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SEPTEMBER 2018 \$10 U.S.

IN DEPTH: ENGINEERED WOOD PRODUCTS

DELIVERING STRENGTH, DESIGN
FLEXIBILITY, EASE OF INSTALLATION
AND PRODUCT CONSISTENCY

REAL ISSUES. REAL ANSWERS.

FAIR PROFIT VS. PRICE GOUGING

THERE'S RICHES IN NICHES

NEW SOUTH CONSTRUCTION SUPPLY
FOCUSES ON WHAT IT KNOWS BEST

JIM SOBECK, PRESIDENT AND CEO OF
NEW SOUTH CONSTRUCTION SUPPLY

INSIDE:

SPECIAL WHITE PAPER

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THERE'S RICHES IN NICHE

NEW SOUTH CONSTRUCTION SUPPLY FOCUSES ON WHAT IT KNOWS BEST

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Jim Sobeck has five keys to success. Really, it's two keys, but the first one is so important that he lists it four times. "People, people, people, people, and products." Those two (or five) words have become a mantra that has guided Sobeck's company, New South Construction Supply, to a compounded annual growth rate of around 22% since the Great Recession.

BY JAMES ANDERSON

POINT / COUNTERPOINT

Randy Noel, Chairman of the National Association of Home Builders, and Brendan Lowney, Principal at Forest Economic Advisors LLC, have different ideas about how tariffs on softwood lumber from Canada affect the U.S. housing market.

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The latest updates on housing production and people on the move. Plus, industry news briefs, updates from lumberyards across the country, event calendar, responses from our July Tough Call survey, and more.

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ENGINEERED WOOD PRODUCTS

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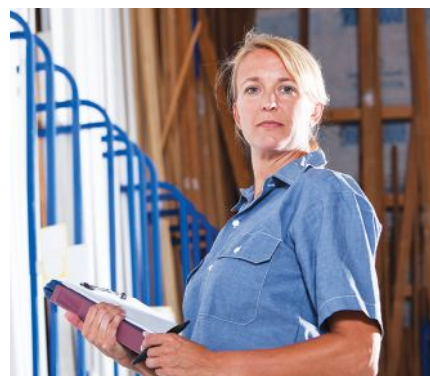
A culture of safety is key to an acquisition

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Elections matter. Encourage your employees to vote

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TOUGH CALL

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THE WOODEN CEILING

A longtime builder customer switched suppliers when the daughter took over the family lumberyard.



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EDITOR'S NOTE

Never stop learning

A LOT HAS CHANGED since I joined this industry back in 1990. Back then, it was estimated that there were more than 6,000 separate LBM companies, many of which had multiple locations. Today, following decades of consolidation and the closings in the wake of the black hole that was the Great Recession, the consensus number is less than half of that. If our economy maintains its momentum through July 2019, the U.S. economy will establish a new record for the longest period of economic expansion in history. The slow, steady growth that began under Obama and has accelerated under Trump has brought our industry back from catastrophic lows to a sustained high that has many LBM companies enjoying record sales and profits.

Challenges remain, of course. Many of these, like rising prices for materials compounded by spiking transportation rates and persistent labor shortages, are tough problems with no easy solutions. The fact is that the industry we've chosen is not easy. It never has been, and it never will be. That you're reading this, and I'm writing it, means that we're survivors. And if I've learned anything over the past quarter century, it's that the people determined that their businesses thrive—not just survive—are those who know that they don't have all the answers. But they know where to look.

This coming February 19-21, many of these dealers will be in Las Vegas for the International Builders' Show (IBS). If you've not attended IBS in the past because you think it's just for builders, think again. In fact, dealers are second only to builders when it comes to attendance at this annual industry event. From my perspective, as someone who hasn't missed an IBS for more than 20 years, there is no better place to experience and learn about the latest products from leading manufacturers.

A few tips: First, NAHB offers complimentary registration for dealers during September, so I encourage you to visit BuildersShow.com and lock in your free registration today. Second, book your hotel early for best prices and selection. Third, since there are more than 1,500 exhibitors covering more than 500,000 square feet of exhibit space, be prepared to do a lot of walking.

In the meantime, industry leaders from across the U.S. (like Jim Sobeck, from New South Construction Supply on this month's cover) will be gathering in Philadelphia at the LBM Strategies Conference, September 19-21. I hope to see you there. ■

Rick@LBMJournal.com





TRUTH: **THERE ARE ONLY TWO WAYS TO GROW A BUSINESS.**

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UPDATES

PEOPLE

Mike Maddern has been named Director of Business Development and Marketing for **Arcitell, LLC**.



MADDERN

Steve Debber has joined **E.C. Barton & Company** as Merchandising Manager.



DEBBER

Ron Bellas has announced his plans to retire from **E.C. Barton & Company**. **Kevin Pierce** will take his place as Vice President of Store Operations.



BELLAS

Marc Saracco has joined **Capital Lumber**, based out of the Chino, Calif. branch.



PIERCE

Derby Building Products Inc., the manufacturer of the **Tando** brand and **Novik** brand of shake and stone, has named **Toby Bostwick** as the new Senior Vice President of Business Development.



BOSTWICK

Liberty Woods

International LLC, an importer and marketer of hardwood plywood, has promoted **Geoff Doudera** from Vice President of Sales to President.

INDUSTRY

NCI Building Systems, Inc., and **Ply Gem** will combine in a stock-for-stock merger. The combined company will have a pro forma enterprise value of \$5.5 billion and an implied equity value of \$2.6 billion.

LP Legacy has won two Telly Awards and a NW Marketing Award for its Tested Extreme marketing campaign.

U.S. Lumber, based in Atlanta, will acquire Ontario Canada's **Alexandria Moulding**.

RoyOMartin will invest \$8 million at its Chopin, La. plywood and solid wood plant to install a new dry kiln designed to increase timber production.

Georgia-Pacific will build a new lumber production facility in Albany-Dougherty County, Ga. The \$150 million, 320,000-square foot plant is scheduled to startup in late fall 2019.

BRINC Building Products, Inc. has expanded **ThermalBuck** distribution in the greater Northeastern U.S. through **Boise Cascade**.

PENDING HOME SALES REVERSE COURSE, RISE 0.9% IN JUNE

Pending home sales increased in all four major regions in June, but overall activity lagged year ago levels for the sixth straight month, according to the National Association of Realtors.

The Pending Home Sales Index (PHSI), a forward-looking indicator based on contract signings, rose 0.9% to 106.9 in June from 105.9 in May. Despite last month's increase, contract signings are still down 2.5% on an annual basis.

Heading into the second half of the year, forecasts for existing-home sales in 2018 decrease 1.0% to 5.46 million—down from 5.51 million in 2017. The national median existing-home price is expected to increase around 5.0%. In 2017, existing sales increased 1.1% and prices rose 5.7%.

The PHSI in the Northeast increased 1.4% to 93.7 in June, but is still 4.1% below a year ago. In the Midwest the index rose 0.5% to 101.9 in June, but is still 2.1% lower than June 2017.

Pending home sales in the South climbed 1.1% to an index of 124.2 in June, but are 0.3% below a year ago. The index in the West inched forward 0.7% in June to 95.4, but is 5.6% below a year ago.

NEW HOME SALES FALL BACK IN JUNE

Sales of newly built, single-family homes fell 5.3% in June to a seasonally adjusted annual rate of 631,000 units after a downwardly revised May report, according to the U.S. Department of Housing and Urban Development and the U.S. Census Bureau.

"Though this is the lowest monthly annualized sales pace since October 2017, new home sales for the first half of 2018 are up 6.9% on a year-to-date basis compared to last year," said NAHB Chief Economist Robert Dietz. "This indicates solid demand for new home construction."

In addition to adjusting for seasonal effects, the June reading of 631,000 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 301,000 in June, which is a 5.7-month supply at the current sales pace. The median sales price was \$302,100. Regionally, new home sales rose 36.8% in the Northeast. Sales fell 13.4% in the Midwest, 7.7% in the South and 5.2% in the West.

HOUSING STARTS HOLD GROUND IN JULY

Total housing starts inched up 0.9% in July 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 July 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 held firm, up 0.9% to 862,000 units. Meanwhile, the multifamily sector—which includes apartment buildings and condos—rose 3% to 306,000.

