge brand continues to grow and add value with both contractors and the DIY market," said Bryan Hoexum, Director of Independent Retail Sales for Universal Forest Products (UFP). "Consumers are asking for vintage styles they can customize, and our Rustic Collection allows them to do that. Rustic lumber is one of the hottest trends in home decorating and remodeling."







ABOVE: UFP-Edge Rustic Collection from Universal Forest Products features new lumber that has been distressed, primed and painted to have the authentic look and feel of vintage barn wood. It's available in both 1x6 shiplap interior siding up to 12' long and 1x4 trim boards up to 8' long, with several color options.

MIDDLE LEFT: Coeur d'Alene Wood not only offers a complete product line for interior applications, it also offers its "Accent Wall in A Box." Comprised of 14 pieces that cover 25 square feet, it's an efficient way to quickly create a unique interior look.

LEFT: PrimeLinx Shadow Gap by BlueLinx offers builders and DIYers the desirable Craftsman shiplap style with quick and easy installation. The PrimeLinx self-spacing innovation eliminates the need for spacers and all PrimeLinx products come with an industry leading finish that requires no priming or sanding.

For both builder and homeowner, that peace of mind comes from the warranty that backs the siding product. "On the builders' side, a manufacturer's warranty speaks to consistency of the product and tells them that the product has been tested for quality," explains LP's Wyeth. "For homeowners, warranties offer confidence in their investment and assure them that their home's aesthetic will last for years to come."

Not all warranties are the same, however, and many can be confusing in their verbiage or require additional steps or paperwork on the part of the builder or homeowner—the simpler and more inclusive, the better. "The warranty should have limited exceptions and/or uncovered conditions," points out ProVia's Mickle. "We've seen warranties that are so restrictive that the risk burden is exclusively on the homeowner. A common standard exception is color fading. Rather than having an arbitrary way of defining the fading, it is important that the degradation is based on established standards. For example, having a valid claim based on the color difference being more than four standard color units as measured through a color meter."

Ralph Bruno, CEO of Derby Building Products (home of Tando and Novik brands of exterior cladding) agrees. "While warranties are a consideration, they can be confusing and overwhelming to the consumer. Many warranties become void if the product is not regularly maintained. Tando products come with a 50-year performance-plus warranty, ensuring the products will not rot, decay, have any moisture or insect damage, all with little to no upkeep."

EXTRAS SEAL THE DEAL

Builders have many choices in siding products, and those from reputable manufacturers all come with warranties and the ability to deliver long-term satisfaction (whether in color, durability or ease of maintenance). So what is it that going to truly differentiate one siding product from another? According to the manufacturers, it's the extras. ›

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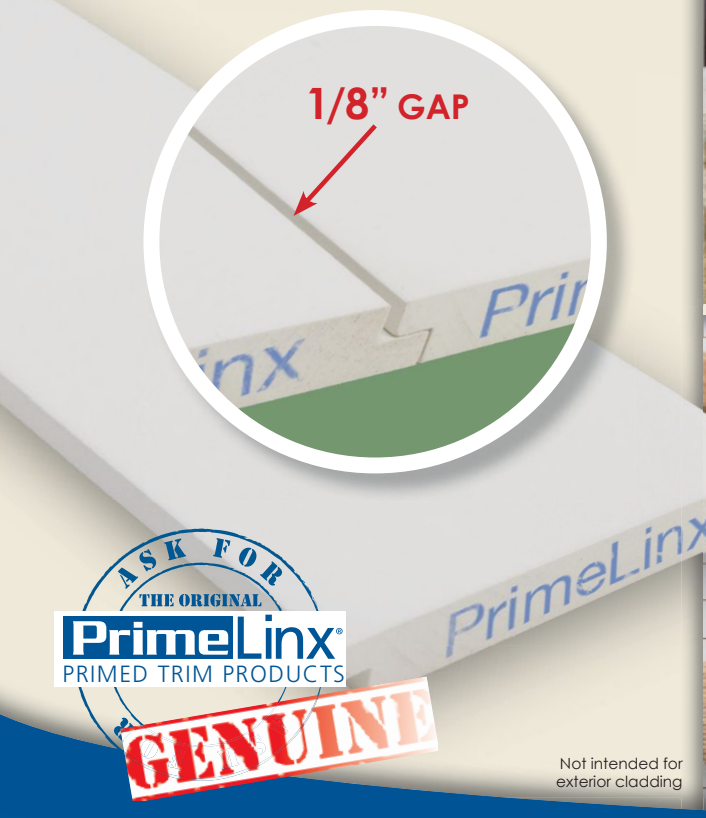
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Differentiators that make installation easier, cuts overall install time, or adds value to the builder or homeowner can make the difference between completing the sale and watching a potential customer walk out the door. "It's important to remember the 'extras'—the accompanying accessories, accents, and trim that truly complete a home's look," explains Grayne's Franklin. "These upgrades typically offer higher margins with minimal impact on the budget."

