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AUGUST 2018 \$10 U.S.

— OUTSIDE SALES COMPENSATION & BENEFITS REPORT 2018

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LBM || OUTSIDE SALES COMPENSATION & BENEFITS || REPORT 2018 ||

How much should you pay your salespeople? How should you structure their pay—base, commission, or a combination of both? Should commissions be paid on straight or variable percentages? Should the percentage be based on sales, margins or profits? What about benefits—insurance, retirement, bonuses, etc.? Though there's no universal right answer to these questions, this article features the insights of hundreds of readers from throughout the industry and across the U.S.

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We've spent much of the last year implementing bold new initiatives to help our member-owners take full advantage of game-changing opportunities in the independent home improvement industry. Through it all, Do it Best has performed just as we promised — and it's been validated by our strong growth with existing members and while welcoming more new members than ever before. How have we done it?

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— Dan Starr, President & CEO

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EDITOR'S NOTE

Fresh perspectives and hat tricks

A FEW WEEKS AGO, my son's first season of traveling soccer was nearing its end, and he had yet to score a goal. That's okay unless, like my son, you're used to scoring the occasional goal. As the season wore on, and the scoring drought persisted, I could see his passion begin to wane. In the hope of snapping him out of his funk, I found a local soccer coach to do a few lessons. At the first game after his first lesson, the opposing team scored early with two quick goals. Then, my son exploded down the field and scored his first goal of the season. Minutes later, he scored his second. On the sidelines just before halftime, with the score tied 2-2, he asked the coach if he could go back in and give our team the lead. She said sure, so that's what he did. He scored a hat trick—his first three goals of the season—the day after spending just one hour with a trainer.

Coincidence? Maybe. But I think not.

It doesn't matter what our job is, gaining a fresh perspective makes us better. For my son, the difference wasn't in the technical skills he'd just been introduced to (and has yet to master). Instead, it was about thinking differently about his potential. It's the same for you and me, and everyone on our teams. If we simply go to work each day, encounter the same obstacles, and battle them the same way, then we're as good as we're going to get. But...once we're removed from our comfort zone, then we've got no choice but to see things differently.

That's what my friends Bill Lee and Rick Davis do so brilliantly in their monthly columns. Through years of hard work and study, they've earned the gift of viewing situations from different angles, and from other peoples' perspectives. In fact, Rick's inaugural three-part series for *LBM Journal* is all about approaching sales from a radically different perspective. If you haven't read "From Product Peddler to Sales Concierge" (parts I and II in June and July, and the conclusion in this issue), here's your homework: Read it, and have your sales team read it. Then get together in a room, close the door, and discuss it.

Many dealers in many markets are having record years. There's as much business as they can handle—more in some cases. When business is so strong, one may ask, who in their right mind would take a break, even for a couple of days, from a red-hot market?

To me, the answer to that is simple: those who want their companies to be prepared, and to have an edge when the market softens. Which it always does.

At last year's LBM Strategies Conference, Rufus Duncan, CEO of Higginbotham Brothers, a gentleman and an astute businessman, said this: "You need to get out of the rat race and get some 'big picture thinking' going on. This whole thing was 'big picture thinking'."

Whether it's the upcoming LBM Strategies Conference, or your buying group or co-op's event, I urge you to take a few days this fall to physically remove yourself from your business, connect with other smart dealers, immerse yourself in some 'big picture thinking,' then go back to your company and put your fresh perspectives to work. When you score the business equivalent of a hat-trick, drop me a note and tell me about it. ■

Rick@LBMJournal.com





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UPDATES

PEOPLE

MFM Building Products will be represented in Oklahoma by **Heartland Architectural Products**. Representation includes partners **David Gary** and **Kevin Decker**.

ABC Supply Co. has promoted **Mike Jost** to Chief Operating Officer.

Shara Gamble has been promoted to Director of Decking Sales and Marketing at **TAMKO**.

Roseburg Forest Products has announced that **Jim Buffington**, Industrial Products Business Director, will assume full responsibility for the industrial products business.

Do it Best Corp. announced the promotion of co-op veteran **Steve Rose** to the role of National Logistics Manager.

Kathryn Baker has joined home improvement retailer **E.C. Barton & Company** as Marketing Director.

Michael Quessenberry is the company's new Software Engineer.

MAX USA Corp. has hired **Mike Butti** as its new Mid-Southeastern Regional Sales Executive. **Scott Hull**, has been named the new East Midwest Regional Sales Executive.



GARY



DECKER



GAMBLE



BUFFINGTON



ROSE



BAKER



QUESSENBERRY



HULL

BUILDER CONFIDENCE REMAINS HEALTHY IN JULY

Builder confidence in the market for newly-built single-family homes remained unchanged at a solid 68 reading in July on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI).

"Consumer demand for single-family homes is holding strong this summer, buoyed by steady job growth, income gains and low unemployment in many parts of the country," said NAHB Chairman Randy Noel.

"Builders are encouraged by growing housing demand, but they continue to be burdened by rising construction material costs," said NAHB Chief Economist Robert Dietz. "Builders need to manage these cost increases as they strive to provide competitively priced homes, especially as more first-time home buyers enter the housing market."

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

The HMI index measuring current sales conditions remained unchanged at 74. Meanwhile, the component gauging expectations in the next six months dropped two points to 73 and the metric charting buyer traffic rose two points to 52.

THREE-MONTH MOVING AVERAGES FOR REGIONAL HMI SCORES

NORTHEAST ROSE ONE POINT TO:

57

SOUTH FELL ONE POINT TO:

70

MIDWEST REMAINED UNCHANGED AT:

65

WEST FELL ONE POINT TO:

75

NEW HOME SALES RISE TO HIGHEST LEVEL THIS YEAR

Sales of newly built, single-family homes rose 6.7% in May to a seasonally adjusted annual rate of 689,000 units after a downwardly revised April report, according to newly released data by the U.S. Department of Housing and Urban Development and the U.S. Census Bureau. This is the second-highest sales report since the Great Recession. "Sales numbers continue to grow, spurred on by rising home equity, job growth and reports of a greater number of millennials entering the single-family housing market," said NAHB Chairman Randy Noel.

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 May reading of 689,000 units is the number of homes that would sell if this pace continued for the next 12 months. The inventory of new homes for sale was 299,000 in May, which is a 5.2-month supply at the current sales pace. The median sales price was \$313,000.

"We saw a shift to more moderately priced home sales this month, which is an encouraging sign for newcomers to the market," said NAHB Senior Economist Michael Neal. "Since the end of the Great Recession, inventory has tracked the pace of sales growth. While we expect continued gains in single-family housing production, inventory may be partially constrained by ongoing price increases for lumber and other construction materials."

Regionally, new home sales rose 17.9% in the South to a post-recession high and remained unchanged in the Midwest. Sales dropped 8.7% in the West and 10% in the Northeast.

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UPDATES

INDUSTRY

Feeney has launched a new version of its website at www.feeneyinc.com.

BlueLinx Holdings Inc., has announced that it will conduct the business of **Cedar Creek** and all of its subsidiaries under the BlueLinx brand.

Barrette Outdoor Living Inc., has acquired the **DuraLife** decking and railing brands.

Environmental StoneWorks has acquired **Brockmeyer Quality Stone**.

DISTRIBUTION

Weekes Forest Products is now distributing **James Hardie** in the Michigan market.

Milwaukee Tool has announced a \$32 million expansion of its global headquarters campus in Brookfield, Wis.

NCI Building Systems, Inc., and **Ply Gem** have signed an agreement to combine in a stock-for-stock merger with an implied equity value of \$2.6 billion.

IN MEMORIAM

Loran Hall, President of **Mathew Hall Lumber Co.** in St. Cloud, Minn. has died at age 62.



BY THE YARD

NEWS FROM LUMBERYARDS AROUND THE COUNTRY

HAMMOND LUMBER COMPANY ACQUIRES EBS BUILDING SUPPLIES

Hammond Lumber Company has acquired EBS Building Supplies, a Maine-based lumber and building materials dealer, and its 10 coastal locations. Hammond, a third-generation, family-owned company since 1953 with more than \$250 million in sales, now has more than 800 employees and 21 locations.

KROPF LUMBER OF KANSAS CELEBRATING 70 YEARS

Kropf Lumber of Hesston, Kan. was established in 1948 when Mr. and Mrs. Ivan S. Kropf, who owned and operated a sawmill in Oregon, purchased the lumberyard in Hesston. The company was launched with just two employees.

KODIAK ACQUIRES FOREST TEK LUMBER AND OVERSEAS LUMBER COMPANY

Kodiak Building Partners has acquired substantially all assets of Forest Tek/Overseas Lumber. Forest Tek/Overseas was founded in 1982 by Allen Wood and Bruce McClenithan of the Florida Keys.

RIDGEFIELD SUPPLY INSTALLS MORE THAN 500 SOLAR PANELS

Ridgefield Supply Company in Ridgefield, Conn., has installed more than 500 solar panels. The panels will generate all of the electrical needs for Ridgefield Supply Company. Ridgefield Supply leadership strives to become better than net-zero, generating more energy than the company consumes.

ARROWHEAD BUILDING SUPPLY BREAKS GROUND ON NEW SHOWROOM

Arrowhead Building Supply, with locations in Missouri, Illinois, and Arkansas, broke ground in late June on a new 75,000 square foot facility. The St. Peters, Mo. site will house the company's corporate office, warehouse, and a 7,000 square foot showroom. The centerpiece of the showroom will be a two-story home that interactively displays all the building products Arrowhead carries. The new facility is scheduled to open in spring 2019.

ELCO BUILDING SUPPLY OPENING IN ROSWELL, NEW MEXICO

Elco Building Supply is coming to Roswell, New Mexico. Elco will provide a range of solutions, including differentiated building materials and construction supplies with a focus on low slope and specialty roofing, concrete accessories, and commercial construction.

BLIFFERT LUMBER & HARDWARE NAMED NARI DISTRIBUTOR OF THE YEAR

Bliffert Lumber & Hardware of Milwaukee has been named the 2018 NARI National Distributor of the Year. The award recognizes distributors who have demonstrated a strong commitment to NARI, the professional remodeling industry, and the communities in which they do business.

WASHINGTON'S ARROW LUMBER & HARDWARE ACQUIRES OCEAN SHORES YARD

Arrow Lumber & Hardware, based in Buckley, Wash. has acquired Levee Lumber in Ocean Shores, Wash. The acquisition marks the seventh location for the 21-year-old company.

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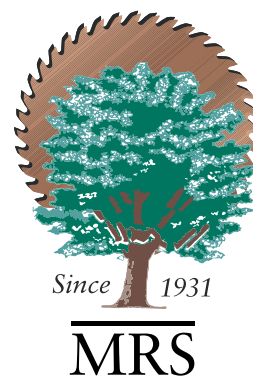
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EVENTS

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

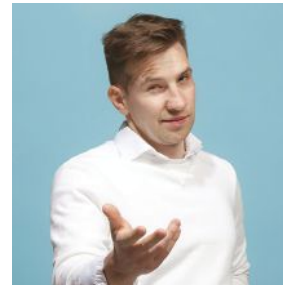
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TOUGH CALL ANSWERS

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- 36.4% MOVE ON.** You'll never make everyone happy. Keep your focus on making the next "For Pros Only" the best one yet.

ONE READER'S RESPONSE

"Really, this event is not an 'industry' event. It is a 'Builders' event. The problem with allowing a vendor in is twofold: What was meant to be a round table discussion is likely to become one company's Show and Tell session, and more companies will want in next time. The event is about your builders, so I suggest putting it in their hands. Get in touch with anyone who has attended before, or is attending this year, and explain the situation in full, that one vendor is posing as a builder and aggressively trying to force his way in, yet has no desire to actually help with the event by sponsoring and is threatening to start a smear campaign against you. If they want to make this just another trade show, that's fine. It's their event. But they deserve the full story to make an informed decision."

Thanks to everyone who voted on the June Tough Call. See page 72 for this month's Tough Call.

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HOUSING STARTS FALL 12.3% AS TARIFFS DRAW INCREASED CONCERN

Total housing starts fell 12.3% in June to a seasonally adjusted annual rate of 1.17 million units, according to data from the U.S. Department of Housing and Urban Development and the Commerce Department.

The June reading of 1.17 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 fell 9.1% to 858,000 units. Meanwhile, the multifamily sector—which includes apartment buildings and condos—dropped 19.8% to 315,000.

Overall, permits—which are a sign of likely future housing production—dropped 2.2% to 1.27 million units in June, the lowest level of the year. Although single-family permits edged up 0.8% to 850,000, they remain at their

second lowest reading of 2018. Multifamily permits fell 7.6% to 423,000.

“We have been warning the administration for months that the ongoing increases in lumber prices stemming from both the tariffs and profiteering this year are having a strong impact on builders’ ability to meet growing consumer demand,” said NAHB Chairman Randy Noel.

“This is why we continue to urge senior officials to take leadership and resolve this issue.”

While overall production is 7.8% higher than its level over the same period last year, the June report raises concerns about a softening in housing production over the near term.

“The concern over material costs, especially lumber, is making it more difficult to build homes at competitive price points, particularly for newcomers entering the housing market. Moreover, the soft permit report does

not suggest a significant increase in housing production in the near term,” said NAHB Senior Economist Michael Neal. “However, consumer demand for single-family housing continues to increase as the overall economy and labor market strengthen.”

COMBINED SINGLE- AND MULTIFAMILY HOUSING STARTS FELL IN ALL REGIONS OF THE COUNTRY.

NORTHEAST:

↓ 40%

SOUTH:

↓ 9.1%

MIDWEST:

↓ 35.8%

WEST:

↓ 3%

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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 businesses, 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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FIVE QUESTIONS WITH...

GUS STALLINGS / BOISE CASCADE

1

Q: New construction and remodeling continue to be red-hot in most markets. What do you see as the biggest challenge facing LBM dealers?

A: The most obvious challenge for LBM dealers is simply finding, hiring, and retaining top-notch talent. Companies with high retention rates see the most success both with employees and their customer base. As the market advances, LBM dealers will have to continue to find ways to establish new relationships and to maintain long-standing partnerships. Embracing innovation is another big challenge. Some lumberyards have operated in the same fashion for decades, while others have adopted new processes and technology that give them substantial operational advantages. It often takes effort to get long-time employees to endorse and adopt new technology.

2

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

A: The expanding market has led to a great deal of change and consolidation, creating numerous opportunities for partnerships. Lumberyards are local businesses; they employ local people and create relationships within their communities. Software training is essential to get current staff up to speed with the technology and to foster confidence in its use. Programs like BC Connect are designed to facilitate project management and help lumberyards become more efficient. With increasing competition and ongoing labor shortages, effective supply chain management is more important than ever. Smaller lumberyards can use technology to stay nimble and keep up with the competition in terms of output and accuracy.

3

Q: Builders and LBM dealers report that a shortage of skilled labor is their #1 challenge. What, if anything, can manufacturers and wholesale distributors do to help?

A: As an industry, we need to showcase trade schools as a career choice that is just as financially viable as pursuing a four-year degree. This can be done by highlighting a ratio of college loan debt versus jobs in the LBM industry, and a 401k chart showing the benefit of saving for retirement in your 20s versus starting off paying student debt and saving for retirement later in life. For example, the average student loan debt in the U.S. is approximately \$29,400. If an individual were to put that same amount into a retirement account at age 21, and earns an annual tax-free return of 7%, at age 65 the account would have over \$575,000, assuming there is no money taken out of the account and no additional principle is added.

4

Q: As the industry continues to evolve and face challenges like consolidation, rising lumber prices and transportation shortages, what can LBM dealers do to stay ahead of the curve?

A: In the trade press, there are many articles and discussions about prefabricated construction. Automated saw systems like SawTek reduce discarded wood and enable quicker installation on the jobsite. By learning how to integrate automation tools into certain aspects of their workflow, lumberyard workers can produce more accurate jobs faster, with less waste and human error involved. LBM dealers can turn to computer programs to keep up with increasing overall supply chain efficiency, creating a win-win situation for everyone.