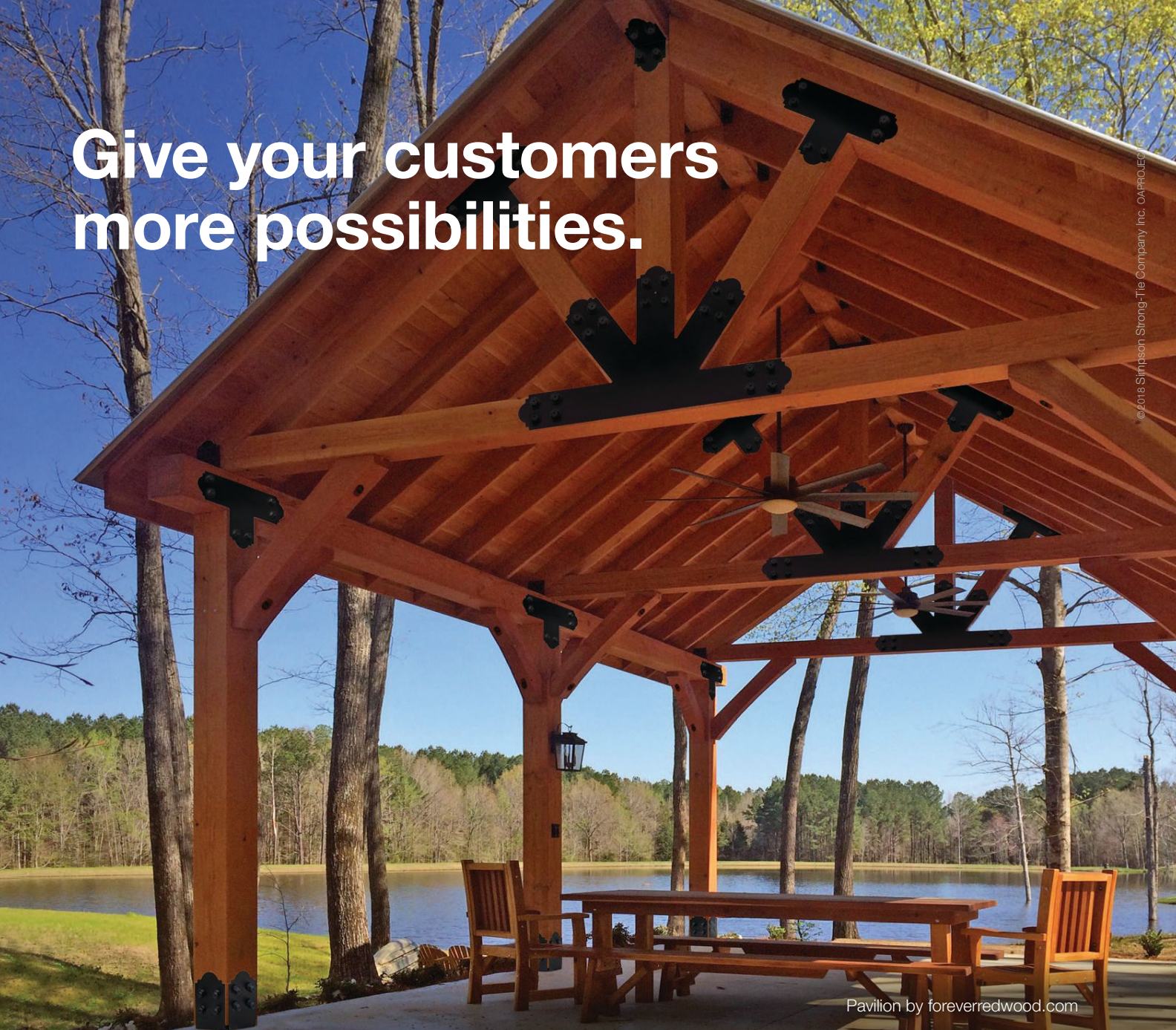
Some projects are experiencing construction start delays due to cost concerns, with the number of single-family units authorized but not started up 25% since July 2017.

Regionally, combined single- and multifamily housing starts in July rose 11.6% in the Midwest and 10.4% in the South. Starts fell 4% in the Northeast and posted a 19.6% decline in the West due to affordability constraints in the coastal markets. Overall permits, which are often a harbinger of future housing production, rose 1.5% to 1.31 million units in July. Single-family permits posted a modest gain of 1.9% to 869,000. Multifamily permits were relatively unchanged, up 1.7% to 410,000.

Looking at regional permit data, permits rose 5.9% in the Northeast, 5.8% in the Midwest and 1.2% in the West. Permits edged 0.3% lower in the South.

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UPDATES

INDUSTRY

RISI, Inc., has acquired **Random Lengths**, a price reporting agency for the wood products industry.

Boral is consolidating its siding, trim, shutters, and accessories under a single division—**Boral Building Products**.

L&W Supply Corporation has acquired **Rose & Walker Supply**, a five-branch distribution company based in Columbus, Ind.

Inc. magazine revealed that **Kodiak Building Partners** is No. 3979 on its 37th annual Inc. 5000, a ranking of the nation's fastest-growing private companies.

EVENTS

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

REMODELING CONFIDENCE INCREASES DESPITE RISING COSTS

The National Association of Home Builders' (NAHB) Remodeling Market Index (RMI) posted a reading of 58 in the second quarter of 2018, up one point from the previous quarter. The RMI has been consistently above 50—indicating that more remodelers report market activity is higher compared to the prior quarter than report it is lower—since the second quarter of 2013. The overall RMI averages ratings of current remodeling activity with indicators of future remodeling activity.

Current market conditions decreased one point from the first quarter of 2018 to 57. Among its three major components, major additions and alterations waned one point to 55, minor additions and alterations decreased two points to 58, and the home maintenance and repair component rose two points to 59.

The future market indicators gained four points from the previous quarter to 59. Calls for bids fell two points to 55, amount of work committed for the next three months increased two points to 56, the backlog of remodeling jobs jumped nine points to 66 and appointments for proposals rose seven points to 61.

TOUGH CALL ANSWERS

ANSWERS TO OUR JULY TOUGH CALL:

THE PAYROLL SECRET IS OUT

After rewarding a top employee with a healthy pay raise, they shared the news and now you're faced with disgruntled employees who want more money. What would you do?



YOUR VOTES ONLINE AT LBMJOURNAL.COM

- 8.0%** **JUST SAY NO.** What Jill is paid is between the company and Jill—no one else. Tell them that it's no one's business what anyone else earns, and that's that.
- 81.4%** **EARN IT.** Tell them that her sales and margin performance earned her that raise. Show them exactly what they need to do to earn the same. Then let them earn it.
- 1.8%** **JUST SAY YES.** Since Jack and Bill have both been on staff longer, it's only fair that they earn as much as Jill, even though they need to work on their sales and their margins.
- 8.8%** **PROMOTE JILL.** Jill is the unquestioned leader among your inside sales crew. Elevate her and let her coach Jack, Bill and the others. That way they can't argue about her earning more.

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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BUILDER CONFIDENCE REMAINS FIRM IN AUGUST

Builder confidence in the market for newly-built single-family homes edged down one point to a solid 67 reading in August on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI).

"The good news is that builders continue to report strong demand for new housing, fueled by steady job and income growth along with rising household formations," said NAHB Chairman Randy Noel. "However, they are increasingly focused on growing affordability concerns, stemming from rising construction costs, shortages of skilled labor and a dearth of buildable lots."

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

The HMI index measuring current sales conditions inched one point lower to 73 while the component gauging expectations in the next six months all fell a single point to 72. Meanwhile, the metric charting buyer traffic dropped two points to 49.

THREE-MONTH MOVING AVERAGES FOR REGIONAL HMI SCORES

NORTHEAST FELL THREE POINTS TO:

54 ↓

SOUTH HELD STEADY AT:

70

MIDWEST FELL THREE-POINTS TO:

62 ↓

WEST HELD STEADY AT:

75

NAHB: SINGLE-FAMILY PRODUCTION WILL CONTINUE TO GAIN IN 2019

Speaking before the National Association of Counties Annual Conference & Exposition in Nashville on July 15, NAHB Chief Economist Robert Dietz said that the housing recovery will continue to move forward but that builders continue to face persistent supply-side headwinds.

Single-family housing production is expected to post high single-digit percentage increases in 2018 and 2019, with starts nearing 1 million units by the end of 2019. While production continues to trend in the right direction, this is still far below normal production levels of about 1.3 million single-family starts per year.

BY THE YARD

NEWS FROM LUMBERYARDS AROUND THE COUNTRY

EATON RETIRES FROM DAVIS LUMBER & HARDWARE AFTER 46 YEARS

Gerald Eaton is retiring from Davis Lumber & Hardware in Texarkana, Ark. after 46 years. Eaton played a key role in the success of Davis Lumber and subsidiaries during his tenure, the company says. He served as Purchasing Manager and was responsible for managing the inventory at various Davis Lumber locations. Eaton plans to enjoy retirement with his wife, Elizabeth, and will continue to be the Pastor at his church in New Hope, Ark.



EATON

THE DETERING COMPANY ACQUIRES WEATHERFORD DOOR AND WINDOW COMPANY

The Detering Company, a building materials company specializing in millwork, doors, windows, cabinets, brick & stone, has acquired the assets of Weatherford Door & Window Co., a Bryan, Texas-based dealer of doors, windows, and hardware for customers in Central Texas. Established in 1926, The Detering Company has been in the Houston building market for more than 90 years. With this acquisition, Detering will have the ability to both distribute and manufacture directly from Central Texas.