In highlighting these "extras," manufacturers recommend distributors focus on unique product features that help define one product from another. For example, Versetta Stone stresses that its stone veneer is mortarless and therefore doesn't require the skill of a stonemason to install. In the case of CertainTeed, it's proprietary installation features STUDfinder and PanelThermometer that provide for accurate and correct installation. And for its SmartSide siding line, LP Building Products highlights how the product is engineered to withstand extreme temperature, high humidity, freeze/thaw cycles, fungal decay, and termites.

In short, it's about completing more jobs. "In today's market we start with labor and how they can install the jobs faster in any weather with our products," says Derby Building Products' Bruno. "This will help the contractor complete more projects and ultimately earn more money."

FORESEEING THE FUTURE

Despite the vagaries of changing style, evolving products, and an unpredictable Mother Nature, both the immediate and long-term future of the siding market looks strong for both manufacturer and distributor. In its most recent "Siding" report, the Freedonia Group predicts demand for siding in the U.S. to rise 5.6% per year to 100 million squares in 2019, valued at $10.7 billion.

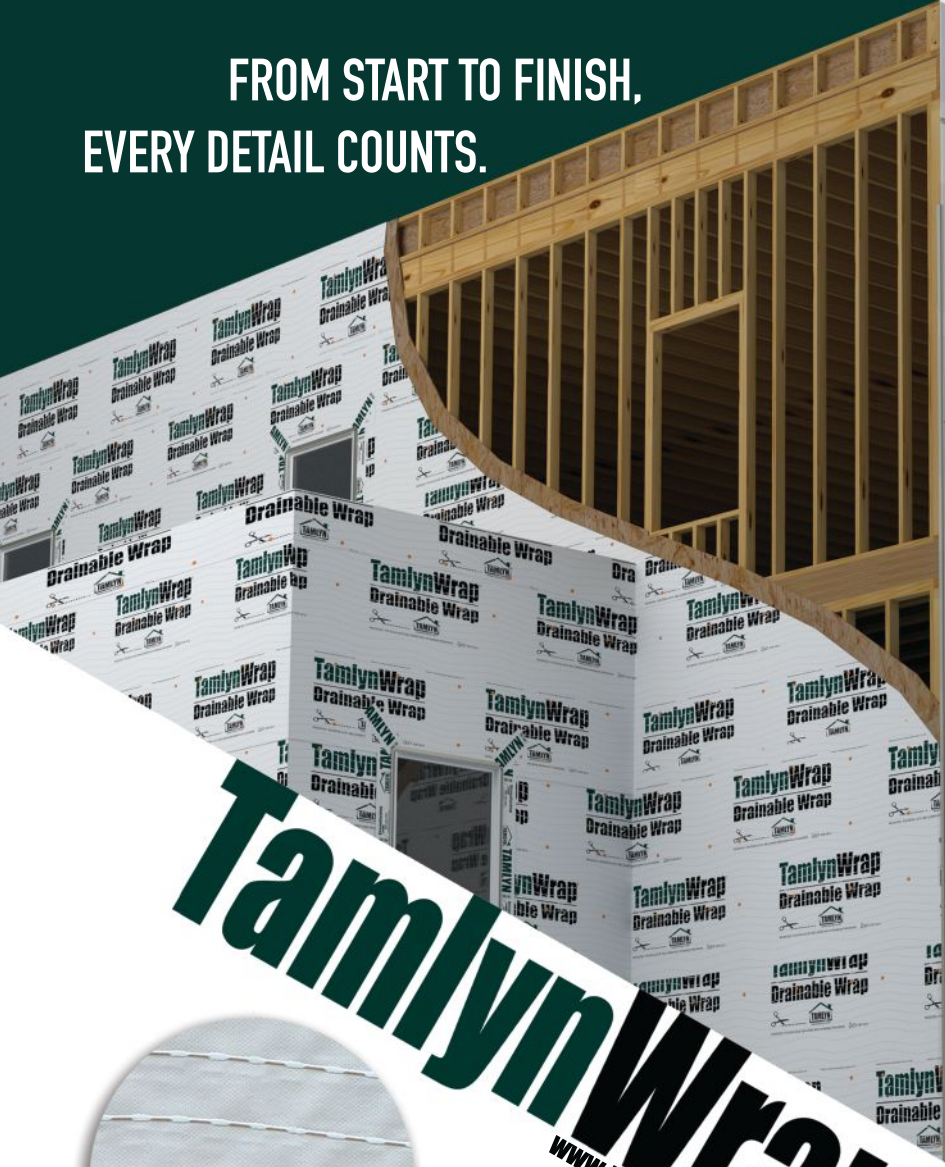
A rebound in building construction activity, in particular double-digit gains in housing completions, will drive siding demand in the new residential market, which is expected to become the largest siding market by 2019.

"2018 looks to be another good year for siding," says Royal Building Products' Booz. "New construction—both single-family and multi-family—are showing signs of strength already this year, with further growth alongside some new reports that show we are not building enough new homes. For the remodeling sector, we see continued investment in low-maintenance exteriors, which continues to drive growth for siding products as people remodel their homes." ›



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Versetta Stone's Carved Block mortarless stone veneer is manufactured to resemble larger-format split-face stone and offers a more contemporary take for modern home styles or light commercial applications. According to the manufacturer, Carved Block panels install easily with nails or screws and feature an integrated moisture management system.