5

Q: Boise has established itself as a leader when it comes to software for dealers. What advice do you have for dealers who've taken a "wait and see" approach regarding technology tools for their business?

A: The wood products industry saw little change for a long time. The introduction of new tech has had a huge impact on business, but in many aspects the wood industry overall is far behind the retail supply chain in its utilization of technology. For many independent retailers who were caught off guard by large retail tech companies like Amazon, the "wait and see" approach has resulted in a struggle to catch up. We see this happening across the market, but especially with small building materials dealers. By taking advantage of software training programs to help integrate the latest technology, "wait and see" dealers can embrace new programs and tools to bring their business up to speed and to remain competitive in the expanding market. ■

Gus Stallings grew up in Chattanooga, Tenn. He works for Boise Cascade as EWP National Accounts Director, where he leads a team of sales pros specializing in working with America's largest home builders and lumber dealers to provide products, as well as tools and business guidance, through the company's distribution networks.





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SALES & MARGINS

BILL LEE

When hiring, experience can be overrated

THE HIGHEST ODDS OF HIRING a highly productive salesperson is to hire a person with the raw talent to do the job, someone who has done the job before and performed it well, and a person who possesses the temperament to work productively alongside coworkers.

Talent, experience and chemistry: Hire these three attributes and you have hired a person who is highly likely to meet your performance standards.

Now, which of these attributes would you eliminate to achieve the second highest odds of success? The answer is experience. The reason experience is the correct answer is because experience is all you can teach. Talent and chemistry are innate or inborn.

My first sales job was as an outside sales representative for GAF Corporation. I had never sold anything in my life, but after two or three months of working under the tutorage of a veteran salesperson, I began to catch on and pretty soon I was working on my own and beginning to enjoy some success in sales.

My company also invested in me. My sales manager spent a lot of time with me personally and exposed me to a training program that taught me the principles of salesmanship. By the end of my first year in the field, I received an award for bringing in more new customers than anyone else on the sales team. My customers and prospects understood that I was new to sales and were extremely patient with me as I learned my craft.

I believe a lot of hiring managers don't want to have to train a green salesperson; they want someone to come to work with the product knowledge and the sales skills they need to hit the ground running. I also believe it's always in the back of many sales managers' minds that they may be hiring salespeople who can bring some of their old customers with them when they change companies.

As a sales manager, I have been guilty of this kind of thinking myself. And some of the salespeople I hired from a competitor brought some business with them, but

they never brought anywhere near the dollar volume they promised when they were interviewing for the job.

Based on my experience, companies located in the same trade area that take this approach to hiring often end up passing around each others' rejects.

While my years as a salesperson and sales manager taught me not to completely ignore experience and concentrate exclusively on talent and chemistry, I did learn to keep experience in perspective.

All of us veteran salespeople were at one time raw recruits, but the time required for us to gain the experience we needed was far less time consuming than we initially anticipated. We learned enough about the products we sold and our customers' needs to do a good enough job to earn a good living.

I have personally benefitted from asking several open-ended interview questions when interviewing one of my competitor's salespeople who are thinking about changing companies:

- What tactics have been most effective for you when pursuing new customers?
- Why do you believe your best customers do business with you?
- What do you believe is your greatest strength as a salesperson?
- How much commission income do you need to earn to maintain your current lifestyle?
- If you were to make a career change, what qualities are you expecting to find in your new employer?

Experience is a fickle attribute. Some people have had 20 years experience, while others have had one year of experience 20 times. There is a huge difference. So when hiring, I encourage my clients to focus on hiring salespeople who possess the talent and chemistry they need, and let your new hires get their experience under your managers' tutorage. ■

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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BUILDING SALES

RICK DAVIS

PART III

From product peddler to sales concierge

Be a business development consultant to develop sales.

IF YOU THINK BUILDERS build for a living and remodelers remodel, think again. Before the first nail is pounded, a sale has to be made. In this last installment of the “Concierge” Sales Leader series, you will discover how to enhance your role as a profit resource your customers can depend on.

I learned this years ago when a husband and wife walked into my showroom looking for product information. An introductory dialogue with them revealed their confusion and insecurity about getting the products installed correctly. It was easy to recommend a valued and loyal customer that I considered a patient shepherd for his customers. The couple happily gave me their contact information and a day to work on finding the right contractor for their home.

The next day I delivered the lead to the contractor with detailed information about the products we discussed and the homeowner’s timing. My customer leaned back in his chair after our dialogue and said, “I can’t think of another salesperson who has ever taken the time to give a lead as valuable as this...heck, any lead for that matter.”

That was the moment it became clear that my role as a salesperson means more than selling a product. I got inspired to learn how builders price their projects and achieve proper margins. I learned how challenging it was to manage labor and insurance costs. It became clear that leads were the lifeblood of any remodeler and most homebuilders. In short, my products and I were not the most important thing on the buyers’ minds. They are focused on their business first and, if I could tap into ways to help, I would develop much better relationships.

Top sales leaders are students of the profession and, as importantly, deep thinkers who study their customers’ businesses. It’s not enough to only know product details. The Sales Concierge is a consultative expert who recognizes he or she can provide resources in accounting, marketing, scheduling, sales, insurance, labor and more.

Be a student of marketing and sales for contractors.

I like to say you don’t know the first thing about your customers if you don’t know where they get their leads. Pride yourself on becoming a student of Google search engine optimization, costs of leads, in-home sales processes and all the unique ways your customers market, sell, and close deals. The more you know as a student, the better you’ll be as an advisor.

Develop skills that provide meaningful operational support.

Think less about prices when you deliver your next bid and more about the total cost of installation. A Sales Concierge provides subcontractor referrals, labor saving advice, scheduling assistance, and more. Recognize that your customers are so often working in their business that they lack time to work on their business.

Earn the role as an unpaid employee on the board of directors.

Product peddlers are a dime a dozen, beating down the contractor’s door every day. Consultative sales concierges are rare leaders who distinguish themselves as profit generators for their customers to produce unbreakable customer loyalty.

If you’re reading between the lines, you realize that the concierge sales formula is more than a single sales performer. It’s an organizational mindset in which the company differentiates itself from the competition by providing the usual services like products and timely delivery along with additional resources such as seminars, installation services, field trips, preferred provider networking, and more.

There are two ways a client makes money: increased sales and reduced costs. Help them do that and they will find reasons to do business with you. By the way, that client who received the lead from me never negotiated a price again. ■

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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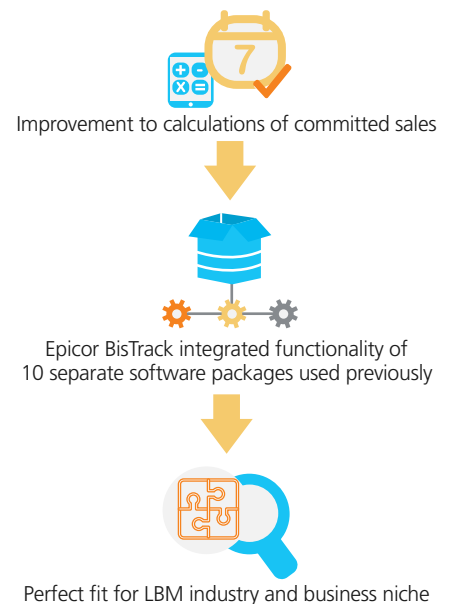
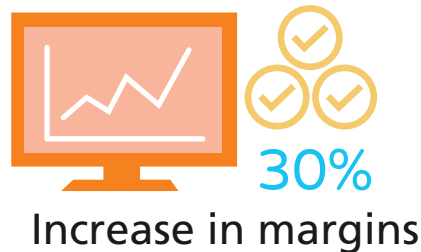
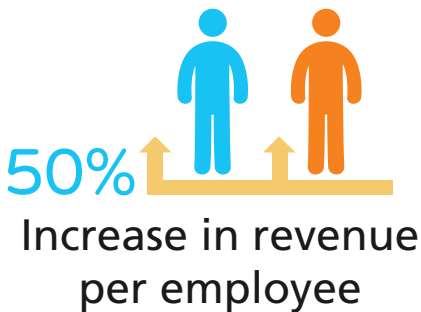
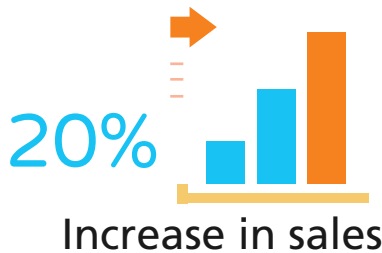
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SELLING THE DECK PROJECT

BOB HEIDENREICH

Independent lumber dealers need loyalty from distributors

THE MOST COMMON QUESTION distributor reps ask is how they can help me sell more of the products they carry. Here's the deal: There are a lot of deck products out there. What distributors don't understand is that customers don't call me asking for a specific obscure decking brand. Instead, they call and say something more like, "I have heard of this national brand and it's supposed to be good, but what do you know about it?"

Since consumers rarely ask for specific brands that aren't in the top five in the category, it is up to us to educate them about the brands that they want. At The Deck Store, we're really good at that. We've taken several obscure brands of decking and made some huge sales with those. For example, we became the largest dealer in Minnesota, possibly in the Midwest or the nation for what we'll call Brand X. Yet many customers in our market had not heard of them until they heard it from us. We have the ability to get customers to buy what we recommend. Consumers come in to our store or ask questions on our website because they know that we're professional deck retailers. We're experts in this field. We've sold truckloads of Brand X. In fact, we've put a lot of time and expense into making displays and we've invested a bunch of energy and time into marketing the product.

But here's what happens that makes independent dealers like myself sour on a product: As soon as we take the time and expense to market the product, then other vendors around us start getting inquiries about these products that we've convinced people they need to have. We've created the displays, we've done the market research, we've gone to home shows and we've spent a lot of time and energy on the product. Now, lumberyards A, B & C down the street are calling up the suppliers and asking if they can carry the product. They have no skin in the game.

Some distributors are really good about geographic exclusivity or at least making sure that there's a fair price difference between retailers, but many aren't. They simply think that another dealer is another sale. What they don't realize is that it isn't another sale. It actually takes revenue away from the work that we did and gives it to someone else, so that they can discount it to the consumer. After that happens, it makes you not want to sell that product anymore. In the case

of Brand X, two big box stores in our market began to sell the product, even though they didn't display the product.

Once we took our display down, stopped carrying that product, and took it out of our inventory, it's amazing what happened; nobody bought anymore. Distributors need to remember that when they don't have loyalty and exclusivity with their independent dealers, they will eventually alienate the dealers who are doing the marketing.

So, what can a manufacturer or distributor do to sell to a business like ours? Be loyal. We can market the product together. As soon as the sales start coming in, don't throw us under the bus. Don't give it to others with no skin in the game, who don't even have displays.

Remember, we're not selling decking because we like the product necessarily, though it's a great attribute if we like what we sell. In reality, we're selling it to make money. If we can't buy it at a fair price and sell it at a fair price, we don't want to be involved with it. If I'm going to buy product, display it, promote it, and then the manufacturer or distributor gives it to someone else to sell, I'd rather just not carry it in the first place.

In the case of Brand X again, I agreed to buy several truckloads and I was given a specific price. Two months after I purchased it, I learned at a trade show that the manufacturer offered other dealers a stocking dealer position if they purchased one unit, whereas I had to purchase whole truckloads. Yet they received the same pricing I did. In addition, they were given a \$500 credit on their accounts for taking that product. Needless to say, our store's relationship with Brand X was damaged.

My advice to distributors is that to get in our market, pick the right partners. Work with companies like mine to give us some protection. We're specialty lumberyards. We're not big boxes that sell everything. You need to work with us and give us the room to make the sales. And after we make them, you need to guarantee to us that we're not going to lose the sales.

We've been through the situation enough times that now when someone comes along with a new decking, I'm of course interested in the quality of the product, but I also ask a lot of questions about the wholesaler's and manufacturer's distribution plan before I consider stocking and promoting the product. ■

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



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RECRUITING & HIRING

RIKKA BRANDON

How to tell if your new building products sales rep will succeed or fail

EVERY SALES MANAGER DREAMS of the pull-and-plug hire. You know, the one in which you pluck a top building products sales rep from your competition, and plug them (and their huge book of business) into your operation. Unfortunately, pull-and-plugs are fairly rare due to the simple fact that they are often happy at their current job.

So, what can you do when you need to hire someone who hasn't proven they get the industry, get the customer, and can get it done? How can you tell if your new building products sales rep will succeed before you've invested a year of payroll, time, and energy into them?

The simple answer? By setting and communicating clear activity and result expectations.

When you set clear expectations, everything gets easier. If you don't know what it will take for them to succeed in the role, you aren't ready to hire. After all, how can you expect them to know what they need to do to succeed if you don't know?

Great hires start with clarity

Most sales managers are clear about performance expectations, but less clear about communicating the daily, weekly, and monthly activity needed to hit that performance goal.

How do you do this? By reverse-engineering your sales goals. Start with the annual goal for that position and break it down into daily, weekly, and monthly activities and performance metrics. This will set your new hire up for success and make it much easier to figure out if they're going to thrive in their new role.

Then, make this a part of your interviewing dialogue. By communicating your activity expectations before they start, you're giving them the chance to agree to—and voice any concerns about—those expectations.

Some sales managers take it a step further and create a simple document outlining the activity expectations and have the new hire sign it along with their offer letter. This removes any gray area about if they are doing what they need to do to succeed.

So, now that you've set a solid foundation, let's talk about how to see if they're going to thrive.

Always remember: People do what you *inspect*, not what you *expect*.

Use the employee's reverse-engineered goals as a guide. Activity goals are things that are 100% in the control of your new sales rep. The reps determine how many times they pick up the phone, stop by a jobsite, and call a customer. If they aren't consistently hitting their activity goals—it's a choice; they clearly have some resistance to the required tasks of the role. To me, this is the biggest red flag you can have when assessing a new rep. These are things that are totally within their control, and they are choosing not to do them.

"WHEN YOU SET CLEAR EXPECTATIONS, EVERYTHING GETS EASIER. IF YOU DON'T KNOW WHAT IT WILL TAKE FOR THEM TO SUCCEED IN THE ROLE, YOU AREN'T READY TO HIRE."

Now, what if they are hitting their activity goals, but aren't getting the expected results? Then you know it's a quality issue and can work with them on coaching and training.

But what if you spend a great deal of time coaching and training them, and they still can't figure it out? Then you know it's an aptitude problem—they're just not a fit for this type of position, and it will likely always be a challenge for them to succeed in the role.

To test this theory, set some very clear weekly results expectations that you believe are entirely achievable. If they miss those "easy" goals for two to three weeks, it's probably time to move on.

It's up to you to decide if you have the time and energy to invest in bringing someone who isn't naturally good at the job up to speed. Letting a recent hire go isn't easy, but if there's little hope for improvement, it's important to consider the losses you're incurring in both time and money. ■

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

You have to fail in order to succeed

WHEN I WAS 24, I came back from working in corporate America and, with my brother, took over my father's lumber company while it was in bankruptcy. It was a profitable company, but it had been assessed a \$1.6 million assessment from the state revenue service because we had not documented nontaxable sales correctly. We had written down our customers' tax IDs for tax exempt sales, but we were unaware that you had to have signed sales tax-exempt forms on file. The state had gone back eight years and audited our sales in order to come up with the fine. They knew what customers were legitimate for tax exempt sales, but it was our problem to get their signed resale certificates and prove it.

After four years, we got the tax, interest, and penalty down to \$400,000. Next, we had to get our creditors to agree to our plan of reorganization. In the late 1980s and early '90s, bankruptcy was not a business tool, but a scarlet letter. If you declared bankruptcy, you were shunned and despised by your creditors. My plan was to go out and speak in-person to every single creditor. I took responsibility for getting them some of their money back, albeit cents on the dollar. The end result was that out of 118 creditors, 108 approved our plan. Even the bankruptcy judge was surprised that we had a successful reorganization. I am proud to say that, to this day, our family company is a successful business run by my brother.