HARRIS ACE HARDWARE AND BUILDING SUPPLY OPENING FOURTH LOCATION

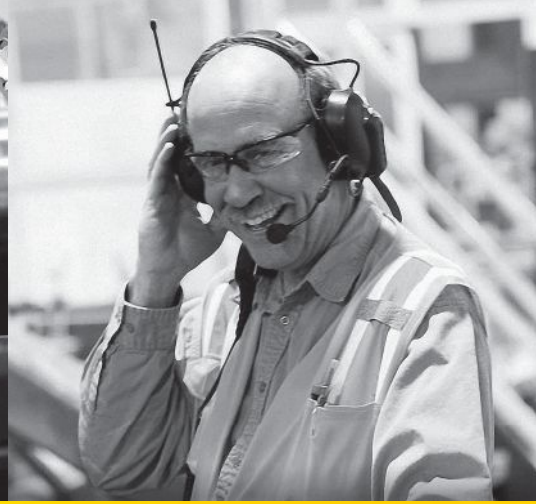
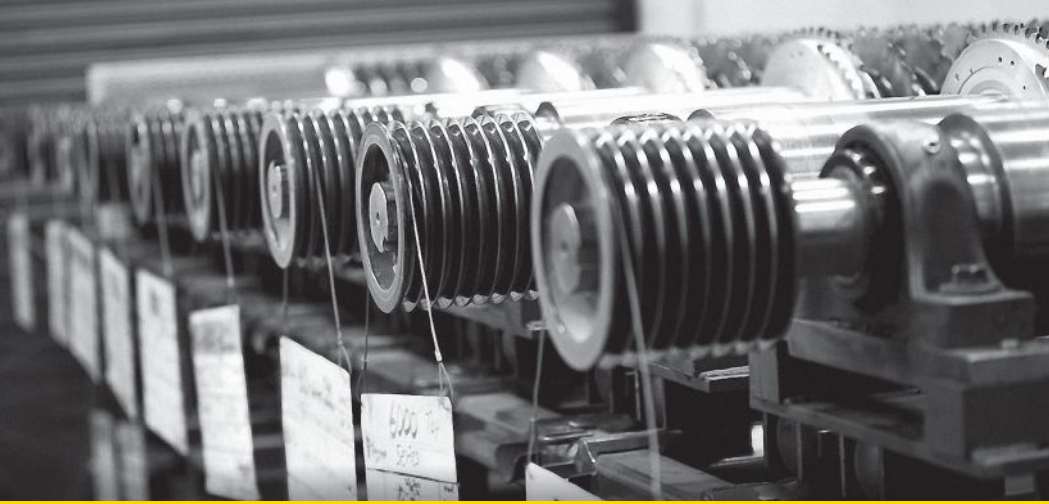
Harris Ace Hardware, currently located in Jesup, Eulonia, and Hinesville in Georgia, is scheduled to open its fourth location the early part of 2019 in Brunswick, Ga.

TEXAS DEALERS JOIN FORCES TO BUILD HOME

Members of the Lumbermen's Association of Texas (LAT) have commitment to fund a home for a chronically homeless person through Community First! Village. Community First! Village is a 27-acre master planned development that provides affordable, permanent housing and a supportive community for the disabled chronically homeless in Central Texas. It is a ministry led by the Austin-based non-profit MLF. In 2016, LAT raised \$15,000 to build the first LAT sponsored house; it is home to a Vietnam veteran who is also an avid woodworker. The current goal is to raise \$25,000.

DEALERS, GOT NEWS?

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



NEW IDEAS SHOULD NEVER COMPROMISE OLD VALUES.

Different isn't necessarily better. **Better is better.**

That's why when we invest in new products, services, and software, our measurement of success is how it impacts your business, not ours.

Some say it's old-fashioned. But after 60 years of putting customers first, we're not about to stop now.



Boise Cascade
Engineered Wood Products

55+ HOUSING MARKET SHOWS CONTINUED STRENGTH

Builder confidence in the single-family 55+ housing market continued to be in positive territory in the second quarter of 2018, according to the National Association of Home Builders' (NAHB) 55+ Housing Market Index (HMI). The index increased one point to 67.

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

"Builders and developers continue to see demand from consumers for homes in the 55+ housing sector," said Chuck Ellison, chairman of NAHB's 55+ Housing Industry Council and

Vice President-Land of Miller & Smith in McLean, Va. "However, increases in building material costs have made it challenging to meet this demand."

When compared to the previous quarter, among the three single-family components of the 55+ HMI, present sales increased three points to 73, sales expected in the next six months fell three points to 77 and traffic of prospective buyers dropped four points to 47.

The 55+ multifamily condo HMI dropped seven points to 57, however, it is still the second highest reading since the inception of the index in 2008. All three 55+ condo HMI components decreased in the second quarter: present sales fell six points to 61, sales expected in the next six months dropped seven points to 63 and traffic of perspective buyers declined 11 points to 44.

Conversely, all four components of the 55+ multifamily rental market went up in the second quarter: present pro-

duction rose six points to 65, production expected in the next six months jumped 11 points to 68, present demand for existing units increased four points to 72 and demand expected in the next six months rose seven points to 75.

"STRONG ECONOMIC GROWTH AND RISING HOME OWNER WEALTH ARE ALLOWING CONSUMERS TO SELL THEIR CURRENT HOMES AND BUY OR RENT HOMES IN 55+ COMMUNITIES. HOWEVER, BUILDERS NEED TO MANAGE RISING BUILDING MATERIAL COSTS, ESPECIALLY FOR LUMBER, IN ORDER TO CONTINUE PROVIDING HOUSING AT COMPETITIVE PRICES."

ROBERT DIETZ, CHIEF ECONOMIST, NAHB



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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: RECRUITING ROI: PROVEN TACTICS THAT GET RESULTS

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

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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)

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FIVE QUESTIONS WITH...

BEN SKOOG, VP OF SALES & MARKETING
ARCITELL, LLC

1

Q: In today's strong remodeling and new residential construction markets, what do you see as the biggest opportunity for LBM dealers?

A: In a strong or weak market, LBM dealers can shine by being the easiest supplier to do business with in their market. This means a hyper focus on having the right products in stock, delivering the right products at the right time and other classic service areas that are fundamentals. The LBM dealers that can understand their customers' pain points and provide realistic solutions will shine above their peers. This can take the form of providing market data, help with code compliance, sourcing new products, or helping keep their customers up-to-date on the latest trends in construction and remodeling.

2

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

A: Conversely, it is a challenge in a strong market to focus on anything but the fundamentals of servicing accounts and not invest in the other areas of information service that create the long-term returns. When LBM dealers are so busy just fulfilling orders, it can be a challenge to spend the extra time and resources to put in the work today that has a critical but soft return in the future. This is a vital business model decision and requires the ability to hire the right type of talent and provide them with the resources and time to provide this type of service. While it can be difficult to see the ROI on providing this type of service, it can be the driving force behind above-market margins and a growing customer base.

3

Q: What advice would you have for dealers who want to grow their share of their local siding market?

A: There are two main options. The first is to carry the best lines and provide superior service which is very practical but resource intense. The second option is to expand their competitive view and look into new product lines that would allow them to service not just traditional siding, but masonry and other specialty claddings. Given their customer base is most likely already installing siding but losing the stone and brick work to masons, there are new products on the market that would allow them to capture this share. Some of the new products provide the authentic look of stone and brick but install similar to siding and thus are an opportunity for the siding installer. If the siding installer expands his share of the house, then the LBM dealer behind him expands his share as well. In a nutshell, those who help their customers expand share also expand share themselves.

4

Q: A shortage of skilled labor continues to plague all segments of our industry, especially dealers and builders. What can manufacturers do to help?

A: Manufacturers often face two choices when it comes to addressing the skilled labor shortage. The first is the most difficult to influence and control, which is to entice young people to enter the trade. This is a complex societal issue and I think manufacturers should support where possible but focus their efforts where they can have the most impact, specifically product design. Manufacturers need to design and craft new products that minimize the need for skilled labor to install. Given the shortage is chronic with no near-term solution, manufacturers need to commercialize new technologies and products that simplify the builder and remodeler's process without sacrificing quality or performance. Often, this can mean more expensive materials, but the reduction of labor and complexity costs of a well-designed product can often create lower installed costs. This requires a serious effort from manufacturers, not just line extensions of existing products but wholly new materials and designs that simplify the install process.

5

Q: As a new company, Arcitell's official launch will be at the International Builders Show next February. In a nutshell, what should dealers look for?

A: Arcitell, LLC will debut the Qora Cladding line at IBS 2019. For LBM dealers looking to differentiate themselves, expand their share of siding sales, and provide a way for their customers to grow, Qora Cladding could be the solution. Qora Cladding is a residential cladding that faithfully replicates the looks of traditional materials like brick, stone and wood but is easy to install due to panelized design. Qora Cladding is fire- and UV-resistant, lightweight, durable and has thermal and acoustical properties. ■

For over 20 years, Ben has been engaged in the siding industry with a focus on commercializing new products and developing new markets. His experience includes Universal Forest Products, CertainTeed and LP Building Products where he was a key player in executing the growth strategy behind LP SmartSide. At Arcitell, he is commercializing a new technology into the North American market called Qora Cladding.