Grayne's Franklin agrees with Booz's optimism. "The residential new construction and remodeling markets continue to be strong, and that is translating into steady business for exterior cladding," he says. "On the polymer side of things, the Vinyl Siding Institute reports an increase of about 2.5% over last year. But we expect that to continue to grow, as the lingering winter in parts of the country has pushed the busy season to a later start. The indicators I'm seeing are that it should rebound and we should definitely exceed 2017's volume."

In terms of market segment, indicators seem to point towards growth across the board. From single-family to multi-family, new construction to remodeling, residential to commercial, manufacturers are expecting 2018 to be a profitable one. "In the premium siding category, we're seeing more new home construction, and that's driving our business," explains Boral's Aaron Sims. "In the market as a whole, we're seeing more multi-family and remodeling, because of Millennials getting into the market and the fact that there is a lack of inventory for new starter homes and the price of starter homes is so high. Buying a house is very different today, and one of the answers to that is multi-family. The Millennials are the largest population base in the country, but that demographic is not being serviced right now. Fortunately for the premium category, Baby Boomers also represent a huge economy, and they're retiring and buying high-end, low-maintenance houses."

LP's Wyeth shares Sims' optimism, especially in regards to multi-family. "Because of the increase in construction in downtown or metropolitan areas, we're seeing a more rapid growth in multi-family homes like apartment complexes and townhomes," she says. "In terms of single-family homes, we're seeing an influx in paired homes, as homebuyers are gravitating towards the appeal of spending less of their home budget on the actual land while still getting the home features and modern amenities they're looking for."

Ply Gem's Lee adds, "We expect to see continued new project activity in multi-family and light-commercial applications, as well as new construction. The one market in which we're seeing growth is in remodeling. We have focused research and development to provide the durability and performance upgrades necessary to meet the specific needs of contractors and their customers."

Considering all the choices available to builders and homeowners, combined with a promising future, it's hard to not see the siding segment as one that's primed to deliver hefty returns for distributors. So don't be afraid to mix it up. Get to know your customers, and then be prepared to deliver options and solutions that are as unique as they are. In the end, your success will be as expertly put together as that Garanimals outfit. ■

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

INTERNET INFORMATION

Companies highlighted participated in this article.

Allura:
www.allurausa.com

Alside:
www.alside.com

AZEK:
www.azek.com

BlueLinx:
www.bluelinxco.com

Boral North America:
www.boralamerica.com

Cedar Valley:
www.cedar-valley.com

CertainTeed:
www.certainteed.com

Claymark:
www.claymark.com

Coeur d'Alene:
www.cdawood.com

Environmental StoneWorks:
www.estoneworks.com

Georgia-Pacific:
www.gpvinylsiding.com

Grayne Siding (The Tapco Group):
www.grayne.com

Holmes Manufacturing:
www.holmesmanufacturing.com

James Hardie:
www.jameshardie.com

LP Building Products:
www.lpcorp.com

Maxitile:
www.maxitile.com

MiraTEC by Jeld-Wen:
www.miratectrim.com

Nichiha:
www.nichiha.com

Ply Gem:
www.plygem.com

Premier Forest Products:
www.premierforestproducts.com

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Roseburg Forest Products:
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Royal Building Products:
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www.royomartin.com

Style Crest:
www.stylecrestinc.com

Tando Building Products:
www.tandobp.com

TruWood Siding & Trim:
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Universal Forest Products:
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STAFF REPORT

PRODUCT PICKS

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Viance D-Blaze fire retardant treated wood

Underwriters Laboratories has recently certified Viance D-Blaze Fire Resistant Treated Wood (FRTW) lumber and plywood for two-hour bearing wall assemblies. The two-hour rated fire-resistant bearing wall assembly, Design No. V335, is available at UL's Online Certifications Directory, and will allow architects and specifiers to design FRTW walls with brick, stucco, fiber cement and other approved UL exterior facings. D-Blaze fire-retardant treated wood (FRTW) is designed to be highly effective at controlling the spread of flame and smoke, increasing evacuation time and potentially reducing damages and repair costs caused by fire. Tested and listed by UL and ULC, D-Blaze FRTW meets the requirements of construction materials as set forth in all North American building codes for lumber and plywood products used in fire rated assemblies and interior applications where fire retardant construction materials are permitted and specified by building codes. Viance is a joint venture of DowDupont Inc. and Venator Materials PLC. **www.viance.net**

Deckorators Pro on the Go app



The new Pro on the Go app from Deckorators, a Universal Forest Products company, is available for iOS and Android smartphones and tablets. Available for free from iTunes and Google Play, the app helps certified pros submit deck project invoices, manage rewards points and receive alerts on new Deckorators products, events and promotions. Certified pros can also quickly update their pro profiles, access product information and contact Deckorators customer service through the app. The Pro on the Go app complements the revamped Deckorators pro website at pro.deckorators.com, which features an all-new rewards management page. **www.pro.deckorators.com**