Looking back, I realize that there was no way we should have succeeded, but I was too young, too dumb, and too uninformed to know that I was supposed to fail; therefore, I succeeded. This experience had a powerful effect on my attitude and career going forward. I can still remember the day a competitor told me, "Kid, you have no chance in hell. You might as well give up," and it was a major motivating factor in my continuing the fight.

The problem with being young and dumb is we become older and wiser. With that wisdom comes the fear of making mistakes. In my current company, we have made the decision to charge delivery fees and bill special orders the day we receive them. My leadership team was very apprehensive about these decisions: "I know this customer won't pay delivery charges." My response was that we needed to explain the business logic behind our decision to our customers. We needed to explain that this delivery charge was a very small part of the actual cost, and with fuel and equipment prices

going up, we only wanted to charge customers who actually used the service. We would deal with those specific customers who complained and make any necessary individual adjustments. The result: 98% of our customers understood our logic and had no problems with it. We worked with the ones who did object, and they eventually came around.

There are two important concepts here. One is what the Marines call the 70% solution. Get 70% of the decision right, and then go back later and fix the rest; just don't let it slow you down. The other is the idea that taking risks and failing is okay. Michael Jordan, the greatest basketball player of our time, said, "I've missed more than 9,000 shots in my career. I've lost almost 300 games. I've been trusted to take the game-winning shot and missed. I've failed over and over again in my life. And that is why I succeed." We can't anticipate every possible outcome; sometimes we will fail, but that is what makes us learn. I once had a manager whom I had to relieve of his duties. His response was, "Russ, I am 55 years old, and I have never failed." My reply was, "Well, it's a shame that it took you so long." He took a lower level job and worked his way back up, becoming a better manager—and a better person. He never would have accomplished this if he had not first failed.

I tell my people that I am just as invested in their attempts that fail as I am in their attempts that succeed. I say, "My job is to give you enough rope to hang yourself, and then be there to cut you down before it is fatal." Now, I might let them linger a bit so they have a mark left over to remind them, for it is the memory of what failure felt like that ultimately makes us successful.

Too often as leaders, we talk ourselves out of taking a risk. We may not give our best effort because doing so might attract more attention, then what would happen if we were to fail? Often we don't want people to know we failed, so we say we tried. But as the great philosopher Yoda said, "Do or do not; there is no try." So go out and give 100% of your effort behind every new idea or strategy you decide to implement. You'll inevitably collect a couple failures that you can proudly hang on your wall as reminders, but in the process, you will also collect a number of successes. And success tastes much sweeter when you have had some sour taste of failure in your past. ■

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

That's not a downward trend! Let's normalize revenues

ONE OF THE WORST RED FLAGS for an acquirer is when they see your revenues drop in the year you sell your company compared to the previous year. Even worse is the following scenario: You show a good solid symmetrical increase in revenues over a number of years, only to have revenues go soft just before a sale.

For example, assume that you want to sell your company this year. Looking back over three years financials, let's say that your company booked \$20 million three years ago, then \$22 million two years ago, and then—a banner year!—\$27 million last year.

That's a nice growth path. You added \$2 million and then \$5 million to your revenue. What's not to like?

But let's also say that in the year of sale your revenues declined to \$26 million. Even though your company has experienced solid gains in revenue growth—moving from \$20 to \$26 million over three years—it appears as though your revenues are falling from \$27 million to \$26 million year-over-year at the time of sale.

Since we obviously don't have data about next year's sales, a \$1 million drop in sales year-over-year will be perceived as the beginning of a downward trend by an acquirer who is looking for any reason to lower the purchase price of your company.

How do you argue for maximum valuation, when your company seems to be losing market share? The answer: Normalizing your revenues.

In a situation like this, your investment banker should dig deeply into the reasons why your \$27 million year was so strong...and an anomaly. Maybe a huge housing development got platted out and permitted, and you scored all the window, door, lumber, and truss business. That one-time occurrence was a fantastic boost in your revenues. Let's say it was \$3 million in unexpected revenue. You know it was a "sugar high" that may not repeat, but why should you be punished in the valuation of your business just because of this one-time event?

The best approach to take here is to have your investment banker write an explanation of this in the informational memorandum (the document that describes all your

operations and financials). The investment banker should make a bar chart or infographic that shows that what's really happening to your company is the following: You are growing at the rate of \$2 million a year. You booked \$20 million three years ago, \$22 million two years ago, \$24 million (normalized) last year, and \$26 million this year.

Inevitably the acquirer will say, "Wait, you didn't book \$24 million last year. Says right here in the financials that you booked \$27 million!"

You and your investment banker should respond: "We actually booked \$24 million in a normalized revenue projection and, as you can see with this evidence we have presented, a huge one-time project gave us an anomalous boost of \$3 million in revenue."

Since you are not going to have your valuation pegged to last year's revenue (or only partially so), it actually behooves you to show symmetrical \$2 million increases rather than to reveal a phantom "downward trend" in revenues represented by the "drop" from \$27 million to \$26 million.

Why wouldn't you want to take credit for that sugar high of an unusual incremental \$3 million boost in revenue? Isn't it better to just own that as evidence that, well, it might happen again?

As nice as it is to show such strong recent revenues, acquirers want revenues and growth that are sustainable. The sustainability allows them to plan and predict. If they know that a company will increase sales by \$2 million a year, that's marginally more attractive from a planning point of than revenues that are asymmetrical, up one year, down the next.

All of that said, can you get credit for a \$3 million flush of orders from another new development in your service area? You certainly can. In the informational memorandum, a good investment banker will have surveyed forthcoming new projects/planned projects, and baked in the possibility of you obtaining that work in the future. Although those future jobs are not nearly as valuable as actual booked revenue, they show promise for your markets, and that should help infuse a sense of optimism in the mind of the acquirer, which will probably affect the valuation in positive way. ■

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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No, the so-called Trump lumber tariffs will not threaten the U.S. housing recovery

WE HAVE RECEIVED a slew of media inquiries recently from reporters who were pushing the following storylines:

- Donald Trump's tariffs on lumber have caused prices to surge from about \$300 per thousand board feet (MBF) to more than \$600 per MBF.
- Surging building materials prices pose a potentially mortal threat to the U.S. housing recovery.

Our short responses to these storylines are as follows: 1) that ain't necessarily so, and 2) that's hogwash. Our more detailed responses are below.

THE REAL REASON LUMBER PRICES HAVE SURGED

It is true that the U.S. imposed two kinds of trade restrictions on Canadian softwood lumber imports in the second quarter of 2017—a countervailing duty in April and an anti-dumping duty in June. These were not “Trump Tariffs” however. Rather, they were merely the latest round of a long-standing dispute concerning softwood lumber between the U.S. and Canada that goes back more than 35 years.

Now to be sure, the tariffs do have a hand in the increase in lumber prices. Lumber market participants started to price in the effects of these restrictions starting in the first quarter of 2017. Western Spruce Pine Fir 2 x 4 mill prices entered 2017 at \$310 per MBF and climbed to \$403 by July. The rise in the Random Lengths Framing Lumber Composite price at the mill was less dramatic; it increased from \$358 per MBF in January to \$396 in July (and \$421 in August). On the whole, we estimate that the U.S. trade restrictions account for about a third of the run-up in lumber prices since late 2016.

What else is behind the surge in lumber prices? The first culprit is general market tightness caused by restricted supply and growing demand. The main supply restrictions come out of Canada and are due to a massive pine beetle infestation in British Columbia (and to a lesser extent Alberta), and a slew of environmental and market access restrictions in Eastern Canada. At the same time, demand continues to grow. U.S. housing starts have averaged 1.32M over the first five months of 2018 compared to a 1.18M average for 2016 as a whole. Moreover, residential improvement expenditures continue to surge, thanks to rising home equity and an aged U.S. housing stock.

In addition to this generally tightening market, lumber markets have been buffeted by a series of supply shocks that have boosted prices. First, we had an extremely bad fire season in British Columbia, Washington and Oregon that kept loggers out of the forest for extended periods and prevented companies from building log inventories that would be required if demand surprised on the upside (which it did).

Not long after the fire season ended, Western Canada endured an abnormally cold winter which wreaked havoc on Canada's rail network. The cold weather caused Canadian National (CN) and Canadian Pacific to run fewer cars on each train and to run each train at slower speeds. This led to delays and backups of the myriad products that CN handles. Then as conditions eased, the rail carriers gave priority to higher value goods such as grains and potash, which exacerbated the delays in lumber shipments.

So, while the trade restrictions did cause lumber prices to rise when they were originally imposed in 2017Q2, they are not the primary cause of the more recent and pronounced run-up in lumber prices.

HIGHER WOOD PRODUCTS PRICES WILL HAVE NEGLIGIBLE EFFECT ON RECOVERY

We entered the term #lumbertariffs into the Twitter search bar and were barraged with a slew of links to articles that screamed that surging lumber prices were a mortal threat to the U.S. housing recovery. Many of these articles uncritically cited a NAHB report which found that the lumber tariff has “pushed up the price of a typical newly-built home, according to our survey data analysis, by about \$9,000”.

We decided to subject this claim, which is based on survey data, to a little arithmetic. And it does not even come close to approximating reality.

Let's look at the total wood products costs of building the average new single-family home in 2018. We assume an average home size of 2,650 square feet. We'll exclude engineered lumber and hardwood products such as floors and cabinets from this analysis. We'll consider the period between 2016Q4 (before Trump took office) and 2018Q2.

Our analysis (which ironically is based on detailed NAHB data) shows that the average new home will use about 15,000 board feet of lumber, 11,500 square feet of OSB (7/16" basis) and 2,200 square feet of plywood (15/32" basis). Dealers typically command a 15% to 20% markup on lumber and a 12%-15% markup on structural panels.

Now all we need to do is take the delivered price for each product, apply the mark-up to it and then multiply by the usage rate in a typical home and we get a very good idea of how much each product contributes to the cost of a home. We started the analysis using the Random Lengths Framing Composite price for lumber and the southern prices for panels (all of these are mill prices). We applied a 18% mark-up for lumber and a 14% markup for panels and added a delivery price. We estimate 2016Q4 delivery prices of \$50 per MBF for lumber and \$47 per MSF for panels. For 2018Q2,

TABLE 1 RISING LUMBER PRICES HAVE ADDED ABOUT \$20 TO A TYPICAL MORTGAGE PAYMENT ON A NEW HOME

	2018 usage rate	2016 Q4 delivered price	2018 Q2 delivered price	2016 Q4 price w/ markup	2018 Q2 price w/ markup	cost at 2016 Q4 prices	cost at 2018 Q2 prices	change in costs	% new home price*	change in monthly payment**
Random length framing lumber composite	15,000 BF	402	618	474	729	\$7,115	\$10,939	\$3,823	1.2%	\$19.94
OSB (7/16") Southern	11,500 Ft ²	323	493	368	562	\$4,235	\$6,463	\$2,229	0.7%	\$11.63
Plywood (15/32") Southern	2,200 Ft ²	402	590	458	673	\$1,008	\$1,480	\$472	0.1%	\$2.46
TOTAL						\$12,358	\$18,882	\$6,523	2.0%	\$34.03

*Average price of a new home in 2018 is \$326,000 **Assuming 30-year term and 4.75% interest rate

Source: Random Lengths, NAHB, FEA and author calculations

lumber delivery prices were estimated at \$75 per MBF and panel prices are estimated at \$54 per MSF.

As **Table 1** shows, with 2016Q4 prices, the lumber required to build a typical home would cost \$7,115 while the OSB and plywood would cost \$4,235 and \$1,008 respectively. Now when we apply 2018Q2 prices and the lumber costs increase to \$10,939 and the OSB and plywood increase to \$6,463 and \$1,480 respectively. Thus, the total change in lumber prices between 2016Q4 and 2018Q2 added \$3,823 to building costs, while OSB added \$2,229 and plywood added \$472.

The average price of a new home over the first four months of 2018 was about \$326,000. The total increase in lumber costs from 2016Q4 to 2018Q2 is only 1.2% of that cost. And remember that home purchases are usually amortized over 30 years. If we assume a 4.75% mortgage rate and a

30-year term, the total increase in lumber costs adds less than \$20 a month to a typical mortgage payment.

We have shown earlier that the trade restrictions are only part of the story behind rising lumber costs and not even the main part at that. If one accepts our estimate that a third of the run-up in lumber prices is due to trade restrictions, then the "cost" of the trade restrictions come to about \$1,262 per home or \$6.58 on a monthly payment.

It's safe to say that though the housing recovery may have 99 problems, rising wood products prices ain't one. ■

Brendan K. Lowney and Paul F. Jannke are both Principals with FEA, focusing on Macroeconomics and Lumber, respectively. This co-authored article was excerpted with permission from FEA's "Spotlight." To learn more, visit www.getfea.com.



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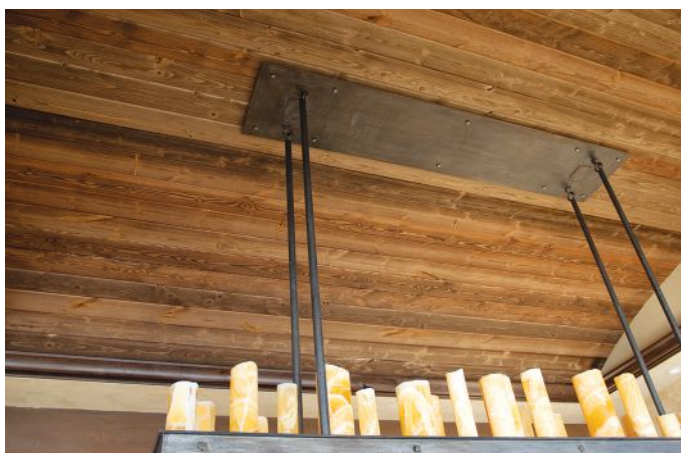
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SHIPLAP: HOW AN AGED OLD PRODUCT REMAINS ON-TREND TODAY

The appetite for shiplap remains strong as it is used in a more modern, traditional and contemporary installations from residential, multifamily and commercial buildings. Driven by increasing diversity and a multitude of attractive options, shiplap's rise has been a game changer for LBM dealers. As a value-add specialty product, shiplap enhances a dealer's product offering and enhances the bottom line.

Long before the rise of home improvement shows like *Fixer Upper* and *Property Brothers* brought it to the mainstream, shiplap — or nickel gap pattern, was considered a rustic type of wood board with a raw or weathered look that might be installed on the exterior of homes. It is traditionally milled with a halved groove — called rabbet — where the edges connect together snugly leaving a unique reveal line between the boards.



THE NEW LOOK OF SHIPLAP

While traditional shiplap left a reveal line between boards, newer, more modern products specifically designed for the popular look are tongue and groove planks that offer a tighter seal and a more finished look. Two key manufacturers meeting market demand are **Bitterroot Valley Forest Product** with their Montana Ghost Wood® alternative reclaimed wood products and **Woodtone™** with their FineLine™ wall and ceiling collection produced from knotty SPF.

Both manufacturers offer varieties ranging from barn wood alternatives to refined, pre-stained finishes and unique colors — and they are readily available to customers. “We can grab it off the shelf, deliver so it can be cut and nailed up in a couple of days,” said Kirk Anderson, home improvement warehouse national account manager for Weyerhaeuser Distribution.

EXPANDING APPLICATIONS AND DESIGNS

“We’re seeing it used on walls in hallways, kitchens and even ceilings,” said Ed Brown, area general manager for Weyerhaeuser Distribution in Dallas. Manufacturers like Woodtone have answered the call and product demand with their lines specifically designed for the shiplap look and are able to supply a tongue and groove product that is desired in many applications.

Typically, shiplap is displayed horizontally on an accent wall. However, with the rise in its popularity coupled with new, more modern boards, it can be used vertically and diagonally in chevron shapes. Plus, wood brings warmth to the environment instead of a conventional painted wall. “The opportunities are boundless and we’re really excited to offer our customers a value-added product with such strong momentum in the marketplace,” said Brown.

Commercial buildings that traditionally use concrete, steel and glass are incorporating wood products as accents to bring warmth and natural beauty to the space. “We see a demand, not only for residential use, but also in mixed-use and commercial buildings including restaurants and retail spaces opening up a bigger market for our customers,” said Anderson.