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SALES & MARGINS

BILL LEE

Getting more mileage from company services

IN SEMINAR PROGRAMS I present I am almost always asked questions about service. From the feedback I receive, it seems virtually every company in our industry claims to have outstanding service, so customers and prospects have learned to expect to hear a lot of superlatives.

I don't believe I have ever heard a manager or salesperson say something like, "Our prices are competitive, but our service is really crappy."

For this reason, much of a building supply business' marketing package that is designed to be a testimony to the company's service level goes in one of the customer's ears and out the other because almost all companies make pretty much the same service claim: "Our service is terrific!"

Anyone who makes his or her living selling building materials knows this to be true. For several years I made it a point to ask my seminar audiences to give me a show of hands if their customer service was terrific. It was not a surprise when about 98% of the hands in the room shot up.

Service to a building supply dealer is not unlike low prices are to a grocer. I know in the town where I live, every grocery chain claims to have low prices, if not the lowest prices. Of course, there's no evidence provided, just a common claim.

Most companies in our industry spend hundreds of thousands, if not millions of dollars in an attempt to deliver great service. Yet for the most part, contractors often perceive the service their various suppliers offer to be pretty similar.

The word "service" covers a lot of ground in our industry. To one builder great service may mean the supplier loads the material on the delivery vehicle in the order the builder will use it, while to another, service might be the quality estimating service the supplier provides its customers.

Here's a rule I have taught in my seminar programs: "Never mention the word service unless you are referring to a specific service."

Another rule for achieving a higher degree of credibility for your service claims is this: Keep score! The more numbers you can associate with a service claim, the more believable your service claim will be.

Here are two examples; notice how each makes use of specific data to back up service claims.

"Service is such a strong part of our company's culture that we go to the time and expense to measure it. For example, year-to-date, we have had 89.3% of material on the job by the time we have committed it would be there. And last month we put some new procedures in place we believe will be constructive enough to enable us to get that number up to 94.5% by year end."

"Another of our target areas was to practically eliminate backorders. Year to date we have averaged zero backorders on 91.2% of our deliveries and to bump that number up into the mid-90s by year end, we have increased our inventory levels by 14%."

"MOST COMPANIES IN OUR INDUSTRY SPEND HUNDREDS OF THOUSANDS, IF NOT MILLIONS OF DOLLARS, IN AN ATTEMPT TO DELIVER GREAT SERVICE. YET FOR THE MOST PART, CONTRACTORS OFTEN PERCEIVE THE SERVICE THEIR VARIOUS SUPPLIERS OFFER TO BE PRETTY SIMILAR."

Believe it or not, friendliness is one of the service factors that draws some of the most accolades from customers, especially contractor customers. Some companies instruct their drivers to whenever possible to seek out the key people on the job, introduce themselves and shake their hand, especially new customers, saying something like: "We appreciate the opportunity you have given us to supply materials on this job. If there's anything I can do make your job easier, please don't hesitate to let me know."

I believe the bottom line to optimizing the value customers perceive from supplier services is to try to stay away from generic service claims, focus on specific services when you do make a claim, and whenever possible use a number to give your claims more credibility. ■

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

The sales funnel is really a sales sieve

ONE OF MY LEAST FAVORITE PROSPECTING metaphors is the sales funnel because it implies that, sooner or later, everything you put into it comes out eventually. Try thinking about your prospecting as a sieve instead.

The word “prospecting” derives from the concept of the old gold miners carefully sifting through riverbeds of silt looking for the right nugget of gold. It’s an apt metaphor for many reasons, the most important of which is the implication that you are seeking a defined target while willing to toss out low value rocks.

This means the key to success is determining the type of client you seek and proactively finding them in the market. If real estate success is founded on the three principles of location, location, and location, then the three principles of sales success are locating, locating, and locating. The problem for most salespeople and organizations is the false belief they are supposed to get every sale and, worse yet, treat all opportunities the same.

Some critical characteristics worth seeking in a valuable prospect include engagement, long-term potential, loyalty, on-time payment, volume, package consolidation, and fair margins.

Engagement means the level of interaction your client will have with you. There are builders and remodelers that see your company as nothing more than a delivery service. As a result, they place orders and expect you to accommodate their (sometimes irrational) expectations. Profits are greatly enhanced when you locate buyers who work with you to plan relationship protocols and allow you to manage your operational costs effectively.

Long-Term Potential is a critical trait for a prospective client. Yet many LBM dealers and salespeople invest abundant time with commercial projects, homeowners, condo associations, and other one-time purchasers. Project sales can be profitable, but do not provide a solid foundation of repeat business. The value of a sales opportunity should not be measured in the value of the price on an upcoming project, but instead on the long-term value of a relationship.

Loyalty is something that every salesperson wants, but feels is difficult to evaluate prior to the start of the relationship. To that, I suggest you listen and observe. Ask your prospects how long they have been buying from their various suppliers. Understand their past buying habits and you’ll have a window into their future behaviors.

On-Time Payment means exactly that. On time. In accordance with your standard terms. Salespeople frequently barter with their own employers on behalf of the customer to extend terms or create special payment options. This is a costly practice from an administrative standpoint and a risk escalator. Good prospecting practice means finding buyers who pay on time.

Volume is obviously a key characteristic, but should be considered according to your market and business model. Personally I always favored having many mid-size accounts rather than large volume buyers. They were more cooperative and profitable. More importantly, there is much less risk for your future if you have many small accounts rather than having your eggs in one basket.

Package Consolidation refers to clients who will buy multiple products from you. In my recent three-part series for *LBM Journal*, “From product peddler to sales concierge,” I highlighted the power of a salesperson capable of facilitating the sale of numerous products to a single customer. The benefits are obvious.

The importance of **Fair Margins** seems so obvious that it isn’t worth mentioning. Yet many LBM dealers find themselves constantly struggling in negotiations with combative buyers. Create relationships with cooperative and compromising negotiators and your margins will rise.

If all this sounds too good to be true, it’s a sign you may not be prospecting enough. One thing is for sure, you’ll never know until you get out your sales sieve and start looking for better opportunities. ■

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

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SELLING THE DECK PROJECT

BOB HEIDENREICH

Make time for trade shows and industry events

NOW IS THE TIME of the year that a lumber dealer can learn the most about his business. That's because after a busy summer of sales, fall often brings about conference and trade show season. As summer winds down and fall event invites arrive in your inbox, I encourage you to take time out from your schedule and attend as many conferences and trade shows as you can. Trust me, you won't regret it.

There are a number of reasons why I attend shows, but the biggest reason is because of the education I receive. I'm not talking about just education from a conference speaker or panel discussion, though those are infinitely valuable to me. I'm also talking about the education I receive from fellow LBM dealers, folks who are just like me—making a living out of selling lumber and building materials. I like to hear about how other dealers in different parts of the country do things. The people I encounter at conferences and trade shows aren't my local competitors, so we're free to share information. I run into people from all over the country with different ideas and concepts, things that work or don't work for them in their markets. We share advice with each other and since we're not competitors, there is no threat that the information is going to cut into our bottom line.

You'll find that at a lot of events, other professionals in the industry will share information on topics such as recruiting employees, building company culture, and other business and trade topics. There are so many very smart dealers in our industry, and I never turn down an opportunity to learn something from them.

Another reason why I attend as many trade shows and conferences as I can is because the events give me an opportunity to see new products that are coming out. Not only is this a great way to learn about what is coming from manufacturers, it's also an excellent way to build vendor relationships.

I didn't always attend so many shows, however. It took me a while in my career to get out of my comfort zone and to realize the benefit of meeting people I haven't met before. Over the years, I've learned to introduce myself to as many other lumber dealers as I can. I guarantee that if you do, you'll be surprised by what you can learn by sharing a conversation with someone who is in the same line of work as you, but in a different market.

Coming up, the LBM Strategies Conference and the International Builder's Show are both events that I make

sure to attend every year. While every event is different, I have found that these two offer the best opportunity for education and networking with fellow dealers as well as vendors and others in the industry.

I can't stress enough how the things I have learned at conferences and trade shows have helped improve my business. Here's just one example:

Many years ago, I saw deck builder Bobby Parks present at a trade show, and he talked about "the hallway effect" of deck design. It's a concept that stresses the placement of stairs in areas of your deck that make the deck most useful to a homeowner. I had always kind of followed that concept, but I hadn't put a name to it and didn't communicate it as well as I could have to my customers. Ever since that presentation, I've talked about a deck's hallway effect in my sales presentations. It has helped me drive more sales than any other single concept I've ever learned. If I had just stayed home and thought I knew enough already, I never would have been as successful at selling deck projects.