Dialogue layered glass from ODL



ODL's new Dialogue layered glass line was developed to complement a range of architectural styles and design aesthetics. Each of the six ceramic frit patterns change form and move depending on the amount of light coming through and depending upon the viewer's vantage point. The six translucent patterns offer dynamic privacy levels which change based on light and proximity, and range from a moderate 3-5 to a high 8-9 on the privacy level scale. The glass is available in 11 sizes, nine of which are also available as severe weather glass designed specifically for hurricane-prone or high-wind areas. **www.odl.com**

L.J. Smith Stair Systems metal newel caps

Two decorative metal newel caps are available to fit 3", 3-1/4", and 3-1/2" square wood posts. Available in Low Sheen Black, Matte Nickel, Oil Rubbed Copper, Satin Black, and Stainless Steel, the caps are designed to enhance a variety of home styles including Contemporary, Retro, Modern and Craftsman. The newel caps are designed to match both iron and wood balusters and are available in both flat metal cap and pyramid metal cap. **www.ljsmith.com**



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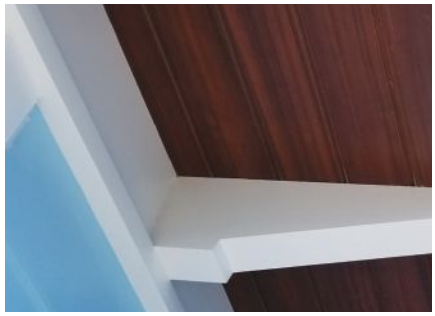
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Colored PVC from Versatex

A collaboration between Versatex Building Products and Aqua-DIY has introduced the application of any color imaginable—even realistic woodgrain patterns—to standard white PVC components such as trim boards and mouldings. Called Aqua-DIY D100, the AquaSurTech system incorporates heat-reflective pigments and a unique, water-based vehicle that bonds with PVC at the molecular level. As a result, the finished substrate resists heat buildup, even under subtropical conditions, while the coating itself is designed not to chip or peel. Materials finished in darker shades are said to sustain less fading than uncoated white substrates. Available with a 15-year joint Versatex/AquaSurTech warranty. **www.versatex.com**



Atlantis Rail's Spectrum Cable Railing System

Atlantis Rail has launched new colors and advances to its Spectrum Cable Railing System, including an ADA handrail mounting bracket, a reinforcing channel, and a wide mounting plate. The railings are now available in Pure White, Pebble Grey, light brown, or dark brown. The products feature pre-drilled square posts and fittings for surface or fascia mounting. Customers can also use either 5/32" or 1/8" cable with hand swage studs. An ADA handrail mounting bracket is also available. This bracket fits onto the Spectrum post and allows for the attachment of a handrail. Atlantis Rail's new reinforcing channel is available in a 48" lengths and can be cut to size to fit any project. For customers that would like a wider top rail, Atlantis Rail has developed the wide mounting plate, which is twice the width of the standard mounting plate. **www.atlantisrail.com**



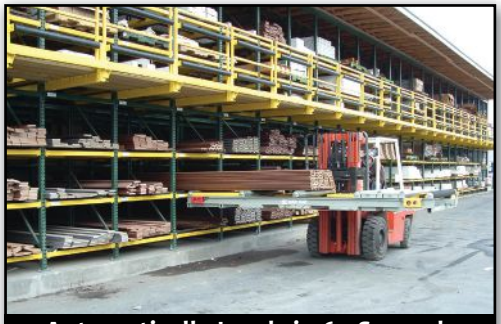
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MiTek Project Explorer app