Whether you’re stocking reclaimed wood alternatives or newer, easier to access panels there’s no doubt shiplap is still on trend and will continue to grow in the marketplace.

LEFT: MONTANA GHOST WOOD TONGUE AND GROVE BOARDS, SHOWN IN BANNACK BROWN™
BELOW: WOODTONE FINELINE PANELING, SHOWN IN WHITE RUM



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REAL ISSUES. REAL ANSWERS.

Many readers cite quality products as a defining difference that separates their company from the competition. So what to do when the lumber you're purchasing doesn't stack up to the quality you and your builder customers are accustomed to? More than 30% of respondents report that the lumber they're receiving today is either "somewhat worse" or "much worse" than even a year ago. Combine that with the reality of spiking lumber prices across the board and you've got a problem. That's why the topic of this Real Issue is:

LUMBER QUALITY

BY RICK SCHUMACHER

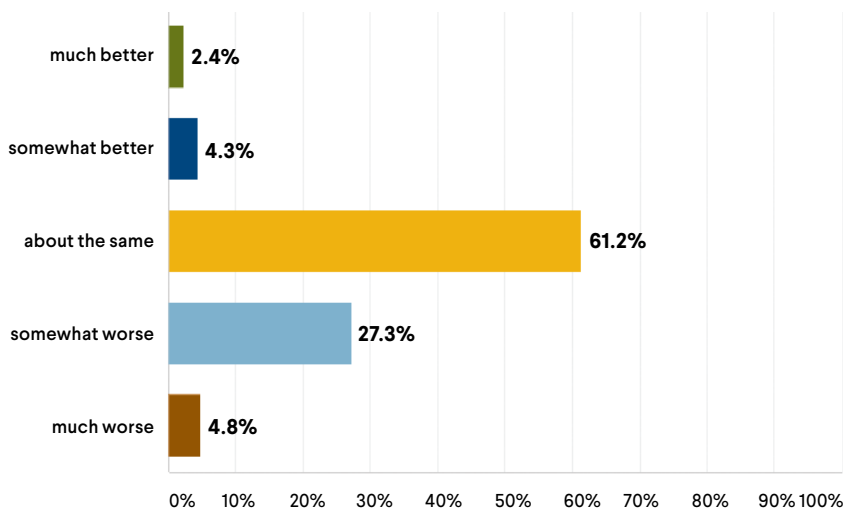
THIS MONTH'S REAL ISSUE QUESTION was suggested by an Illinois LBM dealer who wrote: "The quality of materials that we are purchasing has gotten worse over the past few years, and much worse during the past year. Our lumberyard has built its business on premium lumber, and now I am fielding complaints from the custom home builders that bunks of lumber are twisted and bent. I cannot go back to our vendor/mill for credit like I give my customer, so I end up eating the dunnage. That is a lot of expense when margins are so slim. What do other yards do?"

As we do each month, we surveyed readers who've opted in to receive our email communications. A big thank you to the more than 270 readers who took time from their business to weigh in on this month's issue. If you'd like to participate in future surveys and don't receive our emails, drop me a line at Rick@LBMJournal.com, and I'll make sure we get you added.

QUESTION 1

First, we wanted to get a feel for how many other readers are experiencing the same issue with product quality, so we asked, “How does the quality of the lumber you purchase today compare with lumber purchased over the past year or so?” More than 60% of respondents said that the quality is “about the same”, and fewer than 7% report that it’s either “somewhat better” or “much better.” That leaves more than 30% who report that the lumber they’re buying is “somewhat worse” (27.3%) or “much worse” (4.8%). While declining lumber quality isn’t affecting all dealers, the fact that it is affecting nearly one in three respondents clearly makes this a real issue.

HOW DOES THE QUALITY OF THE LUMBER YOU PURCHASE TODAY COMPARE WITH LUMBER PURCHASED OVER THE PAST YEAR OR SO?



QUESTION 2

“The quality of materials that we are purchasing has gotten worse over the past few years, and much worse during the past year. Our lumberyard has built its business on premium lumber, and now I am fielding complaints from the custom home builders that bunks of lumber are twisted and bent. I cannot go back to our vendor/mill for credit like I give my customer, so I end up eating the dunnage. That is a lot of expense when margins are so slim. What do other yards do?”

“Contact your supplier and talk to them about it and let them know that you might possibly be looking for a new supplier.”

“If premium lumber is not available, offer premium products—I joists, LVLs, fingerjoint studs, etc.”

“Make sure that the mill is grading lumber correctly or even visit the mill more often to see quality.”

“Buy from another mill. You might pay more, but it will keep the customer happy, and offset the dunnage.”

“There is not a cut and dry answer. Try and salvage what you can from each board by cutting them down to shorter lengths. Cutting them into 4' pieces and sell them to pallet companies.”

“Wow, excellent question, we cut some up, downgrade some and just keep cycling through. Not good.”

“Explain what we’re faced with and how dealing with returned rejected material impacts pricing. Try to encourage customers to use the culls where they can. There are opportunities on most framing jobs to incorporate the twisted or excessively crowned lumber without compromising the overall job quality if they are willing to make the effort. They can be used for bracing, trimmers, short cripples, blocking, etc. This is not an entirely new problem. Depends on the attitude of the framers.”

“Sell it at discount. If necessary, cut into smaller sections and then sell.”

“Stop buying #2 lumber—today’s #2 lumber is about equivalent to the #3 and econo we used to get in the 70’s. We order MSR1650 2x4’s and 2x6’s. It costs a little more, but we have very little shrink and the boards look good. Some customers just cannot be pleased. Times have changed. We used to get our package of lumber and we would separate out in three stacks—straight, slightly crowned, and really crowned—and we knew where we could use each and end up with a really good job. I guess everybody forgot how to crown studs in walls.”

“Tell the customer that the lumber is not graded for twists or bends. Let the mill know that you will source the lumber from others if necessary.”

“Pay more for your product and manage your inventory.”

“We build our business on a mix of custom and production home builders that allow us to move the ‘supposed’ premium lesser stock to the production builders to be used as backer and #3 plate stock. This mitigates the loss in margin and helps to solidify our standings with the production builders.”

“It’s never straight enough, always has too much wane, our price is too high, and our deliveries are never on time. Welcome to the lumber business! It doesn’t seem to matter what we owners/purchasers do, there always seems to be the issue of quality in dimensional lumber. I’ve accepted that quality of dimensional lumber is out of my control and, fortunately, represents only a portion of the project. Make up for the rest of the project with quality you can control (windows, doors, siding, etc.) and over-the-top service.”

“We are in the same situation. We try to keep ahead of culls by taking pictures of loads that are marginal-looking upon arrival.”

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“#2&BTR lumber is now #2, all of the ‘better’ lumber has been pulled for sale at a higher price. Due to this, we have changed our 2x4 and 2x6 lumber to an Appearance grade product, our wides have been changed to a #1 SY Pine. We still have some downfall, but nothing compared to what we used to. No complaints about the quality or the higher prices. The appearance grade is a lot harder to source and re-supply. Needs have to be covered further out to assure that we have lumber when needed.”

“Beyond trying a different mill, you will have to factor the % of fall off into your pricing.”

“If it is a persistent problem from the same vendor, then what corrective actions did you take with the vendor to keep this from reoccurring? Did you have the vendor rep come by your facility to inspect the materials? If in fact it was a product defect, did you ask about a product credit? Where was the product stored at your facility? Was it stored properly according to the vendor of the manufacturer? If it was a product issue, did that vendor rep come up with a corrective action plan to minimize these issues from occurring in the future? Did you look at alternative products to see if a more consistent product was available from either the same vendor or another vendor?”

“If these concerns are never expressed to the supplier, then the vendor or the factory making the product can’t know they have a problem with their product. If these issues have been brought to their attention time and again and nothing has changed, then it’s time to either find a new supplier or perhaps consider paying more for a better product.

“Lastly, regarding your custom homebuilders’ complaints about bunks of wood that are twisted and bent—did the lumber leave the yard in the expected condition? Did the builder sign for the materials upon taking delivery? If the product was as bad as your customer claims it was, why did they take delivery? Are your return policies too liberal?”

"We are fortunate to have contracted our narrows with one specific mill and our wides with another specific mill. We have been contracted with the same mills for a number of years, and both we and our customers know what to expect from a quality standpoint. We do have occasional issues that arise, and the mills typically help us out in those situations. Suggestion is to find one mill to deal with and stick to it, if it works logistically for you."

"We buy only #1 SYP and premium euro SPF."

"I've heard of others opening bunks of lumber for inspection when they arrive at the yard, mostly for moisture content. I'm not sure there is a clear-cut answer other than to sell off the rejects at a lower price with the understanding it isn't a premium product despite its grade stamp."

"Depends on the demographics of your customer base. If you supply a large number of custom home builders, and you want the reputation of having quality material, then you will need to red flag those suppliers who ship poor materials and quit buying from them. Make sure you communicate the value differential to your high-end builders. If your business model focuses on selling to the large production builders who are, for the most part, what I refer to as 'bottom feeders,' then you may need to worry less about quality. For the yard who asked this question, best you pay a little more for higher quality products."

"We count the boards in the units that are twisted or bowed or barked and we just deduct that from the invoice when we pay for them. If vendors know you are looking, it will get cleaned up and you will start getting quality wood. If not, try different vendors."

"Buy a better grade if your customer will pay for it."

"Unfortunately, I have the same problems with the same results."

"Strive for consistency over time between mills. Even dealers that shop mills strictly on price can get nice bright stock once in a while. We contract with mills that we know deliver a consistent quality of product that our customers have come to expect. We aren't the cheapest, but day-in and day-out, our deliveries are more consistent than the hit or miss dealers that change mills all the time chasing the cheapest product available."

"For the narrow lumber items, 4" & 6", we carry both inventories, one is reg 2&btr, the other is Premium. We have had the same complaint from custom home builders."




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"In the past, we've had a craftsman on our payroll use the lower quality lumber to build storage buildings, outdoor furniture, bird houses, etc."

"We try and stay with the same mills that we have been buying from. Just because it is premium does not mean that is the same quality that we are used to from particular mills."

"Have a return policy and get returns picked up immediately to minimize more damage. Bundle and sell cull materials ASAP to maximize value and turn back into whatever cash you can get out of it."

"Good relationships with who you buy lumber from is a must. We make grade stakes and other things from our bad lumber."

"We have to carry a lesser quality grade for a few builders where price is the only consideration. Before we dealt with these types of customers, when we did get poor quality 2x4's, we would create a SKU for bracing/blocking so we could get something out of it."

"Engineered wood is the alternative. It is expensive but straight and there is no mold."

"Even though credit from your vendor/mill is problematic, there still needs to be push back and make some noise. If enough customers are dissatisfied, they will be forced to either improve quality or make price concessions."

"Discount it or offer it for blocking material."

"Why has the quality changed? Is it because the mills are shipping a lower quality product? If so, that needs to be addressed with your purchasing agent and the mill. Inspection upon receipt of material needs to be made a high priority. Are you ordering a lower grade lumber/from a lower quality mill to try and keep costs down? If this is the case, your purchasing strategies need to be addressed. More often than not, we get what we pay for."

"Fully agree with the quality of lumber being less than what it has been in the past. We build crates and pallets for industrial use which helps getting rid of some of the crooks."

"We reduce the price and get what we can out of the dunnage and let the mill know our dissatisfaction, and also put that mill on our 'No List' If they are not willing to help. It is a huge problem that needs to be corrected."

"Find other mills/vendors who are smaller and are able to put time and energy into a better finished product."

"Develop relationships with mills you can count on to provide the quality you expect. If it's bad, send it back."

"I agree with the statement that the quality of lumber has decreased over the past year. One thing that we have done to combat the issue is when we get the return lumber back that is all twisted or bowed, we give the customer the full credit and then we cut what we can out of the lumber and use for our utility sheds, wood stakes, or other pre-built items that we build here at the yard."

"We check all lumber as it comes into the yard. If it looks bad, we refuse the unit. I believe part of the problem is moisture in the lumber. We have been unwrapping units to let them dry out before cutting the band. This seems to help reduce twists and warping."

"Refuse to buy from mills who pull the 'select' from the #2 and then sell the select to HD and Lowes and sell us the lower end of the #2 grade."

ANSWERS FROM MANUFACTURERS AND WHOLESALE/DISTRIBUTORS

"This deal cites 'premium' lumber, but is it grade-stamped by one of the Rules or Non-Rules writing agencies certified by the American Lumber Standards Committee (ALSC)? There are grades like 'Prime' that minimize wane, but these are not ALSC-certified grades...they are mill grades and subject to change. But, for Dimension Lumber (2-4" thick), grades are standardized for every commercial species in the U.S. (and Canada under the CLSC, or Canadian Lumber Standards Committee). These standards are set up by the U.S. Dept. of Commerce Voluntary Product Standard PS-20-70 (accepted originally by govt., industry and consumer groups in 1970.)"

"I would suggest keeping units of lumber banded as long as possible to prevent the twisting and warping that can occur once the bands are cut or pieces are placed into bins. Keeping units covered and out of direct weather conditions also serves to limit exposure that results in warping."

"Educate customers on the state of lumber today. What we have now is not what we had available then. Some lowering of expectations is in order."

"It's time to face the fact that auto-graders are doing a larger percentage of the grading in modern mills. The producers can set the auto-grader to be as close to the maximum acceptable flaws (knots, slope of grain, wane, etc.) as they want. Just because it meets grade doesn't mean it meets the standards that those of us older folks are used to. Times change, and unfortunately so has the quality of the lumber we are receiving. Call for an inspection and I'll bet dollars to moldy donuts that the mill wins and the lumberyard loses."

"I would search out new vendors that are quality conscious and not just volume production oriented. They are out there. We found them."

"Stick with mills/wholesalers that are more consistent and market quality, and that also back up their quality with credits and assistance. There are mills out there that do that."



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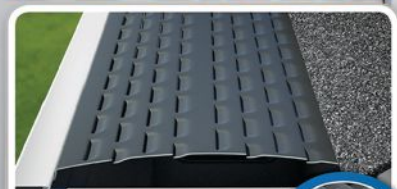
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"Pay more for better materials and give the customer a choice."

"Inspect material upon receipt and back-charge the mill if any material is found to not be acceptable."

"Unfortunately, the market is dictating this. The demand is so great that there is not much that can be done. We have tried different vendors and no solution seems to be found. Our unsellable lumber has increased by 100%, and that's when it is delivered to our yard. We only stock a #1 material and it is stamped such."

"I think we are all in the same boat. If it is exceptionally bad, I do try to get credit from my supplier. Some that we do not get credit on we will place in a discount bin for 30% off to try to at least get our cost out of it."

"I'm that dealer. What are we supposed to do? We need to join forces and become a more powerful buying group. Strength in numbers, that's the only way!"

"Deal with a premium mill, then be prepared to pay for it."

"Demand pre-delivery quality assurance and reject deliveries that are obviously below standard. Videotape below-standard bundles as they are opened. 'Chronicle the crap,' as we say."

"We make grade stakes from our cull lumber."

"If dealers were smart, we would add to the price for dunnage factor which we are doing. What is the sense to fool yourself that the margin is correct when you know it is not. Oil is up and down 100% at times and the world moves on, no matter."

"If your lumber producer continually supplies inferior product, it's time to find a new vendor. Once or even twice, is forgivable. However, if the fine quality you once received is now non-existent, it's time to 'cut bait and fish!' Find a new supplier at once."

"If it's from the same mills and same grade as he has had in the past, it's a problem. Is it fresh stock or eight months old? How is it stored and taken care of at the yard? More factors come into play here than just having bad lumber from a mill. We switched to a better grade on our 2x4 and 2x6 lineal 3-4 years ago, and the quality has been consistent to what we want and expect. We also buy consistently from the same sources and always ask for mill names before we buy. If the problem is more than a couple of partial units, I would lean on the supplier for a resolution."

"The quality of materials runs in spurts. Some mills use a better grading procedure."

"You can go back to mills for credit. Take copious pics upon arrival of lumber, including side, end and top shots. Show the mill stamp. Take pics of competing mill stock. If you have clear criteria of what makes premium, you have recourse. Twist and bend have limits per grade. My suspicion is that the twist and bend relate to too much time spent on rail somewhere in process, and that is not strictly a mill problem."