The same is true for organizations that I belong to. I'm an active member and supporter of the North American Deck and Railing Association (NADRA). This group holds events, shares email newsletters, and hosts other activities that are valuable to our industry. Being a member of NADRA and other trade and builder organizations has helped grow my business and myself as a professional. Local trade organizations are also important, but any group that involves members from other markets is definitely worth looking into.

Speaking of member involvement, it's important to remember that, like most things in life, you only get back what you give. People ask why I belong to a group like NADRA, and what I get from belonging to a group like that. The truth is, you don't get anything for just belonging. You get to call yourself a member, and receive some of the benefits, but if you don't actively participate, if you don't offer input and engage, then you won't get as much back from it. If you choose to belong to a group, you need to be sure to participate and take advantage of all the things the group has to offer.

Again, I encourage you to attend conferences and events. Take the time to learn, to talk to people, and to get out of your comfort zone. You'll never regret it, because your business knowledge will grow. ■

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 extend a job offer

IT'S FINALLY TIME. You've done your interviews, you've done your due diligence, and you're ready to extend an offer. Now all that's left is getting to "Yes!" Here are some things to keep in mind.

Before making the offer

This is an exciting time—but also a big decision. Take extra steps to make sure you're making the best possible choice, as well as protecting yourself and your business. These steps include:

- **Running a background check:** According to the Society of Human Resource Management, 37% of all applicants put some false information on their applications, and 65% of resumes are enhanced or exaggerated. Running a background check through a service like GoodHire can ensure you're getting a quality candidate, and protect you from liability if it turns out the candidate is hiding a criminal past.
- **Running a drug screening:** Pre-employment drug screening can lessen the impact of drug abuse on your business. Basic drug screens cost as little as \$50 to \$100.
- **Finalize documentation:** Make sure you've created an employee manual or handbook spelling out company policies and procedures, instituting a 90-day probationary period, and creating non-compete/confidentiality/non-solicitation agreements as well as computer and email agreements.

Having the money conversation

Because you've been talking money since the beginning of the process, you know what the candidate is expecting. You also know that you can afford it. You did talk about money, already, right? If not, it's time to pick up the phone. Head back to my July column for strategies for how to approach the money talk.

Verbally extend the offer

Always extend the offer verbally first. Although doing this in person gives you the best chance to read their reactions and non-verbal cues, most verbal offers are made over the phone. By verbally extending the offer, you give the candidate a chance to ask questions and clarify things. You will

also find out if there are any major issues, which you can address before you send a formal written offer.

Be sure to keep the lines of communication open. It's better for your candidate to ask questions than for them to assume the issue is insurmountable and decline the offer.

The offer letter

A well-thought-out offer includes the following:

- A warm and engaging opener
- The title of the position
- The address where they will be working
- Compensation details
- Expected schedule/work hours
- An overview of the benefits package
- Out-of-pocket costs for benefits
- A closing with a deadline for an answer

Come prepared

You may have to compete against multiple offers or against a counter offer from their current employer. Even after they accept your offer, remember that the deal isn't done until they show up for work that first day.

Don't be offended if the candidate tries to negotiate with you—this is common. Money is the most commonly negotiated item, but other elements you can use to sweeten the pot are vacation days, flexible scheduling, telecommuting, etc. Be open-minded, but make sure you don't negotiate away everything. My best advice is to be straightforward. Don't bend so far to a candidate's wishes that you put yourself in a precarious position. You'll resent them before they even start.

If they decline

Sometimes you just can't get to "Yes." The important thing is to learn from the experience. Why didn't they accept the offer? How can you improve so that it doesn't happen again? It stinks when someone declines an offer—but it is one of the best learning experiences in the hiring process.

If they accept

Congratulations! Your hard work paid off, and a terrific candidate is joining your team. To find out how to set them up for success from Day 1, check back for my October column. ■

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.

Lee Burk is holding Slate Terra Cut stone over a wall of Oxford LedgeStone—one of the four new gray-shaded stone lines we've added for 2018.



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LEADERSHIP

RUSS KATHREIN

Perfect is the enemy of good

ONE OF THE TRAITS I look for in members on my team is a sense of urgency. This does not mean I want people who work frenetically or amp up the stress level of those around them in order to get things done. My definition of sense of urgency is knowing how to get the right things done, in the right amount of time, with the right amount of input and resources. There are many different ways that one might fail with regard to sense of urgency. Sometimes it is because a person just doesn't have that trait. We know the person: someone who moves like a ground sloth and needs to be guided every step of the way. Ideally, this kind of person never gets hired onto your team, or you find ways to "de-cruit" them off your team. Other obstacles to executing with a sense of urgency are the fear of failure and the desire for perfection; often, these traits are different sides to the same coin.

One of the first times I remember encountering this as a leader was early in my career after I had returned from a vacation. It was before email or the widespread use of cell phones (yes, there was such a time, long ago), and when I got to the office, my foreman informed me of something bad that had happened while I was away that needed to be immediately addressed. He knew what needed to be done, but he wanted to wait until I got back to make sure I was OK with his decision. Now the building wasn't burning down, but the issue was very time-sensitive and a timely response would have mitigated the damage. I told my foreman that, in the future, I would always support his decision, even if it was a bad one, but I would not support his indecision. I then proceeded to quote lyrics by the band Rush and said, "If you choose not to decide, you still have made a choice." (At this point in my young career, I thought it was pretty cool that I could incorporate rock lyrics into my leadership lessons.) The end result was the foreman knew the right decision, but he had wanted his decision to be perfect by having my agreement.

Later in my career, I ran into different instances of perfection-seeking at some of the bigger companies where I worked. Out in the field, we would develop a new business model or service, and we would be rolling it out in our area to our customers. Suddenly, it would get a lot of positive press in the company, and we would get summoned to the corporate office to demonstrate or explain our new idea. "Brilliant!" management would exclaim, whereupon it would be decided that we were now going to be part of a

companywide initiative to roll out this new idea. Of course, it meant we had to postpone the roll-out of the idea in our area because we now were part of a taskforce that would meet regularly to discuss, debate, and design this new initiative. If you understand the phrase, "A camel is a horse that is designed by a committee," then you will get it when I tell you that many a beautiful horse got converted into functional-looking, but ineffective camels when these taskforces were done. Often, nothing got completed, and the initiative died a slow and quiet death. It didn't happen because it was a bad idea, it happened because leadership decided they wanted the idea to be perfectly executed.

The challenge in having and acting with a sense of urgency is taking action with the right amount of information and being confident enough that your actions will be successful. The United States Marines call this approach the 70% Solution. They teach that it is better to decide quickly on an imperfect plan than it is to roll out a perfect plan too late. The ability to react quickly and effectively usually will outweigh other competencies. Yes, there are pitfalls with this approach, as one is bound to fail at times—probably 30% of the time. Yet, if you create a culture that emphasizes learning from mistakes rather than avoiding mistakes, you will find yourself surrounded by confident people who have ideas and more importantly, who are not afraid to act on them. So, when they have a tough decision to make, instill in your team the following:

If they have 70% of the information they need to make a sound plan, and they have 70% of the resources needed to make and execute the plan, and they are at least 70% confident that their plan will be successful, then make the decision to execute the plan.

Small, rapid-fire decisions will not only help you explore opportunities quickly, but will also keep you from needing to come up with one or two big, game-changing ideas that have larger repercussions. In an industry and business environment where there is often little differentiation, by acting quickly, but possibly imperfectly, you not only will come closer to a solution before your competition, you probably will exhaust them as they try to perfect what you are doing and still keep up with you. ■

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

A culture of safety is key to an acquisition

I ONCE DID A SITE WALK-THROUGH with a potential acquirer—actually an entire team from the acquirer—that wanted to look over the grounds of my client, a building material wholesaler and dealer, before making an offer for the company. When you get to this stage in the acquisition process, where there's a site visit taking place, it's fairly exciting. The site visit usually indicates strong buyer interest, and the increased likelihood that a letter of intent may follow soon after. After all, no one incurs the expense of flying a whole team across the country for a site visit without serious intentions.

This particular location had working bays that contained loud saws that were part of a value-added operation, and you could hear the saws screaming in the background from everywhere on site. The prospective acquirer's team members were all adorned with ear protection, hard hats, and safety glasses. But as we walked into the work area, it was clear that none of the workers were wearing any protection. Not for their eyes, ears, or heads.

I cringed. We'd warned the seller to get the work site spiffed up for a visit. And they had, but they mainly focused on cleaning up refuse and dunnage piles. It was obvious, and a little too late, for me to realize that this place did not have a culture of safety... and the potential acquirer noticed it right away.

To make matters worse, a forklift drove between us and the building we were walking toward, with a worker hanging off the back and, if that wasn't enough, one flat tire. It flopped along sadly as I tried to keep my head from exploding.

One of the fellows from the acquirer's team looked at me as he heard the screaming saws, which were booming at 120+ decibels. (Normal hearing is 60 decibels, and the threshold to avoid hearing loss is 8 hours at >85DB average.)

"No ear protection?" he shouted, gesturing to the workers.