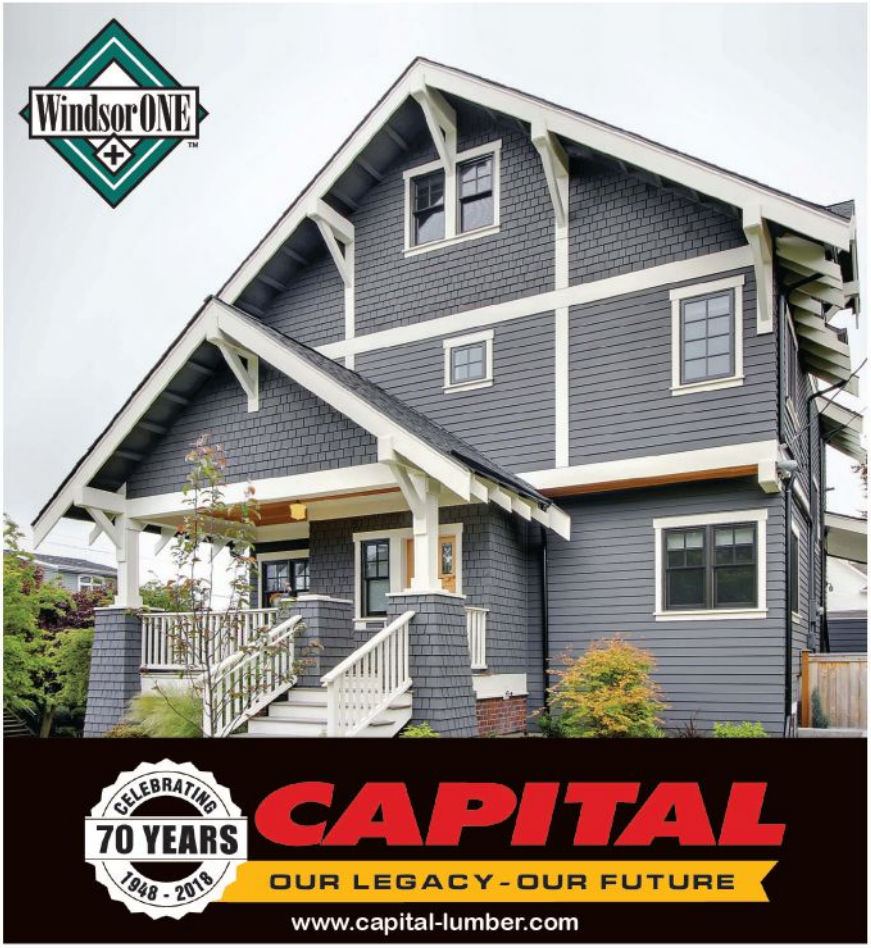


MiTek's new Project Explorer app, designed to search for and plan outdoor projects, was built in conjunction with OZCO Building Products, which makes ornamental wood ties and structural connectors for use in decks, pergolas, benches, fences, gates, posts, gardens, planters, and more. The Project Explorer app is a free download at the Apple App Store. Professionals, DIYers, and pro-sumers can access a gallery of images of finished pergolas, pavilions, and backyard projects within the app. The project concepts are presented along with estimates of the material costs, a dealer locator, and the opportunity to share photos of selected projects. **www.mitek-us.com**

CombiLift pallet truck



The Combi-HC-PPT, a high-capacity powered pallet truck from CombiLift is equipped with a patented multi-position tiller arm, said to offer safer operation, maximum operator visibility, and narrow aisle performance. The tiller arm can be turned to the left or right to allow the operator to remain at the side. This design enables full visibility of the load and the forks, providing the operator greater awareness of surroundings for enhanced overall safety. With a load capacity of 11,000 lbs., and a maximum speed of 3-1/2 mph, the Combi-HC-PPT is designed to work in small operation aisles. **www.combilift.com**



Milwaukee Tool tape measures

Milwaukee Tool has grown its lineup of compact tape measures with new auto-lock tapes. The new tapes feature a blade that automatically locks once its extended to the users' chosen length. Users then simply need to depress the lock mechanism to retract the blade. Constructed of proprietary Nylon Bond Blade Protection, and a 5-point reinforced frame for drop protection. Available in 16', 25', 5m/16', and 8m/26'. Milwaukee tape measures feature a fractional scale designed for easy reading, an optimized hook designed for scoring, stamped steel belt clips, and are lanyard-ready. **www.milwaukeetool.com**



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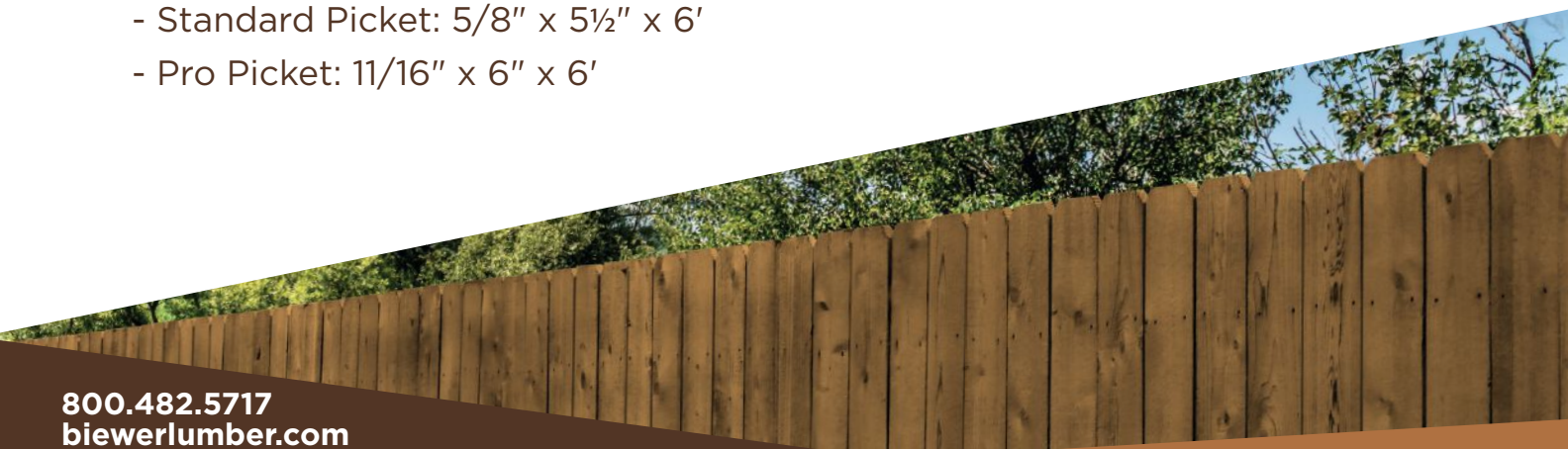
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Grayne trim and accessories