"We are on the East Coast and we partnered with a local lumber broker and brought in about 10 SKU's of premium high line western SPF. Sales have been just okay, but we now have an option to offer our customers if they can no longer handle some of the poorer quality we are seeing. Look for the trend to continue."

"Pre-communicate quality expectations."

"1) Have a conversation with the mill. You are partners after all—they do have skin in the game. 2) Find a new source. 3) Carry a line of LSL studs."

"Turn your stock faster. Cover your storage area. Talk the customer into engineered stock."

"We inspect and reject material as it comes in. We are not afraid to return whole or partial bundles due to poor grade or damage in shipping."

"Good question! Regularly culling stacks to keep the 'bones' out and bundling up and selling cull units is a way to get a small portion back. Working with builders as to when lesser quality lumber is acceptable and high-grading when they need it."

"We have built our business by being known for high quality product at reasonable prices (good value). We have had to align ourselves with several mills and commit to a partnership to ensure supply. Bad material should be refused and never stocked. Management is remiss if allowing product to go bad. Very difficult combination of quality-turns-margin."

"At our yard, we take the dunnage and reman it. As an example, we split the 2x6 into 1x6, re-saw one face and our customers buy it for trim. We cut back our lengths when the ends are split and sell what we can. We make large pallets of firewood to sell. We also have a customer who will buy the dunnage at a lower sell price, but at least it is not a total loss."

"We have purchased better grades of lumber to have less fall down/waste. The flipside is that the price is higher. It's impossible to have both good material and an inexpensive price. Got to choose your path. We've invested in 'curtains' to sun shield our lumber bins from the summer heat/sun as well. Bought track and a used soft-side curtain from a semi-truck, it works good."

"I stock high-line lumber and have had great success with it. It's one of the reasons why our customers would much rather buy from us, rather than our competitors. Our customer like the fact that they can pretty much grab and run, don't have to pick through junk lumber. We typically buy by the car-load which keeps us pretty competitive, compared to most competitors who buy out of a warehouse somewhere."

"Contract with the mills you like. Not all purchases need to be contracted, we do about 25% of our annual needs, especially studs."

"There is a wide range of product within the grades of lumber. You can buy from mills at the top of the grade or mills at the bottom. There is a slight price difference but the reduction in callbacks is worth the extra price."

"If you can't find mills to get you the lumber quality you expect, then you are forced to increase margins to cover dunnage costs. More concerning is the perception of the customer. You must educate them on lumber expectations, if dunnage is a 'fact of life,' customers need to be aware."

"First, buy mill-direct so you can control not only what mill you buy from, but if they operate more than one mill, you know which mill it is coming from. Research both the species mix and log size the mill is running. Buying lumber is more than just listening to your favorite wholesale salesman's lines."

"1) Discuss the supply situation with your builders and solicit their input. You may be surprised by what they tell you. Don't assume. 2) Explain the situation to your current suppliers and solicit their input. 3) Look for a long-term solution with higher quality suppliers."

"We stock only premium studs and select structural 2x4 thru 2x12. It's harder and harder to come by, and we had to step down to a #2 no prior select on studs to be able to have stock. We are a small yard, so we try and be creative, but it is super tough. We cull out a lot more than we did before. Bundle up and sell at about 1/2 price or less. We write off the fall down and sell the bundles at 100% profit to regain a bit."

"We do go back to the mills and get some retribution. Also, we will boycott certain mills we consistently have problems with."

"This issue is a real moving target. We strive to source from mills that do 'no prior selects' in SYP and premium or hi-line in SPF. The roster of the better mills changes, so we depend on receiving supervisors to be on the same page as buyers to insure we are getting what we ordered. Also, we're careful to keep our inventory under cover."

"We buy premium Douglas fir lumber and charge accordingly. We strive to have the open units flat stacked daily, but the outside boards are often culled, the price of doing business with perishable products. We sell the cull units or sell them to a company that makes pallets." ■

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SUPPLY CHAIN MANAGEMENT CRUCIAL TIE THAT BINDS BUSINESSES, CUSTOMERS



Supply chain management can sometimes be the unsung hero in manufacturing sales and marketing organizations. This business function is the crucial tie that binds a company to its customers. A defining component of customer satisfaction, the management of product inventory, shipping and all of the communications that carry logistics is the foundation of long-lasting business partnerships built with trust.

"Transportation connects businesses to their customers," said Mike DiBenedetto, director of logistics and transportation for Huber Engineered Woods, maker of AdvanTech® subflooring. "As a result, the success of a company's transportation strategy is often measured by how well it delivers results."

DiBenedetto, who has previously worked in logistics services for FedEx and GE Plastics, has spent the past decade providing strategic and tactical transportation planning for Huber's distribution strategy. He credits the company's commitment to logistics planning for its successful dealer partnerships.

"Maintaining a world-class level of on-time shipping is part of our DNA," DiBenedetto said. "Our customer fulfillment service philosophy is

rooted in our alignment with like-minded partners who are also committed to providing consistently high levels of safety, quality and efficiency."

DiBenedetto explained Huber's approach to transportation planning never deviates from its focus on reliable product fulfillment even through difficult times, including a recent natural disaster in the Gulf Coast.

"An example of our ability to meet customer demand under a variety of conditions is when we recently flexed to cover more than our average weekly shipments over an extended period of time in the face of post-hurricane demand, high pricing and stressed trucking labor," he said. "Our dealers know they are stocking a superior product that is available when they need it. Thanks to our strong partnerships, we've been able to meet customer needs in difficult times."

Huber Engineered Woods operates manufacturing facilities in Maine, Georgia, Virginia, Oklahoma and Tennessee and services a nationwide network of dealers and distributors. Producer of premium engineered wood products, it is perhaps best known for introducing the first high-performance subflooring panel more than 20 years ago, with AdvanTech subflooring.

AdvanTech® panels were the first wood panels to receive third-party code compliance documentation for above-code values for strength, stiffness and fastener-holding power, as published in ESR-1782.

"Innovation and excellence are strengths that run throughout our business," DiBenedetto said. "We take great pride that our customers provide feedback year after year that our service and product performance exceed expectations."



Mike DiBenedetto, director of logistics and transportation for Huber Engineered Woods

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IN DEPTH

CAULKS, SEALANTS

MANY OPTIONS AND SOLUTIONS FOR LBM DEALERS.

CAULKS, SEALANTS AND ADHESIVES serve a variety of important purposes for the contractor and homeowner. They help create air-tight buildings, prevent the passage of water and moisture, and fill gaps and cracks.

But there are plenty of choices out there and figuring out which ones to carry can be a tough undertaking for LBM dealers. Manufacturers and distributors of the products recommend carrying a wide variety of options to handle the equally wide variety of applications.

"Today's adhesive market can be quite confusing," says Dan Kaufman, Director of Sales-Distribution, Franklin International/Titebond. "Manufacturers have developed products that are multi-purpose in use, and others that are

project specific. But what is often misunderstood is what, exactly, is in the tube. There are many different chemistries available, and it is often not very apparent which the user is purchasing. At one time, all construction adhesives were solvent-based. This has changed dramatically due to advancements in technology and manufacturing."

It's important for end users to know that not all caulks and sealants are the same or can be used for any application, says Jennifer Johnson, Group Product Director of Caulks & Sealants at DAP Products Inc.

"There are many different technologies and grades of caulks and sealants, each with their own unique performance features," she says. "Whether a professional or



TS & ADHESIVES

BY JONATHAN SWEET

DIYer, it's best to use a sealant specifically formulated for the job at hand, such as a window, door and siding sealant for window, door, siding application. Typically, the best product for the job is the higher-grade formula which can be more expensive, but will deliver better long-term results and satisfaction."

Jay Misas, Senior Product Manager, Construction Adhesives at DAP expands on that idea, noting the importance of using high-quality products.

"A common misunderstanding in the construction adhesives category is that low-quality adhesive can be used to complete jobs because mechanical fasteners are also being used," he says. "However, in many applications, it is the

ABOVE: Dynaflex Ultra Advanced Exterior Sealant from DAP has a tough, hydrophobic surface that repels water absorption for a 100% waterproof seal that also resists dirt and dust build-up. Its UV protection prevents fading and yellowing and the sealant stays permanently flexible and crack-proof.

adhesive that prevents failures rather than the fasteners. For example, floor squeaks and nail pops are two common failures that homeowners often experience. These failures are caused by using low-quality adhesives or by failing to use adhesives at all." >

NEW PRODUCTS ABOUND

The category also continues to get more robust, with existing manufacturers rolling out new products, and new companies entering the market.

Smart Vent produces a 3/16" marine-grade stainless steel flood foundation vent and had been recommending competitor adhesive products. After dealing with installation failures, the company decided it needed to develop its own adhesive. That effort led to the introduction of HurriBond in 2017. As it turned out, HurriBond was useful in other applications as well.

"When we first developed the product, we put it out to market," says J. Paul Abrams, Director of Field Operations. "We had an influx of people like window installers, trim carpenters, we had tile guys, gutter hangers, they came back and said...it works with just about every material, even the rubberized roofing. We found that this stuff works."

HurriBond is fast-curing, paintable, odorless, non-yellowing, and usable in interior or exterior applications.

"We say 'two-in-one,' but it's really 'three-in-one,'" Abrams explains. "It

adheres, and stays, and it's used on every surface out there, and the neat thing about it is there's no odor, it's sandable, it's paintable, and [has] fast cure time. Twenty-four hours and it's 100% cured."

HurriBond can make life easier for installers by allowing them to replace multiple caulks and sealants with one option, Abrams says.

"This one product can handle just about anything out there," he says. "We've not found anything that it doesn't work on. So, one of the biggest benefits will be to help dealers cut back on SKUs, and make more sales with one product, [rather] than having all these other choices out there."

Also in 2017, Huber Engineered Woods launched its AdvanTech subfloor adhesive and, this year, introduced a 28" long-barrel, non-stick spray-foam applicator gun.

"Traditional cartridge adhesive can be slow and hard to squeeze in winter conditions," explains David Wescott, Director of Product Accessories for Huber Engineered Woods. "Foam-to-gel AdvanTech subfloor adhesive brings new levels of speed and ease to the jobsite with quick application, even on wet and frozen wood. With the longer applicator gun, builders can keep subflooring installation moving even easier, year-round."

According to Huber, third-party testing by Home Innovation Research Labs shows that when AdvanTech subfloor adhesive is applied using the new long-reach 28" gun applicator, it's a 40% faster subfloor adhesive application process compared to conventional polyurethane-based cartridge adhesive method.

Huttig recently introduced two adhesive products—Huttig-Grip Subfloor and Drywall Adhesives—to its new line-up of Huttig-Grip products.

"We developed this product line to become a better resource to our core customers, professional building material outlets," says Sam Sprague, Vice President of Huttig Xpress. "Consolidation of product categories makes it easier for these suppliers to stay competitive and work efficiently in managing their businesses. ➤

RIGHT: Smart Vent describes HurriBond as a one-component, medium modulus, fast curing, multi-purpose polyether elastomeric sealant. When fully cured, it offers UV stability and adhesion to PVC, concrete, glass, aluminum, painted surfaces, wood, plywood and many other substrates.

BELOW: Together, AdvanTech subfloor panels and AdvanTech subfloor adhesive from Huber Engineered Woods are backed by the industry's only Squeak-Free Guarantee. A heavy-duty polyurethane formula helps create a solid, firmly bonded surface that consistently performs two- to five-times above ASTM requirements. Formulated to adhere to wet and frozen wood, this moisture-curing polyurethane adhesive is designed for challenging weather conditions.





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"Our construction adhesives line features state-of-the-art packaging design that conveys a 'pro' look," he adds. "But the key is the product in the tube, as we have partnered with an industry leader that manufactures some of the highest quality products on the market."

Another recent addition to the market is MasterSeal NP 100 from BASF, a hybrid adhesive/sealant. The product is a fast-curing sealant with strong adhesion to a wide variety of substrates and combines the best of silicone and urethane chemistries, says Ashley Haag, Marketing Manager-Sealants & Waterproofing.

BASF introduced MasterSeal NP 100 in response to contractor demand for solutions to help them achieve fast-

er project turnaround, superior weatherability and adhesion to a wider range of substrates, Haag says.

Manufacturers are also improving their existing products. Earlier this year, PPG, maker of Liquid Nails adhesives and sealants and Top Gun sealants, announced environmental product declaration (EPD) verification for 15 formulas from the PPG Top Gun architectural sealants product line.

"EPDs contribute to the transformation of green building initiatives, such as Leadership in Energy and Environmental Design (LEED) v4, by enabling purchasing decisions built on science-based environmental information," says Michael Provenzano, PPG Marketing Manager, Adhesives and Sealants. "PPG is committed to helping

customers in the commercial building industry reduce their carbon footprint and meet green building rating requirements such as LEED v4, by offering an environmentally friendly product portfolio of 15 sealant formulas."

The company's multi-purpose Liquid Nails products are also growing in popularity as they simplify the selection process.

"For contractors and customers looking for a multi-purpose adhesive, Liquid Nails FUZE*IT All Surface construction adhesive is the ideal option, and it takes the guesswork out of selecting an adhesive," says Provenzano. "The adhesive is formulated with a proprietary hybrid-polymer blend, with two times the strength of fasteners alone, and bonds nearly all materials in any weather conditions, and on surfaces that are dry, frozen or wet. The product can be applied in temperatures ranging from 0° to 140° F and performs in temperatures ranging from -40° to 300° F."

With the rise of various cladding products being used for exterior finishes, users are asking for more from their sealants. Henkel developed OSI Quad Max with that in mind, designing it to meet the needs of the professional window, door and siding installer.

Quad Max offers long-term durability and the ability to flex in different conditions, says Bill Sobonya, Senior Brand Manager for Henkel.

"You look at the trends in materials and what the architect is specifying on these buildings, you get different materials with different expansion and contraction characteristics that are coming together, and that in and of itself puts a lot of performance pressure on sealants," he says. "The other piece of it outside of adhesion flexibility, it's also the long-term UV resistance of that sealant to maintain those properties over a long period of time. That's really where the development of the Quad Max product started from, was those two areas."

With its application flexibility, Quad Max can help address the confusion many contractors have when choosing a product, as there can be a world of difference in ASTM C-920, or elastomeric, sealants.



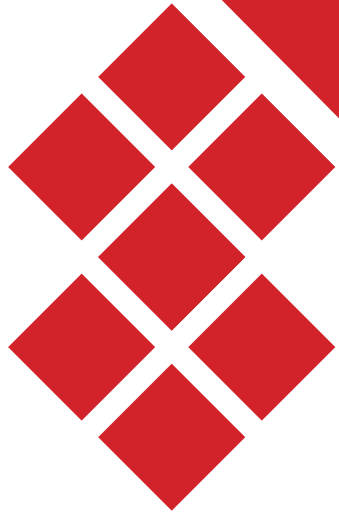
ABOVE: Huttig-Grip Construction Adhesives are manufactured with the highest quality and features state of the art packaging designed for the pro in mind.

ABOVE RIGHT: BASF MasterSeal NP 100 is a hybrid adhesive/sealant that features hybrid technology, is fast curing and adheres to a wide variety of substrates, combining silicone and urethane chemistries.

RIGHT: PPG Top Gun is one of the first sealants in North America to earn a building and construction sealant environmental product declaration that is certified by the global public health organization NSF International. Each Top Gun product delivers a high level of performance for a wide range of applications and meets ASTM standards, which are used worldwide to improve product quality, enhance safety and facilitate trade.



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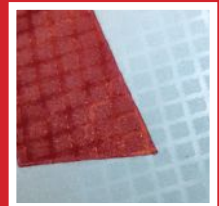
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"You can have a C-920 sealant that has a movement capability of maybe 12% to 20%, which means its flexibility is somewhat low," says Henkel Applications Engineer Paul Majka. "There's other sealants that have up to 50% to 100%, where their flexibility is much higher. Or, you can have a C-920 sealant that will adhere to a few different substrates. All of these different sealants with different performance aspects that vary so much still fall under one classification of C-920. There's a lot of contractors and end users that don't understand that."