I signaled over the noise that this was something we could correct under new ownership.

He shouted over the noise again: "If we buy this company, we will immediately do a baseline hearing test to establish the damage baseline for all the workers."

What was he afraid of? That could be summed up in one simple word: Lawsuits.

Under new ownership, it would be entirely possible for the workers to sue the new owners, who largely assume these liabilities. The workers could claim that not enough was done to prevent their hearing loss. Or eye injuries. Or head injuries. The fact that forklifts were roaring around with flat tires and workers catching rides didn't exactly give the potential acquirers confidence that they were buying a safety-driven/safety-first operation. In addition to the workers' well-being, this work site was one OSHA inspection away from a citation and fines...another potential liability for the new owner.

In the end, they elected not to bid on the company for acquisition. There were additional reasons they decided not to make the acquisition, but I can assure you that safety issue was one of them. It may not have been the first reason, but it certainly was a contributing factor.

If you are taking your company to market, one area that should clearly be addressed is your safety programs. Is everyone equipped with the right safety gear? Are your sites OSHA complaint? Would you pass an OSHA pop inspection with flying colors? Are you doing all you can to reduce the likelihood of future lawsuits over preventable health problems now?

Moreover, can you prove that you have a culture of safety, with a documented record of safety meetings, and even a safety officer (maybe not full-time, but a designee who knows the rules). These are items that a potential acquirer will look for, not only out of human concern for workers, but to limit their liability should an injury occur after they've taken ownership, or should claims of damaged health arise in the months and years after the new owner has assumed control.

Your safety procedures should be spelled out in your offering document, which is called an Informational Memorandum, so it's clear what documented steps you've taken to limit your own liability and to limit the potential liability of the new owner. ■

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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POINT COUNTERPOINT

TARIFFS ON CANADIAN SOFTWOOD THE U.S. HOMEBUILDING MARKET



TRUE. Millions of first-time home buyers and young families struggling to gain a toehold on the homeownership ladder are being left out in the cold or feeling the pain of sticker shock thanks in large part to soaring lumber prices that are being exacerbated by tariffs on Canadian lumber imports into the U.S.

Lumber is a critical building material used extensively in single-family construction and framing lumber prices have jumped since the beginning of last year. Prices skyrocketed to a record \$582 per thousand board feet in June and, even after falling recently, remain at historically high levels. The tariffs have caused huge uncertainty in the market, and the resulting price volatility has added thousands of dollars to the price of an average new home.

The typical builder operates on margins averaging less than 6%. When the price of their lumber package goes up, they are often forced to absorb these added costs. Further, the rate of return on the S&P homebuilders index is half that of the S&P 500 since the U.S. Lumber Coalition filed its trade case. This shows how the home building sector has fared far worse than other industries since the tariffs went into effect.

Meanwhile, the U.S. lumber cartel is profiting handsomely off this market disruption, raking in record earnings at the expense of American home builders and home buyers. Domestic lumber producers asserted that the tariffs were needed because the domestic timber industry faced an unfair competitive advantage from Canada. But a closer look at the facts tells a different story.

In 2017, the U.S. home building industry consumed 47.62 billion board feet while the U.S. lumber industry produced only 33.86 billion board feet. The U.S. must rely almost exclusively on Canadian lumber to make up the difference.

The U.S. has imposed tariffs and quotas in the past to protect the domestic lumber industry and in every instance, it has been rebuked by independent bodies such as the World Trade Organization.

When NAHB leaders met with Commerce Secretary Wilbur Ross in June to discuss the situation, even the secretary expressed surprise how lumber prices have risen sharply higher than the 20% tariff rate. Citing these record lumber prices, Secretary Ross agreed to explore the possibility that other forces may be manipulating the market.

Which brings us back to the U.S. lumber cartel. Since the tariffs were enacted, domestic lumber production has not kept pace with growing demand, and U.S. logging and sawmill employment has been relatively flat. In a normal economic scenario, tariffs coupled with a steadily growing housing recovery would encourage domestic lumber producers to ramp up production and hiring to meet a growing demand for lumber.

One can only conclude that major lumber firms are taking advantage of the situation, content to sit back and reap bigger profits off the backs of American home owners. And it appears to be oddly coincidental that shortly after NAHB's meeting with Secretary Ross, prices began retreating from their peak.

Clearly, the U.S. Lumber Coalition, which urged the Commerce Department to act against Canada, has no incentive to ask the agency to rescind these unfair, punitive tariffs. Yet, a status quo that keeps in place protectionist policies that further line the pockets of the domestic lumber companies at the expense of millions of potential home buyers and the many industries that depend on a reliable supply of softwood lumber at reasonable prices is not the answer.

This is why 171 bipartisan members of Congress sent a letter to the administration urging the U.S. to quickly resume negotiations with Canada. A new softwood lumber trade agreement that will be equitable for all parties—including the industries and consumers that rely on softwood lumber for their economic well-being—is an important step to restore price stability to the lumber market.



Randy Noel, Chairman
National Association of Home Builders

LUMBER HURT

COUNTER POINT



FALSE. The notion that the “Trump tariffs” pose a threat to the U.S. housing recovery does not stand up to close scrutiny. For starters, the U.S. trade restrictions are merely the latest round of a long-standing dispute between the U.S. and Canada that goes back more than 35 years. In fact, the U.S. position was supported by all four Democratic Senators from Washington and Oregon and would have changed very little had Hillary Clinton won the 2016 election.

To be sure, the trade restrictions have had a hand in the recent 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 2x4 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 between 2016Q4 and 2018Q2.

The following other factors played a major role in the run-up in lumber prices in the first half of 2018:

- General market tightness caused by the failure of supply to keep pace with demand.
- A massive reduction harvestable timber in British Columbia due to the Mountain Pine Beetle infestation.
- A severe fire season in British Columbia, Washington and Oregon.
- An abnormally cold winter which wreaked havoc with Canada's rail network. Rising trucking costs in the U.S. added to the transportation woes.
- These supply constraints were concurrent with steadily increasing demand from the U.S. housing sector (both from starts and improvements).

Finally, it should be noted that structural panel prices, which are subject to many of the same supply and particularly demand drivers as lumber have also risen sharply. There are currently no trade restrictions between the U.S. and Canada on OSB and plywood.

Now, let's look at the lumber costs of building the average new single-family home in 2018. We assume an average home size of 2,650 square feet. We'll consider the period between 2016Q4 (before President Trump took office) and 2018Q2.

Our analysis shows that the average new home will use about 15,000 board feet of lumber and that dealers typically command a 15% to 20% markup on lumber.

Now all we need to do is take the delivered price for lumber, 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 used the Random Lengths Framing Composite price and we applied a 18% markup. We estimate 2016Q4 lumber delivery costs at \$50 per MBF; for 2018Q2, delivery costs were estimated at \$75 per MBF.

With 2016Q4 prices, the lumber required to build a typical home would cost \$7,115. When we applied the average 2018Q2 price, the per-home lumber cost increased to \$10,939. Thus, the total change in lumber prices between 2016Q4 and 2018Q2 added \$3,823 to building costs.

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 price—and it's 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.

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 Lowney, Principal
Forest Economic Advisors LLC

REAL ISSUES. REAL ANSWERS.



Profit?

Price?

As in any business that sells a product or service at a profit, even one known for delivering razor-thin margins, the question of what constitutes a fair price is always present. Charge too little and hope to make it up on volume...or charge too much, and risk alienating loyal customers. It's a timeless question with no easy answer, and one that generates lively discussion. That's why this month's Real Issue is...

FAIR **PROFIT** VS. **PRICE** GOUGING

BY RICK SCHUMACHER

THIS MONTH'S QUESTION came from a dealer in Michigan who wrote: "How do you balance working to increase profits and margins with the risk of taking advantage of your loyal customers? Where is the threshold between 'fair profit' and price gouging?"

As we do each month, we conducted this survey via email with readers who've opted in to receive our email communications. A big thank you to the 315 readers who took time to weigh in on this month's survey. If you'd like to participate in future surveys, just drop me a note at Rick@LBMJournal.com and I'll make sure we get you added. By the way, the surveys are very brief—this month's was two questions—and Survey Monkey analytics show that it took less than three-minutes on average to complete the survey. We'd love you to join the discussion.

THE QUESTION

How do you balance working to increase profits and margins with the risk of taking advantage of your loyal customers? Where is the threshold between 'fair profit' and price gouging?

READER RESPONSES

"Common sense is the answer. This is not a difficult issue when common sense is applied."

"Be transparent with the increases and communicate often about rising overhead."

"I would first need to know the definition of 'fair profit' and 'gouging' to answer the second question. The first question is our everyday task. Since our business is in the very competitive Southern California marketplace, we are constantly 'testing' our bid prices through our bidding process. If we're too high, our customers tell us, and if we can't get the last look, we lose the job. If we are too low, we get the job and don't learn much about our pricing. Therefore, our best interest is served if we are slightly high, but by a small enough increment that we can still negotiate for the job. It's an art, not a science."