Grayne siding from Boral is now available with a complete accessories package. The Grayne accessories line includes paintable cellular PVC trim as well as color-coordinated J-channel, mounting blocks, and utility vents. Cellular PVC trim consists of 4" and 6" outside corners and flat casing, each with an integrated nailing flange. The 3/4" J-channel is said to be ideal for inside corners and gables, the J-channel comes in solid colors to match Grayne engineered shingles. Mounting blocks and utility vents are available for side wall penetrations. The line includes a 4" hooded vent, louvered exhaust vent, jumbo UL mount, square mount block, split block mini, and recessed mini. The units, which also come in colors that coordinate with Grayne siding, are designed to install quickly and provide a flat surface. Grayne engineered composite shingles are available in a 5" white cedar profile and a 7.5" red cedar profile. **www.grayne.com**

hooded vent



exhaust vent



recessed mini



Scepter SmartControl gasoline container

Scepter has introduced a new SmartControl gasoline container. The new product is designed to fill without spills. The gas can's design includes an easy-to-pour spout and a flame mitigation device. The SmartControl container is designed to save gas for where it's needed by eliminating messy spills. The user-controlled flow is said to make it easier to direct the amount of fuel being dispensed. The container stores with the spout on, a feature developed to keep hands clean. The one-, two-, and five-gallon sized fuel containers are also available for diesel and kerosene storage. **www.scepter.com**



STANLEY FATMAX tape measures



The 2018 STANLEY FATMAX tape measure is a new design with 13' of straighter blade stand out, and a baseball-inspired grip. The impact-resistant FATMAX case is built to survive a 50' drop onto packed soil. The tape measure is available in 25' and 35' lengths. A 16' length will be introduced in late 2018. Features a three-rivet fastened hook, and MAXSHIELD Blade Coating, applied to the entire 1-1/4" wide high carbon steel blade and length of the tape. A slide lock is designed to engage and disengage with ease while holding the high carbon steel blade when locked. **www.fatmaxtape.com**

Shurtape flagging tapes



Shurtape Technologies has expanded its safety and marking product portfolio with new Shurtape brand FM 200 flagging tapes. The new flagging tapes are built for use in a variety of temporary applications, from color-coding, tagging and designating hazards to indicating survey boundaries, marking trails and more. Designed to resist fading over time, FM 200 is available in a variety of standard and fluorescent colors, each warning of a certain potential hazard, such as pipes, cables, drain lines, and more. FM 200 non-adhesive flagging tapes are designed to resist to moisture and humidity for use indoors and outdoors. They are also suitable for writing warnings and identification marks. **www.shurtape.com**

Trex Signature Railing

Signature Railing from Trex is designed to be spare, sturdy and modern. Signature Railing is made of powder-coated aluminum said to accommodate fast assembly and low maintenance, and serve as a quick and easy alternative to cables. The corrosion-resistant materials are compatible with cocktail rail and Trex composite posts. Signature Railing cocktail rails are designed to hold planters, drinks, and more. Choose from round or square balusters, and the rails can be ordered curved to mimic sweeps in landscape. Trex Signature aluminum posts include a cap and skirt and pair with a rail and baluster kit or a rail and rod kit. The rod rail requires no special installation tools or tightening. Available in Charcoal Black, Bronze, and Classic White colors. Features Trex's 25-year limited warranty. **www.trex.com**



MI Windows updated sliding glass doors

MI Windows and Doors' HomeMaker3 and EnergyCore 190 sliding glass door product lines are now available with the company's black SuperCapSR co-extrusion exterior color technology. Previously only available in silver and bronze, SuperCapSR is a scratch-resistant, molecularly-fused color layer said to reflect up to 76% of infrared light, helping to prevent heat build-up and frame distortion caused by high outdoor temperatures and extreme sun and UV exposure. The black SuperCapSR is now offered in nearly the entire HomeMaker3 Series of window and sliding door products, which are designed for renovation and replacement projects as well as newly-built homes. It will also be available with MI's series of EC190 two-, three-, and four-track sliding door configurations. **www.miwindows.com**





RailLok® Rail Section Connection

RailLok is used to connect railing sections to the rail post. Attach the brackets to the rail post using included mounting screws and then slip pre-assembled railing sections into the brackets and screw them in place. The RailLok brackets provide a strong, reliable railing to post connection. RailLok is available in 316 Stainless Steel and in white or black powder coat finish.