DAP's latest sealant is Dynaflex Ultra Advanced Exterior Sealant for window, door, siding and trim applications.

"New DAP Dynaflex Ultra Advanced Sealant is powered by breakthrough Weather Max Technology to provide tough, all weather protection so the sealant won't crack, fade, crumble or breakdown," Johnson says. "The sealant will stay looking clean and new for years with no worries about call backs or unhappy customers. It improves productivity with fast one-hour rain and paint ready times. And Dynaflex Ultra is easier to use than most other sealant technologies: it's easy to gun out, tools smoothly, is low in odor, and cleans up with just soap and water."

DAP has also introduced its Dyna-Grip Heavy Duty Max adhesive in a 28-ounce cartridge.

"Many professional tradesmen, like drywall and framing contractors, primarily use 28-ounce cartridges due to the larger application volume inherent in new home construction," Misas says. "By providing this DynaGrip Heavy Duty Max in a 28-ounce cartridge, DAP is pioneering hybrid solutions for professionals to help prevent floor squeaks and nail pops when installing moisture resistant OSB or drywall panels that traditional adhesives cannot bond. Heavy Duty Max also provides a wider temperature range for professionals working in extreme weather conditions, as well as up to five times faster bond times to complete jobs faster."

Titebond has also recently rolled out several new products, including Titebond Fast Set Polyurethane Construction Adhesive, Titebond Ultimate TiteGrab Construction Adhesive, and WeatherMaster Ultimate MP Textured Sealant.

Fast Set "is a one-component, advanced adhesive technology designed to build strength faster than other comparable products," Kaufman says. "Fast Set can be used for interior and exterior construction projects and is the highest performing product of its kind, offering unmatched strength and durability even when bonding non-porous materials. It offers a fast set-up time as well as a smooth

bead for effortless extrusion, even in near-freezing temperatures."

Titebond developed Fast Set in a no-drool tube to address frustration in the market place over drooling construction adhesives, especially in the polyurethane construction adhesive category. "Our goal in R&D is to develop products that meet real needs on the construction site—and Fast Set is no different," Kaufman says. "It bonds just about any material on the construction site, extrudes easily, [and] eliminates the mess and waste of after flow and sets quickly."

The company developed TiteGrab in response to a shortage of skilled labor in the construction market, designed to make it easier for crews of varying skill levels to use.

Titebond "doubles the initial vertical bond strength of most other adhesives and quickly grips and holds materials, eliminating the need for bracing in many cases and speeding up the job," Kaufman says. "Users can reposition the materials for up to 10 minutes after application. The adhesive then quickly cures into a powerful, durable bond that is 100% waterproof."

WeatherMaster Ultimate MP Textured Sealant is an elastic multipurpose sealant that seals and blends in with most construction materials, including asphalt, stucco, concrete, mortar, wood, brick, concrete and stone.

RIGHT: Titebond Fast Set Polyurethane Construction Adhesive from Franklin International is a one-component, advanced adhesive technology designed to build strength faster than other comparable products. Fast Set can be used for interior and exterior construction projects, offering strength and durability even when bonding non-porous materials. It offers a fast set-up time as well as a smooth bead for effortless extrusion—even in near-freezing temperatures.

FAR RIGHT: OSI Quad Max from Henkel offers proven wet surface application, a consistent bead in hot or cold temperatures in 0 to 140° F, a 24-hour cure for quicker protection, strong adhesion to more building materials without primer and enhanced UV resistance.



"We developed WeatherMaster to provide construction professionals with a textured adhesive that maintains its consistency after tooling," Kaufman says. "Other textured adhesives on the market tend to lose their textured look after tooling."

The Sherwin-Williams Company has two new products in its White Lightning line developed in response to the need for faster-drying options.

3006 Quick Dry is an upgrade of the company's popular 3006 caulk designed with the professional applicator in mind, says Keith Krese, Senior Product Manager, Caulks & Sealants.

"Contractors have to get in and get out, and do more with less," he says. "So we launched this 3006 Quick Dry product, an upgrade to our heritage 3006 product, and it offers the ability to be painted in 20 minutes with brush application, or immediately with airless sprayer."

The company also recently introduced Speed Grip, a latex all-purpose construction adhesive for use in many construction and repair options.

"So, one of the big pluses of this product is it creates a very high strength bond," Krese says. "It cures quickly compared to some of the other competitive products on the market. And because it's an acrylic, it is water clean-up. If there's any little residual that gets on the surface it's easily painted." ➤

White Lightning 3006 Quick Dry from Sherwin-Williams is an updated version of the original 3006 caulk that can be painted in 20 minutes with a brush and is paintable immediately with an airless sprayer. White Lightning Speed Grip Construction Adhesive provides instant grab on most porous and nonporous surfaces and is ideal for interior applications.



RailLok® Rail Section Connection



DeckLok® Lateral Anchor System



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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- ICC ESR-2114
- Ledger: Anchors against deck pullout and collapse, 4,000 lbs. per set.
- Rail Post: Increases connections over 500%.
- Stair Stringer: Provides bolted connection for Stair Stringer to deck substructure.



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MAG-LBM-08/2018

MANAGING OPTIONS

With the wealth of options available, it's incumbent on dealers to understand the various solutions so they can offer the best choices to their customers.

The two most important things a dealer can do is make sure its staff is educated, and offer product information to its customers, says Majka.

"The sales staff being educated can help to increase the credibility of the product itself by just making sure that they're able to communicate the differences between different products," he says. Dealers should also work with manufacturers "to set up educational training where they could bring together their end users, their customers and bring in the manufacturer who can speak to their products and be able to clearly explain some of these technical aspects and differences between sealants."

Dealers can assist the customer in choosing the correct adhesive by asking a few simple questions, Haag says.

"Not all adhesives are created equal. It is important to understand the type of substrate the customer is trying to adhere, is the material in an area of temperature changes, an area where it may come in contact with moisture."

Misas agreed, pointing out the importance of knowing about a project.

"When recommending adhesives, dealers should seek to understand the customer's application and unique needs," he says. "Questions such as: What type of surfaces are you looking to adhere? What is the temperature in which the product will be applied? Will this product be exposed to moisture during or after curing? How quickly do you need the adhesive to develop strength? These questions are critical to helping the dealer determine the correct product to recommend based on the customers needs."

Proper organization and smart displays can also help customers make their product choices.

"Categorizing the products available on the shelves is a great starting point," Provenzano says. "This helps customers to easily differentiate which product types meet their specific project needs. To help customers select

a specific product within a category, understanding the use of the product in a project is of key importance, and sales associates should be trained accordingly. Leveraging various materials and resources available to dealers can also be beneficial. Using product selectors or keeping reference guides or online resources can help sales associates and dealers make the correct decisions for customers."

White Lightning has made efforts to remove some of the confusion by addressing issues identified in consumer studies and shop-alongs. That resulted in simplified packaging and redesigned at-shelf, point-of-purchase materials.

"That can be a very challenging 8' or 16' of space, so we tried very hard to address those needs for that hierarchy of 'I've got a project in mind,' so I need to know what product works for that project, and help some of those quick narrow-downs," Krese says. "Do I need to paint it, or am I not concerned about that? Is it going to be interior or exterior? Is it an area that has a need for a product with a lot of flexibility? Or it's going to be used outside and there are going to be temperature changes?"

The company added a QR code to all of its packaging as well. If a customer has a question that can't be answered by a store associate, they can simply scan the QR code and go directly to the detailed product data sheet.

Marketing can play an important role in growing sales of the category as well, Wescott says.

"LBM dealers are using social media and digital advertising to reach builders [and] homeowners," he says. "At Huber Engineered Woods, we've connected with this audience on social media platforms to provide technical support and amplify product advocacy. ...We also have a dedicated customer marketing program that provides partners with marketing assets and even customized marketing programs across media channels."

DAP recommends selling sealants along with other products to maximize sales. "Sealants are an important part of key building projects, such as the installation of windows, doors, siding, and trim, and should be bundled with

INTERNET INFORMATION

Companies in bold participated in this article.

BASF:
www.master-builders-solutions.basf.us

DAP:
www.dap.com

Franklin International/Titebond:
www.titebond.com

Henkel/OSI:
www.ositough.com

Huber Engineered Woods:
www.huberwood.com

Huttig:
www.huttig.com

**PPG Architectural Coatings/
Liquid Nails:**
www.liquidnails.com

Sashco:
www.sashco.com

Sherwin-Williams/White Lightning:
www.wlcaulk.com

SmartVent/Hurribond:
www.hurribond.com

those purchases," Johnson says. "The higher performing, higher margin sealants should be recommended for these demanding applications as they will provide the best results. Dealers should educate their consumers on the advantages of these higher performing sealants."

Encouraging customers to invest in higher quality products will pay dividends for the customer and the dealer, Misas says.

"Many customers may try to save a few pennies on the adhesive used for a job, primarily because they do not understand the performance differences of the many adhesives available," he says. "Dealers should help the customer understand that they can prevent spending hundreds if not thousands of dollars to repair common failures, such as nail pops, by investing a dollar or two more for a quality adhesive." ■

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



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LBM **OUTSIDE SALES COMPENSATION & BENEFITS** REPORT **2018**

How much should you pay your salespeople? How should you structure their pay—base, commission, or a combination of both? Should commissions be paid on straight or variable percentages? Should the percentage be based on sales, margins or profits? What about benefits—insurance, retirement, bonuses, etc.? Though there's no universal right answer to these questions, this article features the insights of hundreds of readers from throughout the industry and across the U.S.

STAFF REPORT

WITH RESIDENTIAL CONSTRUCTION AND REMODELING WHITE-HOT IN MOST REGIONS OF THE COUNTRY,

the LBM industry is enjoying the spoils of the economic recovery that continues gathering steam. This is not the first time that our industry has recovered from an economic downturn, but our current situation is unique from prior rebounds in one major way: we're still feeling the effects of the mass exodus of people from our industry following the Great Recession. Qualified people are in short supply and high demand—for builders as well as dealers.

That reality puts a spotlight on compensation and benefits. While pay isn't everything, it is a fundamental piece of the puzzle for dealers working to attract and retain top people.

In response to demand from readers for current data on outside salespeople, we surveyed our audience in early 2018 regarding the compensation and benefits paid to their outside sales pros. We'd like to thank the 219 readers who participated in—and completed—this year's survey. Next, we contracted with seasoned market research pro John Cashmore of Opinion Dive Market Research and Consulting to crunch the numbers and create the full 2018 LBM Outside Sales Compensation & Benefits Report.

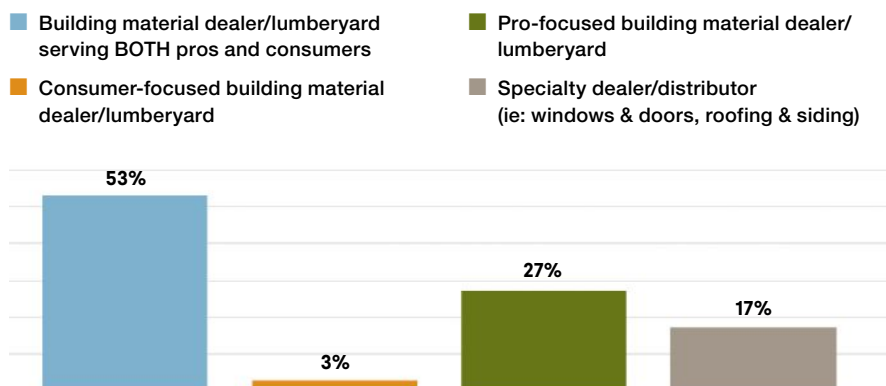
NOTE: The article that follows summarizes some key findings; space restraints prevent us from publishing the full report here. Readers who completed the survey received a copy of the full report—including all questions and answers and regional breakdowns—at no charge. For others, it is available for purchase at a nominal cost. Details are at the end of this article.

WHO WE SURVEYED

In focusing solely on compensation and benefits for outside salespeople, this year's compensation study asked fewer questions, which enabled our analyst to dig deeper into the data that those questions provided. As in previous studies, the focus of this year's survey was on lumber/building material dealers serving professionals, consumers or a mix of both, along with specialty dealers and distributors (i.e. roofing and siding, windows and doors, etc.).

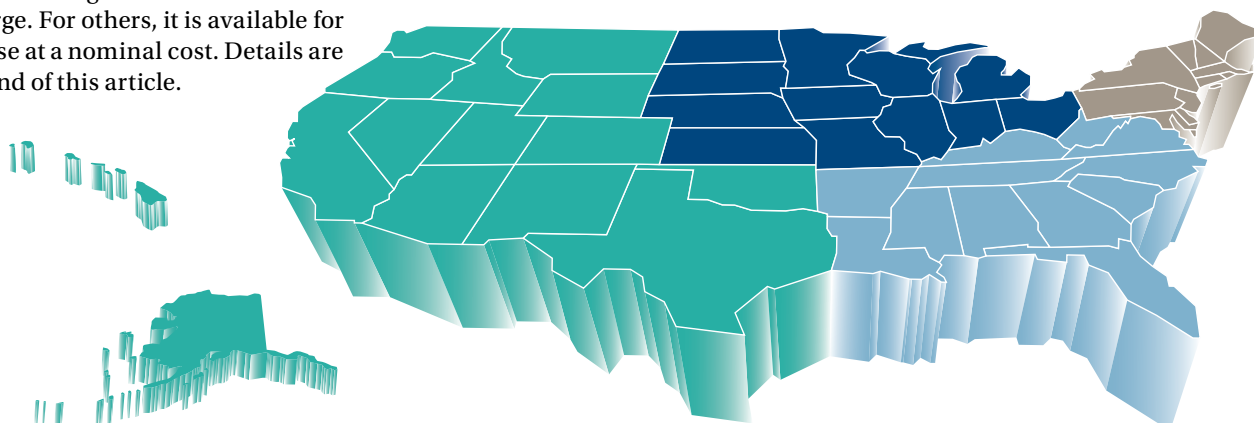
The two charts below paint an accurate picture of the makeup of this year's respondents based on company type by customer category breakout, and by the region of the country in which they operate.

WHO WAS STUDIED FOR 2018*



*Based on 2017 information

NUMBER OF ENTITIES WHO COMPLETED STUDY BY REGION



ANNUAL SALES

Annual sales of an entity are important as we consider how compensation varies among companies of different sizes. **CHART A** details the respondent company revenues for 2017 by customer-breakout.

PAY PROGRAMS

How an outside salesperson is paid varies from entity to entity and are hybrids of the factors shown in **CHART B**. The most common is “Base + Commission,”

with “Base + Commission + Bonus” the next most common pay program.

FORMULAS FOR COMMISSION PAYMENTS

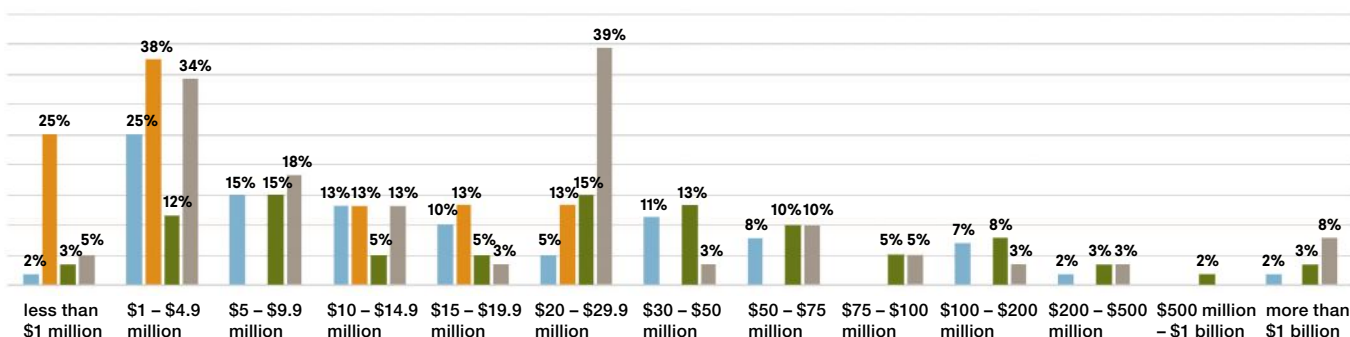
CHART C indicates how outside salespeople who are paid by commission have their commissions determined. As the chart shows, the single most common payment method for pro-focused yards as well as companies serving both pros and consumers is “Straight % of Gross Profit Dollars.”