"There is no such thing as price gouging. You are in business to make as much profit as possible. You better make all the profit you can, because markets fluctuate and there will be a time you will make zero profits. How much you earn and retain today will someday determine your survival or extinction. I have been doing this for 45 years and seen six cycles. Trust me!"

"First of all, we are not a non-profit company. We have an obligation to our Board of Directors to make a profit or we won't have jobs. Also, we buy everything we sell, so we must buy product at current market value to ensure that we have no inventory that is not turning. We explain to our customers about the rising market so that they don't think we are price gouging. Of course, this sounds good but does not help much when you tell them the price of 2x12 redwood and they look at you like you are crazy."

"One must first have a conscience to distinguish between gouging and fair. That internal guide is automatic. Unfortunately profits and greed will usually override and eventually kill the conscience. So first ask yourself, do I have a conscience? Or am I motivated by the incessant need to make more money? What do I need the profit for? To pay my employees a decent wage, give them benefits? Better my customer service? Or am I motivated by personal financial goals, bigger house, fancy cars, ultimate vacation place or my shareholders, unrelenting quest for more profit? Loyal customers will stay with you in good times and bad, that's what loyalty is all about. As soon as a loyal customer realizes that all you care about is profit, he realizes your loyalty has been compromised. Once your loyalty is compromised it has no hold, and your loyal customers will find someone else."

"I'm a free-market capitalist. With respect to margin, 'Whatever the market will bear' works for me. Lord knows we give it back at times, and there are times we are able to make it. It usually averages out. Aside from that, the competition and the market will let you know when you're charging too much."

"If the product you are selling is not available from a competitor you should price it at the highest price your customer is willing to pay. That is Economics 101."

"For everyday common products, whatever is common for your area is fair. If you are more than 10% above that, then you should have a definite perk added for your customers. If you are over-priced for your area, you will know by lack of return business."

"When short-term events lead to increased demand and need push pricing strongly upward, I'd view 'price gouging' as setting your prices well beyond the level needed to cover reasonable risk to making a normal/ reasonable profit through the expected life of the event. Clearly some risk and judgment calling required."

"Understand your true costs and have a handle on what your customer values and will pay for, something that makes him money or reduces his overall costs."

"How much is too much to charge? The market will tell you. Just remember, pigs get fed and hogs get slaughtered. Don't be a hog."

"The threshold is simple. If you have moral character then you will feel the pang when you go and try to get more than what you feel is a fair price for the article. The trouble nowadays is that most people's moral compass has been put away in favor of 'whatever the market will bear.' This axiom probably was started by those who felt a need for retribution based on a supposed slight or in some cases being taken advantage of in a prior business deal."

"I'm in favor of charging as much as the market can bear. We are all in business to make money. That being said, I don't think we should take advantage of situations out of our or the customers' control."

"There is nothing wrong with increasing your margins as long as it is the same for all customers that fall into the same category (homeowner, contractor, high volume builder, etc.), and you are not pricing yourself out of the projects."

"I don't think there's a magic number that defines fair profit from price gouging. So much depends on what the item is, but also there is a limit to what the traffic will bear. Normal stock items should have a competitive profit margin, specialty or custom items might have a higher margin based on a lot of circumstances."

"For lumber and building materials, 25% margin is fair. Over 40% is considered extreme."

"Margins should be large enough to cover costs, reflect value and return adequate dollars to the bottom line for the business."

"When your not-so-loyal customers aren't buying from you due to pricing, you may be at that tipping point." ➤

"I always refer to Adam's Smith's 'invisible hand' of competition. It's a fine line where you can price your products, as too much profit will allow a competitor to take the business. Too little and you will close your doors. This industry knows exactly where the margins need to be to stay in business and show a profit. Once you get above industry norms, and believe your customer is willing to pay whatever price you set, is the time your competition starts to eat away at your sales. Nothing wrong with a 'fair profit' but gouging usually leads to losing your loyal customers, to say nothing of the disloyal ones."

"People always think gouging happens with rapid price increases. I have always focused on a gradual increase, of course this requires being informed of potential increases before they actually happen. Communication is key."

"1) First do no harm. Do not lose business in search of increased profits.
2) Pay yourself first. Being able to operate at a profit should not be sacrificed in order to remain buddies with customers.
3) If customers demand prices that don't allow you to earn a profit, they are taking advantage of you."

"It's an educational process. Keeping our customers informed about market price dynamics should be one of our primary responsibilities. Supply and demand mechanics, countervailing duties, and politically-inspired tariffs are real and it's our duty to inform our customers about the causes and effects thereof. Price gouging is when one inflates the gross margin % beyond the norm and then tries to blame the 'gouge' on the cost and not the mark-up."

"Greater profit, greater potential service."

"Whenever the markets get tight and you can raise your price to make a better margin there is nothing wrong with that, but you have to be reasonable. Making more profit is what you should do when the opportunity comes around."

"The market will determine that. If pricing is too high the contractor will start looking for a better option."

"As long as you're just trying to maintain a normal profit margin there should be no question about price gouging. You can justify your prices then because all you're doing is maintaining margins, then being open with your loyal customers shouldn't be an issue. Price is important, but a reputation for doing business honestly is just as important."

"One man's minimum margin is another man's gouge. It depends on which side of the transaction you are on." ➤

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SURPRISE! AVOID THE UNEXPECTED WHEN BUYING NEW ERP SOFTWARE

Some surprises are nice, like finding \$20 in your jacket pocket or getting a bonus candy bar from the vending machine. Other surprises are less pleasant, like tax audits, flat tires, and food poisoning.

Surprises about your brand-new ERP system can fall into the latter camp. When you discover a key feature is missing, implementation is six months past schedule, and support charges for every phone call...there's a definite "food poisoning" kind of feel.

Fortunately, there's a lot you can do during the software selection process to avoid scenarios like these. Simple steps like rephrasing questions, meeting support staff, and itemizing implementation costs can reveal a host of overlooked issues.

This white paper won't tell you how to pick the best software. It will provide you tips for getting a clear vision of your options, so there are fewer surprises once you sign a contract.

DON'T ASK "YES/NO" QUESTIONS

Ask five ERP sales reps "does your system have X feature," and their answers will almost certainly be "yes." That's because most ERP platforms handle the same general processes. So, instead of asking "do you have X feature" ask "how do you handle Y process."

Asking "how" highlights the differences between platforms. For example, there's a range of ways to handle custom orders, from automated workflows and scheduling to manufacturer interfaces and product configurators.

Asking "how" lets you see those differences.

SHOW, DON'T TELL

"Show me" is one of the most important phrases when buying software. If there's a make-or-break process for your business, don't settle for the sales rep's description of how the system handles it. Ask to see it in action - a lot. Go through several typical examples and multiple worst-case scenarios. The goal isn't to "stump the vendor," it's to get an accurate sense of the software's abilities and limitations for your most critical areas.

STEP AWAY FROM THE SALES REP

You may really connect with your sales rep, but once a contract is signed, you won't see much of them. Instead, you'll be working with implementation teams, support techs, developers, and consultants as they set up your system, answer your questions, and move your business forward. You'll see these people for the next 10-20 years; make sure you **want** to work with them. Signing your contract without meeting Customer Support is like agreeing to a marriage without meeting your future spouse.

GET THE TRUE COST OF OWNERSHIP...FOR THE NEXT 5 YEARS

Ask each vendor to calculate the true cost of ownership for their system for the next five years. Not only does this clarify expected costs, it may highlight some unexpected key differences between vendors.

Each vendor may have their own method for calculating the true cost of ownership, but here are some of the elements they should address.

HARDWARE

User Hardware: Determine if your existing computers and printers can support the new software or if you'll need to upgrade your equipment. Also consider any specialty hardware you'll need to purchase such as RF scanners, credit card readers, GPS trackers, or mobile tablets.

Data Storage: Vendors usually charge a monthly fee for hosting customer data. If you plan on using your own server, factor in operational costs such as electricity, anti-virus software, disaster recovery plans, and employee hours. Assume at least one major repair/replacement cost in the next five years.

Data Migration: Your data needs to be formatted for the new system and moved to a new database. (This is true even if using your own server.) In addition to quoting their own fee for this service, have the vendor estimate the amount of time your staff will need to dedicate to the process.

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*Signing your
contract
without meeting
Customer Support
is like agreeing to a
marriage without
meeting your
future spouse.*

SOFTWARE

Software Licenses: Enterprise software has two pricing models. A *perpetual license* means you pay a one-time sum and “own” that version of the software. A *subscription license* is where you pay a monthly fee to access the most current version of the software. Perpetual licenses usually charge additional fees for customer support and new features. Subscription licenses (called “Software as a Service” or SaaS) usually include support and upgrades with the monthly subscription.

Customizations: If you need a feature, report, or interface that’s not available in the core platform, you may need the vendor or a contractor to develop the enhancement. In addition to development costs, some custom modifications require special maintenance whenever the core platform is updated. Have vendors explain how they handle and bill for customizations to their platform.