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Bosch Max Palm Edge Router



The Bosch GKF12V-25 12V Max Palm Edge Router weighs only 2.2 pounds and the 12-volt Bosch EC brushless motor offers 13,000 rpm power. The tool provides up to 23' of round-over capacity per battery amp hour. An easy-change spindle lock offers fast macro-depth adjustment and easy fine-depth adjustment. A compact grip area is positioned over the work piece, designed for maximum stability when edge forming and trimming. The tool measures 9.9" high, 5.7" long (front to back) and 3.1" wide. Its grip area is 2.3", designed to enhance the router's maneuverability. The router includes a 1/4" self-releasing collet chuck and forged collet wrench. Other key features include a finger barrier to help prevent contact with the bit area when the tool is in operation and a drop-detection sensor that stops the motor if the tool is dropped. **www.boschtools.com**

DEWALT lawn mowers



DEWALT now offers the 2x20V MAX Brushless Mower (shown), and 40V MAX Brushless Mower. The 2x20V MAX Brushless Mower is optimized for use with DEWALT construction battery platforms. Both mowers offer a 20" metal deck, a folding handle for upright storage, and front deck and rear deck carrying handles for easy transportation. The mowers are designed to mulch, bag, or rear discharge grass clippings. The 2x20V MAX mower features an on-deck LED light board which signals state-of-charge for each pack and indicates when a recharge is needed. The mowers come with the standard DEWALT three year limited warranty, one year free service, and 90-day money back guarantee. **www.dewalt.com**

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New color for Safe-Way Doors



Safe-Way Doors' Ambient and Regency series garage doors are now available in grey. Safe-Way Door's Ambient Series one of Safe-Way Doors' more recent offerings, launched in the fall of 2016. The door features an R-Value of 17.68, designed for thermal performance and longevity. The Regency series of garage doors combine the strength of steel and a wood-like design. Sandwiched between steel skins is 2" of expanded polystyrene that give the doors an R-value of 10.25. The Regency door model is used across climate sectors in both the north and the southern regions. Safe-Way Door is a manufacturer and distributor of residential, commercial, and industrial overhead garage doors. Headquartered in Warsaw, Indiana, Safe-Way Door also operates facilities in Tennessee and Missouri with distribution throughout North America. **www.safewaydoor.com**

Plastic Wood-X from DAP



DAP's Plastic Wood-X all-purpose wood filler features DryDex dry time indicator. The product goes on pink and dries to a natural, wood finish, so you know when it's ready to sand. Said to be ideal for filling and repairing nail holes, gouges, cracks scratches & imperfections on any wood surface. The product is stainable and paintable and can be sanded, planed, cut, drilled, screwed or nailed. There is no mixing involved and Plastic Wood-X is designed to spread smoothly and evenly. The thick, knife-grade formula is said to be easy to apply, especially on vertical surfaces and corners, and is shrink-, crack-, and crumble-resistant. Cleans up with water. **www.dap.com**

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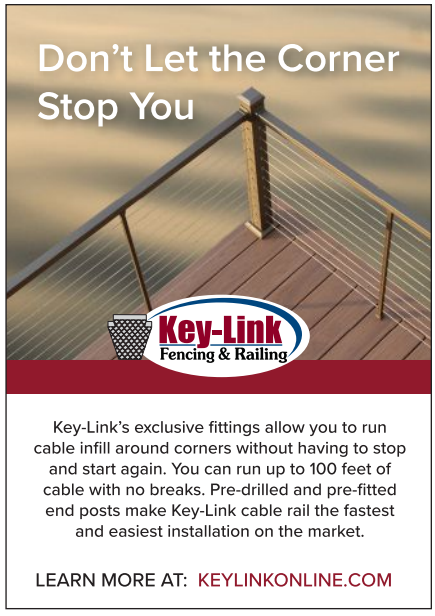
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U.S. trade policy increasingly relevant for dealers

BY BEN GANN

AS A CANDIDATE, President Donald Trump made trade policy a major part of his campaign and vowed to make trade agreements that were more favorable to the United States. Since taking office, Trump has withdrawn the U.S. from the Trans-Pacific Partnership and sought to renegotiate the North American Free Trade Agreement (NAFTA).

The lumber and building material industry is one of many industries that has been affected over the past year by the administration's trade actions. In December, the U.S. International Trade Commission upheld duties on Canadian softwood lumber imports. Earlier this year, the White House announced tariffs on steel and aluminum imported from some countries.

President Trump is confident that duties and tariffs will give the administration leverage to craft more favorable trade deals. However, the actions have created disruption for manufacturers, distributors, and retailers seeking predictable pricing and minimal supply chain disruptions. Recent trade actions have raised concerns that a broader trade war with countries such as China could harm the U.S. economy.

The decision last year by the ITC affirmed combined Antidumping Duties (AD) and Countervailing Duties (CVD) of 20% for most Canadian lumber producers importing to the U.S. For the five companies (Canfor, J.D. Irving, Resolute, Tolko, and West Fraser) that were directly involved in the investigation, the rates vary between 9% and 23%. Duties do not apply to softwood lumber harvested in the Atlantic Provinces of Newfoundland and Labrador, Nova Scotia, and Prince Edward Island.

Canada has responded on two fronts in recent months. First, it requested a binational panel review of the AD/CVD determination as provided under NAFTA. Second, at the Canadian government's request, the World Trade Organization has created dispute settlement panels to review the softwood lumber duties.