For the specialty dealers/distributors, “Variable % of Gross Profit Dollars,” is the most common.

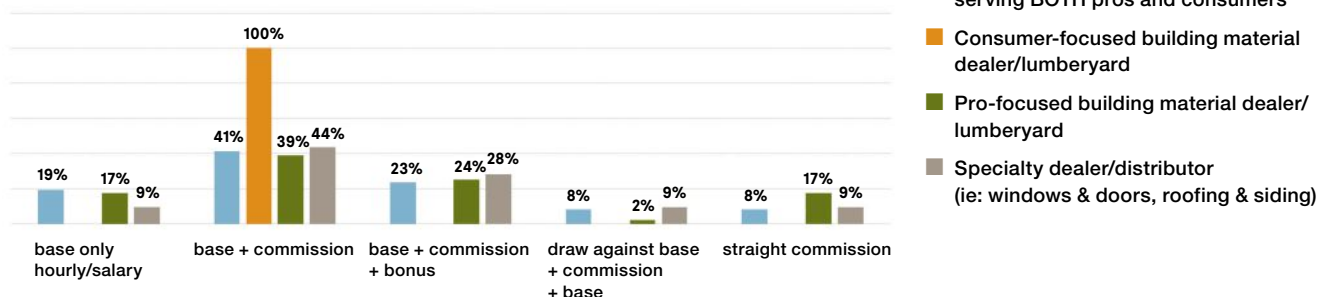
MONETARY COMPENSATION

On a national basis, most outside salespeople average between \$60,000 and \$100,000 in monetary compensation (this does not include insurance, perks, and other benefits). However, there are outliers, with respondents from pro-focused yards reporting that 11% of outside salespeople earn

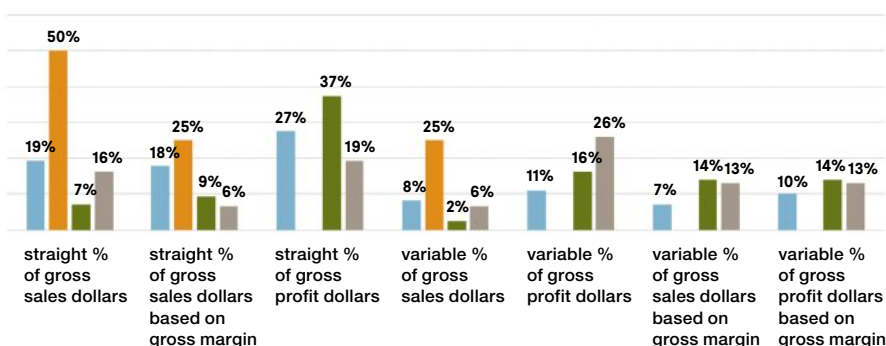
A: 2017 ANNUAL SALES VOLUME BY ENTITY



B: OUTSIDE SALESPERSON PAY PROGRAM / ENTITY TYPE



C: COMMISSIONS PAID: BASED ON...



more than \$140,000. **CHART D** below shows all monetary payments made to outside salespeople by entity class. For this 2018 study, the minimum monetary compensation level was raised to “Less than \$50,000” from “Less Than \$30,000” in our 2015 survey. On the other end of the scale, the top range was elevated from “More than \$120,000” in 2015 to “More than \$140,000.”

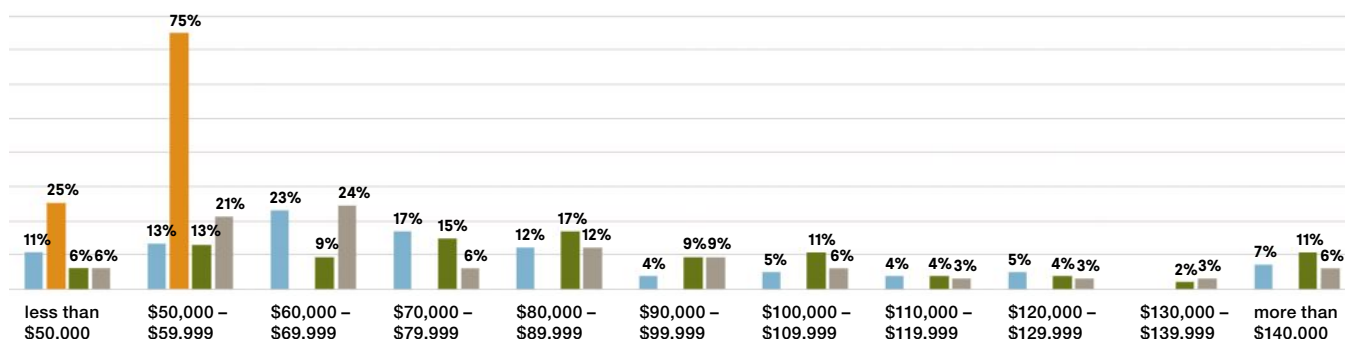
When queried about how much the highest paid salespeople were paid in cash, the following was noted, with

results presented in **CHART E**. Notice how many entities reported that their “Highest Paid Salesperson” is paid more than \$240,000. In the previous study edition (2015), 30.9% of outside salespeople were paid “More than \$120,000,” which included all bonuses, perks and insurance. Cash paid to outside salespeople continues to rise and is typically a function of the increased business the outside salespeople generate, built on today’s high demand for construction products and services.

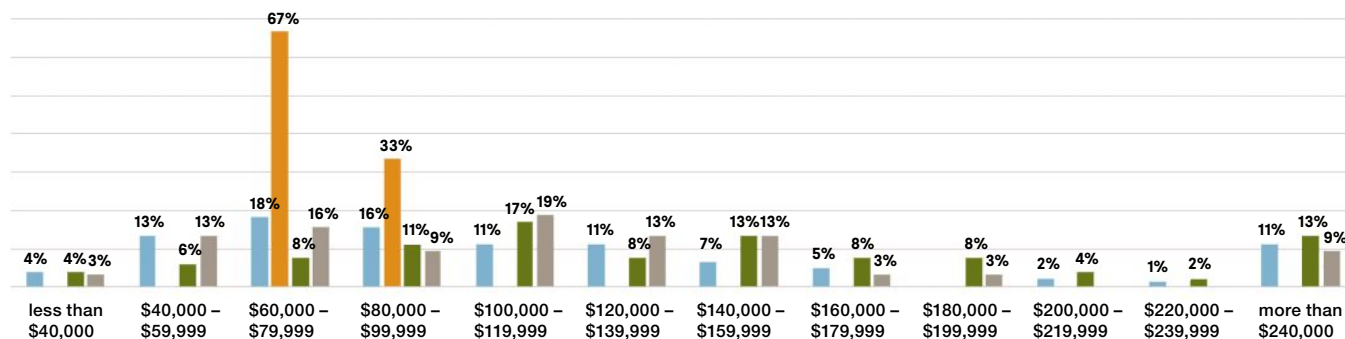
BENEFITS

Health Insurance: When it comes to benefits, health insurance is among the most common and most desired. **CHART F** indicates how pending changes in the Affordable Care Act in 2017 affected health insurance coverage for outside salespeople. Changes will likely continue in health care coverage, with companies of all sizes navigating the ever-changing health insurance landscape to maximize coverage for employees within budget. ➤

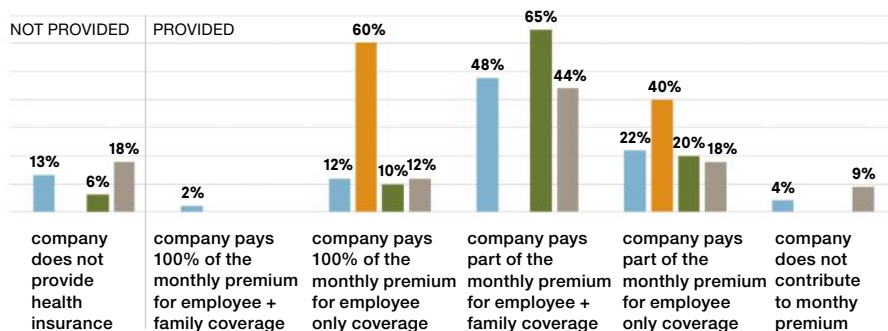
D: OUTSIDE SALESPERSON / TOTAL AVERAGE PAY (IN CASH)



E: OUTSIDE SALESPERSON HIGHEST PAID (IN CASH)



F: HEALTH INSURANCE PROVIDED



- Building material dealer/lumberyard serving BOTH pros and consumers
- Consumer-focused building material dealer/lumberyard
- Pro-focused building material dealer/lumberyard
- Specialty dealer/distributor (ie: windows & doors, roofing & siding)

Dental Insurance: As it has from past studies, dental insurance coverage continues to lag behind health insurance coverage, with about 1/3 of respondent companies not offering any form of dental insurance. Offering dental insurance, but not contributing to the premiums, is an option that a number of companies in all categories have chosen. The breakdown of which type of entities offer dental coverage

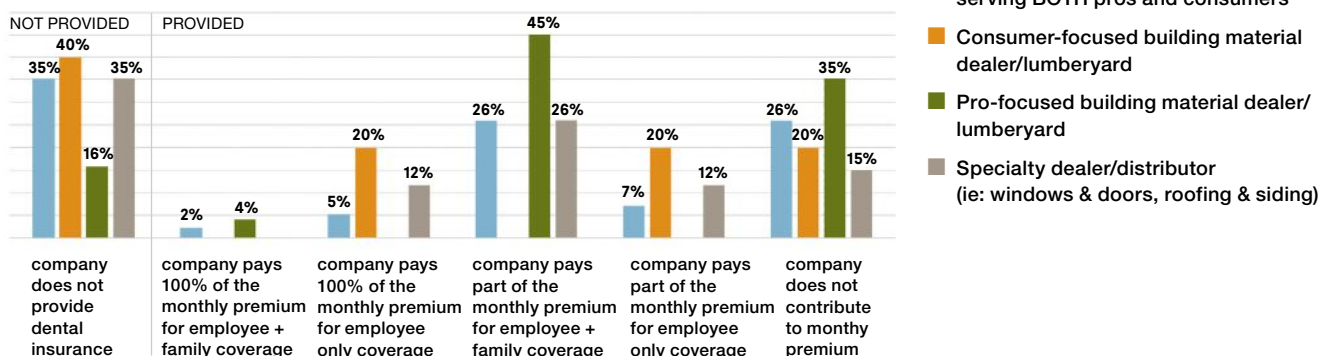
and contribute to the premiums are illustrated in **CHART G**.

COMPANY COSTS OF OUTSIDE SALES

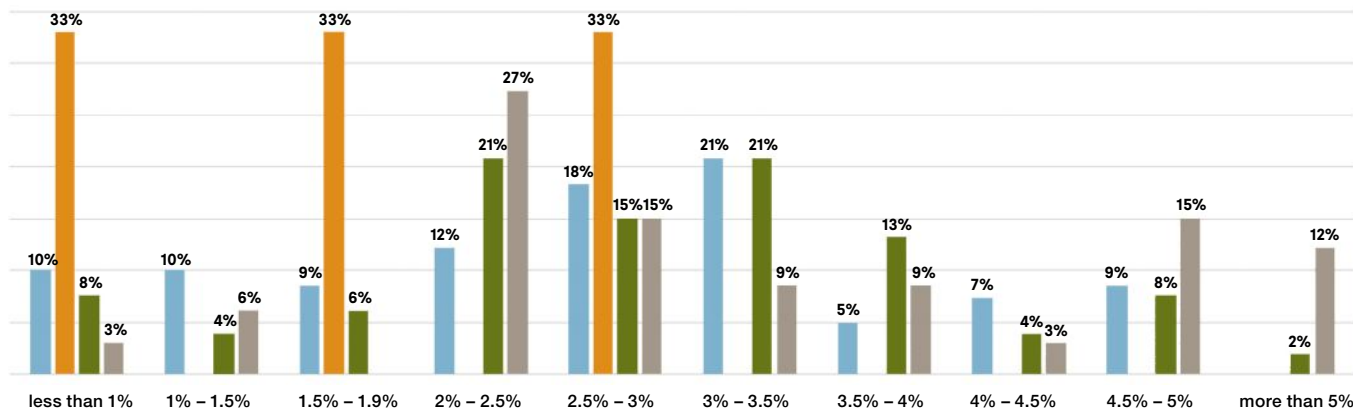
In **CHART H** below you will see the Company Cost of Contractor Sales. This chart contains the information for both inside and outside salespeople, as many outside salespeople have inside assistants.

In summary, sales compensation and benefits plans vary widely from company to company, and from region to region. Our goal with this research is to provide a snapshot into what other dealers are doing, and hopefully some insights to consider as you optimize your compensation plan. While money is only one part of the equation, it is an important piece to understand, manage and monitor. ■

G: DENTAL INSURANCE PROVIDED



H: OUTSIDE SALESPERSON PAY AS PERCENTAGE OF SALES (IN CASH)



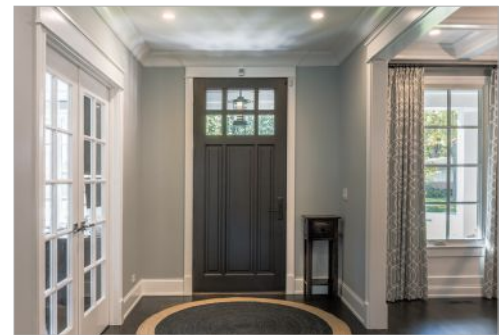
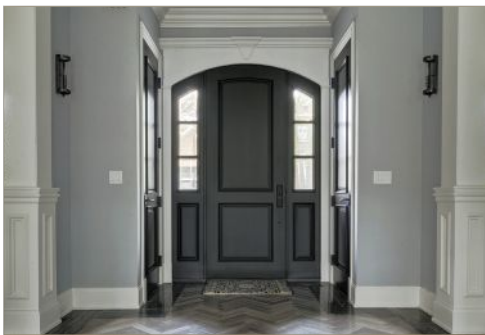
FULL REPORT

Readers who completed the survey were provided with a complete copy of the results of this study, with analysis from Opinion Dive Market Research, including every question and regional breakouts for many of the questions. Others can purchase it for \$299 at LBMJournal.com/SalesComp. If you'd like to participate in next year's study, please send a note to James@LBMJournal.com, and we'll make sure to send you the email invitation.