Congress has weighed in regarding the softwood lumber dispute. In June, more than 170 members of the House of Representatives sent a letter to Commerce Secretary Wilbur Ross and Ambassador Robert Lighthizer, the U.S. Trade Representative, asking that the U.S. return to the negotiating table with Canada and redouble efforts to reach a new softwood lumber agreement. NLBMDA staff and lumber dealers helped build support for the letter.

Increased congressional interest in the dispute comes at a time of record high lumber prices. Since the Department of Commerce investigation started in December 2016, domestic softwood lumber prices have increased 30% according to the Producer Price Index (PPI) published by the U.S. Bureau of Labor Statistics. Additionally, oriented strand board prices have increased 32% over the same period according to the PPI.

Canadian softwood lumber duties are not the only reason prices have increased. Record wildfires last year from California to British Columbia have been a major factor. There has also been a record-breaking spruce beetle infestation in British Columbia. A confluence of events have pushed prices higher.

But there is good reason to be cautious about a quick resolution. In previous iterations of the softwood lumber dispute, it has taken several years after the imposition of duties for the two countries to reach a new agreement.

A new trade issue affecting the LBM industry is the recent imposition of tariffs on steel and aluminum. In March, 25% tariffs on steel and 10% tariffs on aluminum were assessed on products imported from China, Russia, Japan, and Turkey. The threat of those tariffs caused Argentina, Australia, Brazil, and South Korea to reach agreements restraining their metal shipments.

More recently, in late May, steel and aluminum tariffs were also imposed on imports from Canada, European Union member countries, and Mexico. The affected countries have responded by placing retaliatory tariffs on American goods.

NLBMDA took a position earlier this year opposing the steel tariffs as it increases construction costs, decreases housing affordability, and can cause an unnecessary trade war that harms consumers.

It is unclear if the administration's tough approach on trade is having the desired effect. Despite pushing hard to renegotiate NAFTA, the three countries have not reached a new deal and the deadline has passed for Congress to approve a renegotiated agreement this year. That means any NAFTA deal will be approved in 2019 at the earliest.

President Trump has said he will attempt to negotiate separate bilateral trade pacts with Canada and Mexico following failed efforts to renegotiate NAFTA. Canada has openly rejected the idea and Mexico seems cool to the idea as well.

NLBMDA is monitoring the latest trade policy developments for their effect on the LBM industry, and maintains that fair trade policies should be followed, to ensure a reasonably level playing field for domestic and foreign manufacturers, but opposes excessive tariffs and other restrictions that decrease product availability. ■

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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You have no illusions about how fortunate you are. In fact, you can't remember the last HBA, NARI, or lumber dealer association meeting you've attended where someone wasn't bemoaning the lack of qualified prospective employees. "How are you so lucky that you have all the staff you need?" one competitor complained. You were tempted to answer, "Well, Bob, I treat my people well, pay them what they're worth, and focus on a family-first culture." Instead, you said, "Just lucky, I guess." In truth, it's anything but luck.

At the first LBM Strategies Conference, you heard two dealers talk about what they did to make their company a "best place to work." Intrigued, you did some digging and found a service that would poll your employees anonymously about their attitude about working for your company, then share the unvarnished results with you. By taking the results to heart, you've made the necessary changes (some big, some small) in order to make yours a workplace where people love to work.

While pay isn't everything, it is part of the equation, so you do all you can to make sure no one leaves over pay. And sometimes you go beyond when someone's performance is so extraordinary, and their value to the company is so important. This happened most recently with Jill, an Inside Salesperson who consistently does more than her peers, and whose can-do attitude and sales ability puts her performance far above par. When you sat her down to discuss, and shared her increase, she was overwhelmed. "Thank you so much!" she exclaimed. "You're very welcome, Jill. You deserve every penny," you replied. "All I ask is that you keep your new pay level confidential." She enthusiastically agreed, and that was that.

Or so you thought.

Not two weeks had passed when Bill and Jack, two Inside Salespeople who'd been with your company far longer than Jill, confronted you. "We know that you gave Jill a big raise. We work just as hard as she does. Plus, we've been here longer. Plus, we do other things that are just as important. So we want to be paid the same—if not more, due to our seniority."



It's true that Bill and Jack have seniority and they're solid workers, but the fact is that Jill consistently sells more, and at higher margin, than Bill and Jack combined. What you told her was true—she does deserve every penny. You'd like to pay Bill and Jack more, but their performance doesn't justify it. What would you do?

Cast your vote online at www.LBMJournal.com

1. **JUST SAY NO.** What Jill is paid is between the company and Jill—no one else. Tell them that it's no one's business what anyone else earns, and that's that.
2. **EARN IT.** Tell them that her sales and margin performance earned her that raise. Show them exactly what they need to do to earn the same. Then let them earn it.
3. **JUST SAY YES.** Since Jack and Bill have both been on staff longer, it's only fair that they earn as much as Jill, even though they need to work on their sales and their margins.
4. **PROMOTE JILL.** Jill is the unquestioned leader among your inside sales crew. Elevate her and let her coach Jack, Bill and the others. That way they can't argue about her earning more.

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