LBM JOURNAL OUTSIDE SALES
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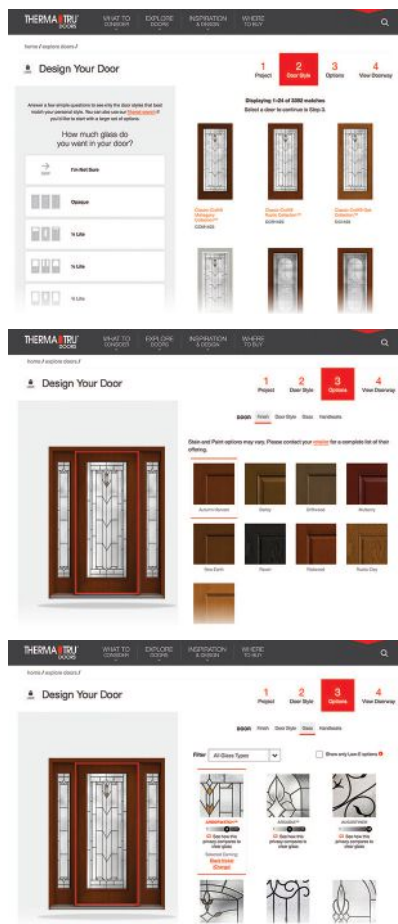
PRODUCT PICKS

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

Home visualization from Thermo-Tru and Renoworks

Thermo-Tru and Renoworks Software have partnered to integrate Thermo-Tru's Design Your Door tool with the Renoworks home visualization platform. This integration is designed to allow homeowners to view the most up-to-date library of Thermo-Tru doors on their home with participating Renoworks dealers. Thermo-Tru's Design Your Door tool intuitively guides homeowners through various door styles, design choices, finishes and other customization options. Thermo-Tru's Design Your Door experience can be used across all Renoworks visualization technology solutions where Thermo-Tru products are available.

www.thermatru.com



Sherwin-Williams Extreme Block

Sherwin-Williams introduces Extreme Block Primer/Sealer, a versatile indoor/outdoor formula, to its coatings lineup. The new oil-based primer is said to reduce the need for repaints by sealing off stubborn stains such as smoke, fire and nicotine, making it ideal for quickly restoring a property to fresh condition. The fast-drying primer can be top-coated with either acrylic or alkyd products in as little as two hours, Sherwin-Williams says. The product is designed to adhere to multiple substrates including wood, drywall, masonry and prepared metal. Extreme Block has been developed to be easy to sand to a uniform surface and provide adhesion through deep surface penetration. www.s-w.com



Grezzo stone veneer panels from Environmental StoneWorks

Environmental StoneWorks, a national manufacturer and installer of stone veneer, has introduced clear cut contemporary Grezzo panels. The panels feature a new, universal stone that is designed to allow builders, designers, and architects the opportunity to develop unique patterns with stone veneer. A wide range of panel sizes have been developed to allow for expanded customization options and design possibilities. Three colors are available, taking their names from sunny Italian beaches (shown top to bottom): Principe, San Domino, and Sabbie Nere. www.estoneworks.com



Fiskars Pro Utility Knives

Pro Utility Knives from Fiskars feature CarbonMax Utility Blades that are said to stay sharp 24 times longer than standard blades. The knives include a locking system to protect against accidental blade release. Available models include: folding, fixed, and retractable utility knives, a snap-off utility knife, a drywall's utility knife, and a painter's utility knife. Full-body metal constructions and reinforced ends are said to resist pounding and drops. Full lifetime warranty available. www2.fiskars.com



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- Recognition at the annual LBM Strategies Conference

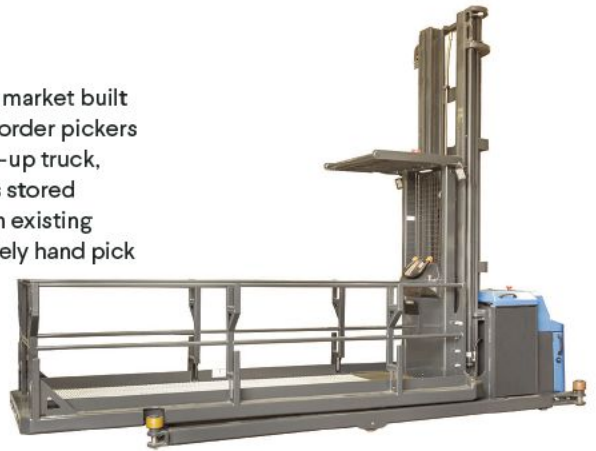
To nominate your company (or another dealer) for membership, and to see a complete list of members including an interactive map, please visit www.LBMJournal.com/century

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Combilift's Combi-OP order picker

The Combi-OP from Combilift is said to be the first order picker on the market built for long products. Previously, customers have had to modify traditional order pickers to cope with the specific demands of long loads. The Combi-OP, a man-up truck, features a long platform to enable the operator to access long products stored at height. It is fitted with guide rollers designed to enable it to operate in existing guided narrow aisles. It is designed to enable operators to easily and safely hand pick orders. Features multi-function steering/function control, dual speed control, and operator display. www.combilift.com



Ply Gem's Leaf Relief continuous hanging system

This dual-purpose Leaf Relief gutter hanger system from Ply Gem is said to combine the most secure gutter attachment with leaf protection for a low maintenance gutter solution and simple installation. The system, with access panel, is constructed from .019" aluminum, and was developed to alleviate weak spots along the gutter due to its continuous design. The system is designed to handle heavy snow and ice loads of up to 858lbs., while the new addition of the access panel feature provides access inside the gutter, if needed. Leaf Relief products are backed by a 25-year "no clog, no overflow" warranty. www.leaf-relief.com



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Type 17 Point

www.GrabberPro.com/lag-master

New window packaging from ProVia

ProVia has implemented a new packaging system it says will provide increased protection for its replacement windows. Windows are now shipped to dealers in fully enclosed boxes made of corrugated cardboard, and each box is custom-fit to match exact window dimensions. The company says the full-box solution will provide reduced risk of damage and will simplify the stacking process in shipping. The new packaging is used on ProVia's full line of replacement windows. www.provia.com



New color for Signature Stain by Tando

Tando's Signature Stain has added a new color—Graphite—to its cladding line. Manufactured by Derby Building Products Inc., Graphite expands the stained shake line beyond current wood-like browns to an earthy, deep gray. Graphite joins Signature Stain's original colors of Fawn, Bark and Acorn, capturing the natural hues and variations of stained wood. Signature Stain's Graphite is designed to offer the beauty and authenticity of stained wood but without the continuous maintenance or upkeep. Tando's Signature Stain is recommended for home exteriors, with a lightweight design for one-person installation. Signature Stain incorporates a semi-transparent wood stain into its patented process, designed for a realistic stained wood look. Signature Stain by Tando products are said to be impervious to moisture, and ideal for roofline or ground applications.

www.tandobp.com



DEWALT Stud Finders

DEWALT has introduced its first Stud Finders, offering automatic calibration developed for accurate stud detection in wood, metal, and AC wiring. The 3/4" and 1-1/2" Stud Finders provide depth detection up to each of their respective model name's measurements. Featuring Center Find Technology, they locate the center of a stud for a more efficient read, even when held at a sub-optimal angle. DEWALT Stud Finders also automatically calibrate. Two AA batteries included. The Stud Finders come with the standard DEWALT 3-year limited warranty, 1-year free service, and 90-day money back guarantee. www.dewalt.com



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PRODUCT PICKS

Schweiss garage door Lift Straps

Schweiss has introduced a way to retrofit any cable garage door with its new Lift Straps. The design eliminates cables and the tendency for them to fray over time. According to Schweiss, Lift Straps solve the issue that cables require more servicing, and are difficult and expensive to replace. Straps are longer lasting, the company says, and they never rust, never tangle, are flexible, open a door faster, and are quieter than steel-on-steel cables. Lift Straps can also be used on any other brand's bi-fold doors, regardless of the make or model. Lift Straps carry a 10-year warranty. www.bifold.com



Milwaukee Tool's M18FUEL Miter Saw

The M18 FUEL 7-1/4" Dual Bevel Sliding Miter Saw is said to be the industry's lightest weight cordless miter saw. At 28lbs with battery, the Dual Bevel Sliding Compound Miter Saw is designed for easy transportation on, off, and around the jobsite. The new Miter Saw is also the only 7-1/4" solution in its class with the ability to bevel both left and right. With a max bevel angle of 48° both left and right, users can quickly and easily make angled cuts. An adjustable stainless steel detent plate includes 11 detent stops. The new Miter Saw has the capacity to complete a range of core finishing applications, including 3-1/2" vertical capacity for cutting base up against the fence, 2x8 horizontal capacity, and 3-5/8" crown nested for cutting crown molding in position. When equipped with Milwaukee's M18 REDLITHIUM XC 5.0 Battery Pack, it can power to complete over 600 cuts in 3-1/4" base board and up to 300 cuts in 2x4 on just one charge. www.milwaukeetool.com



Strong-Drive WSV subfloor screw from Simpson Strong-Tie

Simpson Strong-Tie has re-engineered its popular subfloor screw to reduce driving force and increase installation speed. The new Strong-Drive WSV subfloor screw has been developed for fastening subfloor sheathing using the Quik Drive auto-feed screw driving system. Key Features include a redesigned tip and thread pattern said to provide easy starts and up to 25% less torque while driving. A deep 6-lobed recessed ribbed head is designed to provide clean countersinking and more secure bit retention for fewer cam-outs. WSV screws are designed to reduce the gaps between the joist and subfloor that cause floor squeaks.

www.strongtie.com



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Skills gap highlights the need for workforce development

BY BEN GANN

FOR THE FIRST TIME since the federal government began tracking the data in 2000, in March and April 2018, the number of job openings exceeded the number of job seekers. Although this statistic illustrates the strength of the U.S. economy, it also presents challenges to employers, including lumber dealers, in finding job candidates with the right qualifications to fill available positions. Simply put, there is a growing “skills gap” between the skills eligible employees have and the skills that employers need.

As the housing industry gains momentum and demand for workers increases, labor shortages are quickly rising on the list of the top impediments to continued growth in residential construction. Economists at the National Association of Home Builders (NAHB) expect the construction sector net hiring to continue in 2018 as the residential construction market expands. Builders are using automation more to help address the challenge, but there is still a need to address the labor deficit through training and development programs.

The employment outlook provides an interesting public policy challenge for lawmakers. Labor force participation is near a record low and the unemployment rate stands at 4.0%. Moreover, as the retirement of baby boomers continues, it is likely that the skills gap will get worse before it gets better as many skilled workers reach retirement age. The prospect of a long-term skills gap is a headwind for the economy and threatens the nation's economic future.

As the gap between the number of jobs posted and the number of people hired grows, policymakers must examine ways to help individuals gain the knowledge and skills needed to compete for in-demand jobs. In recent years, Congress has enacted reforms to improve K-12 education and modernize the nation's workforce development system.

Last year, the House of Representatives approved the Strengthening Career and Technical Education for the 21st Century Act (H.R. 2353) by a voice vote. It reauthorizes the Carl D. Perkins Career and Technical Education Act, which since 1984 has provided federal support to state and local career and technical education, or CTE, programs.

The bipartisan legislation would help more Americans—especially young Americans—enter the workforce with the knowledge and skills they need to compete for good-paying, in-demand jobs in industries critical to the nation's economy.

After a lack of progress on workforce development legislation, the Senate has finally started to move its own version. On June 26, the Senate Committee on Health, Education, Labor, and Pensions (HELP) approved its own workforce development bill.

The full Senate still needs to vote on the bill. Assuming the Senate does approve a bill reauthorizing the Perkins Act; it would still need to be reconciled with the House version passed last year.

CTE programs help prepare high school and community college students with the knowledge and hands-on experience necessary for jobs in a broad range of industries. However, the law supporting these efforts has not been updated in more than a decade, and it no longer reflects the realities and challenges facing students and workers.

The House and Senate bills aim to strengthen CTE programs in several ways. First, it empowers state and community leaders by simplifying the application process for states and localities seeking funding for CTE programs. Second, it seeks to build better community partnerships encouraging stronger engagement with employers. Third, it increases transparency and accountability by streamlining performance measurements for CTE programs. And fourth, it limits federal intervention in the operation of CTE programs.

Even with increased federal support for CTE programs, solutions must be tailored to meet the needs of specific industries. For example, construction and retail are two sectors most affected by the skills gap and may need more robust plans to address labor shortages. Businesses should keep in mind that workforce development programs that work in one industry may not work well in another industry.

Companies can address the skills gap in part by evaluating their employee retention policies as well as their recruitment practices. That can help mitigate some of the challenges posed by the current labor shortage.

NLBMDA supports federal investment and support of CTE programs to help close the skills gap, and has joined a multi-industry effort pushing for passage of workforce development legislation. Reauthorizing the Perkins Act would not only provide additional postsecondary pathways to individuals just entering the workforce, but also give experienced workers new skills needed to meet the needs of employers. ■

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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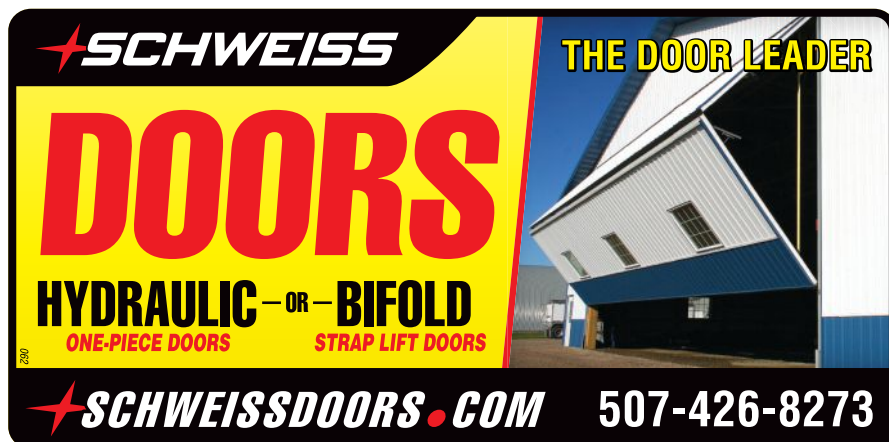
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THE HASSLE OF THE HAGGLE

Back when you launched your lumberyard in the early 1990s, you figured the path to success was to make your company an invaluable resource. After all, the more you can help customers solve their problems, the more they'd view you as a partner, and not just a vendor. As the owner of what has become the leading pro-oriented LBM company in your market, it's clear that you were onto something. As your company has grown, you've consciously worked to make sure that philosophy remains a core value. From free product deliveries and help generating leads to doing free takeoffs and estimates, you're proud of the reputation your company has established... though you're learning the cost of some of the 'free' services you offer.

For example, you know how important accurate takeoffs and estimates are to your builder and remodeler customers. After all, most of them use the numbers your team provides as the basis for their bids—typically without even checking them for accuracy first. Deliveries are another key benefit, especially the way that your team builds loads. Instead of just piling materials on the flatbed in random order, they build the load with the items the job-site crew will need first, and on down the line. That way, no wasted time and labor unstacking lumber, siding, etc. to get to materials needed right away.

Since they don't appear as line items on your invoices, you don't technically charge for these services. Instead, you've built the cost into general company overhead, and you make sure that your prices are sufficient to cover your costs while still providing a fair margin. As with most things in life, everything was just fine, until it wasn't. In this case, the "wasn't" came in the form of Harry Haggle, owner of Haggle Homes. Here's the story.

Harry is a successful builder, whose company has established a niche for building quality starter homes. He built his business from scratch, starting as a carpenter's apprentice, then gaining

more skills, and striking out on his own. He's come a long way from his humble beginnings, but his relentless haggling with your salespeople over the smallest detail is getting old. It's gone from negotiating each item, line-by-line, on your proposals, to negotiating the cost of services you don't even charge for.

What Harry's asking isn't necessarily unreasonable, but frankly, it's a waste of everyone's time. And you know that what Harry does with you is the opposite of what he allows at his company, where the answer to price concessions is always: "No. The price is the price. Take it or leave it." Since he's the low-cost provider, people tend to take it.

"Look, I know you provide free delivery to all your customers, but I happen to know that we order more efficiently, so you don't have as many 'fill in runs' with us as you do with other builders. Since I'm saving you money, it's only fair that I get a cut of that. Also," Harry continued, "I know you provide free takeoffs for us and your other builder customers. Many of the homes we build are essentially the same, with

only minor modifications, I think we should pay less for our materials than custom builders who require your team to provide a free takeoff and estimate for each new project. What do you say?"

This latest request, combined with Harry's insistence on negotiating every product he buys from you, and his pushback when you have to pass along a price increase, has led you to think that maybe Harry's high-volume, low-margin business isn't worth the hassle. What would you do?



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- 1 SAY "YES"** Harry's request has gotten you to realize that you don't know your true cost per takeoff, or the variance in deliveries from builder to builder. Learn the answers, then adjust his prices accordingly.
- 2 SAY "YES, BUT..."** Use this opportunity to address the real problem—Harry's tendency to waste your time. Give a small discount in exchange for his promise to stop negotiating everything.
- 3 SAY "NO."** Your team is already very patient when it comes to negotiating new purchases. At this point, his demands for price concessions far exceed any other clients.
- 4 TURN THE TABLE.** Ask Harry what he says to homeowners who insist on negotiating the price of every item and service for their new home, then ask why you should do any different.

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