Customize vs. Configure

Some systems have configurable features users can adjust without assistance from the vendor. For example, a configurable dashboard allows users to add, remove, and rearrange items. Ask each vendor to determine if the changes you want can be done by configuring their existing system or if they will need to develop a custom solution for you.

Implementation: Core elements of a system implementation include business process reviews, system configuration, setting up vendor integrations, user training, and go-live support. Vendors may offer some, all, or none of these services. Some vendors charge a flat fee for implementation and others bill hourly.

Support: This can be tricky to calculate, as every vendor has their own approach to support. Get documentation about services offered, noting which are free and which are billable. When each vendor estimates your yearly support costs, discuss how they arrived at that number. (For instance, perhaps they forecast you will only place three support calls per quarter. If that’s not a realistic assumption, adjust the estimate.)

STAFF CONSIDERATIONS

User Licenses: Most subscription software is priced in one of two ways: by *named users* or by *concurrent user* licenses. Named users mean you pay a fee for every individual user at your company. Concurrent user licenses are like access passes shared by all the users in your system. (If you pay for 20 concurrent user licenses, up to 20 employees can use the system at once.)

Staff Costs: Determine if you’ll need to reallocate or expand staffing to support the new system. For example, if you’ve been relying on your controller to also act as IT administrator, that may no longer be sustainable. You will likely need a dedicated system manager to focus on optimizing your investment. If you intend to do a lot of customizations, you may want to budget for additional staff or regular contractors.

User Training: This includes vendor and contractor fees for the initial implementation training as well as on-going training costs. If you want your system admin and high-level managers to have in-depth training at workshops and user conferences, include registration and travel expenses.



Get clarity from vendors about which services are included in your contract and which are billable. Determine if there are any areas where they recommend hiring outside contractors.

Lost Productivity: All businesses experience a temporary decline in productivity when they change software. Not only does implementation and training cut into people's time, every department runs slower as the staff adjusts to the new system. Estimate productivity costs by talking to industry peers about their own implementations. Find out how long it took operations to normalize and what factors helped or impeded progress.

FUTURE PLANNING

Growth: If you have plans to hire more people, open new locations, or offer new services, factor in costs for additional user licenses, additional hardware, training, and support costs. Additionally, if you plan to make other major technology investments, such as opening an e-commerce platform or installing WMS, incorporate those into your calculation.

Yearly Price Increases: Most vendors can't guarantee pricing for the next five years, but you can forecast the trend by looking at the past five years. (Note: if a vendor guarantees a set price for five years as part of the contract, you'll want to investigate their historical price increases. It won't affect your cost of ownership in the next five years, but you should know what to expect at year six!)

REQUEST A PRODUCT ROADMAP

One of the worst ERP surprises is discovering your current system is being phased out by the vendor. Getting a product roadmap can help you gauge the long-term security of a given system. When vendors care about a product, they make plans for its future. If a vendor doesn't have a clear vision of where the software is going, they may be more ambivalent about the platform's importance.

CHECK THE COMPANY PROFILE

Ownership structure, leadership tenure, and acquisition history tell you important things about a company's stability. Frequent changes in senior leadership or ownership can lead to frequent changes in strategy and priorities. If new owners decide to sunset your platform or sell it off to the highest bidder, it can upend your business.

GOING FORWARD

Choosing a new ERP system is intense. It's easy to develop tunnel vision around a handful of features and functions. Remember to look at the entire picture: does a feature perform as expected; will the vendor provide adequate training; is the support team easy to work with. Researching company histories and calculating total cost of ownership may not change your decision, but they will help set realistic expectations, increase your odds of success, and reduce your risk of unpleasant surprises.

DMSi provides industry-specific business software for lumber and building materials companies. With standalone products including Building Results CRM, Fleet Management, and TallyExpress, as well as the end-to-end Agility ERP, DMSi helps businesses optimize resources and grow profitability.

Learn more at [DMSi.com](https://dmsi.com)



"The manufacturer deals with this pricing mechanism and considers the cyclic nature of the market. When prices are down because of low demand, the purchaser doesn't go 'soul searching' on whether the low price is going to break a manufacturer. The only price gouging occurs when a weather event happens and there are insufficient products at the scene of the emergency. Then the parties need to exercise good sense and sell at a little above the prevailing price in other parts of the nation."

"Share market information and what is happening in the industry so that customers know what trials you are facing with regard to purchasing materials. Ask that they give you as much advance notice of their needs so that good purchasing decisions can be made."

"I believe that there is not much concern with getting away with 'gouging' in these days of ample competition and savvy internet shoppers. It's important to get the margins required to be a responsible, stable business owner. If gouging is the prime directive of any business, it's a short-term existence."

"The threshold is different based on your interaction and terms. Does this customer pay their account by credit card costing you 2% fees? Does this customer always require special rush deliveries? Does this customer consistently change orders at the last minute? Is your customer really loyal to you or do they buy only on price? Does the customer work with you in forecasting their needs? This last question is one that definitely speaks to whether you take a little extra when you can or pass it along."

"Your job is to generate enough profit to ensure that the company can pay its bills and save for the inevitable downturn. Fair profit is the maximum margin you can achieve in your market to pay for the services you provide your customers based on their volume of purchases and service needs. Price gouging would be charging your best customer the same or more than your most difficult, high-maintenance customer."

"It's all about competition. Our perception of our competitors, largely gleaned from our relationships with our customers, determines pricing. Due to the high degree of competition, price gouging seems impossible."

"Every true business entity must know the difference between fair profit and price gouging for long term business success."

"Price gouging is when someone doubles the price of a high-demand product like plywood or gasoline just ahead of a hurricane. Outside of extreme examples like that, the everyday mix of products sold is always a 'blend' of a wide variety of margins. In today's competitive landscape, if that blend doesn't include a good number of products with very high margins, your profitability will slowly be eroded by the growing number of items with thin margins. Cost should never dictate retail pricing. The marketplace determines retail. What's a 'fair' return on your overall operational investment...5%, 10%, more? Achieving that objective demands continued pricing diligence to both keep those highly visible items competitively priced and find those blind items where the margins can be much, much higher."

"Any attempt to get more for your product than what the market allows borders on price gouging. The market will dictate what you can make. We have established four-tier pricing based on volume and potential. As long as we stay within those parameters, we should make an acceptable profit. The key is to set your pricing as high as you can within what the market allows."

"Price for your business model. Ours is excellence throughout the experience with premium products. Our profit margins are higher to fund the efforts to deliver excellence."

"I think it is hard to price gouge in the market today. Unless you have an exclusive on a product, which is very hard to attain. Even so, a competitor's product keeps that in check as well. No one is forcing anyone to buy anything."

"The fair price is what the customer is willing to pay. If the dealer adds value sufficient for the customer to justify buying, then that is a fair price. This industry is very competitive. There are multiple dealers chasing the same customers. Customers know their options and they know the value that each dealer brings. Items that are easy for builders to shop on an apples-to-apples basis have the slimmest margins. Items that have value-added features like design, manufacture, installation or frequent small deliveries can offer the dealer higher levels of margin. We typically hear price objections and may lose some orders, but customers often come back because the 'cheaper' dealer fell down on some aspect of service."

"Gouging? Has anyone considered the absurdly low margins we have historically worked on?"

"This is a question that recently got brought up internally regarding special orders for retail customers (non-pro). On the sales counter, we have one employee who flirts with the line of 'fair profit' and 'price gouging' very often. He is very knowledgeable on the products he is selling, very personable with customers when they come in, and is always very quick to respond with pricing or answers to questions a customer may have. I'm under the opinion that a level of service that goes above and beyond what others in the area are able to offer can warrant a higher price for the product. The better the experience we can offer a customer, the easier it is to ask for a higher dollar amount. With our pro contractors my thoughts are that I would rather find a 'fair price point' than attempt to gouge. I would much rather have a happy customer, paying a price where we both are able to make money, who is loyal and isn't always price shopping."

"I believe in just being fair to all of my customers. Honesty is the best way and it's sad we even have to be asked this question. This is why I started my lumberyard, because you had to watch what the suppliers were pricing all of the time."

PRICING AND PROFITABILITY BENCHMARKS

We reached out to LBM industry operations expert Bill Lee for his thoughts on this question. Here's Bill's response, which we're reprinting with his permission.

I maintain that the "average" pre-tax profit margin in our industry is in the neighborhood of 2.5% to 3% of sales. So a building supply business that is generating \$10 million in sales is—on average—earning \$250,000 to \$300,000 before income taxes.

Businesses that are generating this approximate level of pre-tax profitability, are most likely averaging an overall gross margin of 20% to 22% of sales.

To earn 20% to 22% of sales, the typical business in our industry would have to mark up their cost between approximately 25% and 28%.

\$100 cost
 x 125% (25% markup on cost)
 \$125 sell price
 \$25 gross profit divided by \$125 sell price = 20% gross margin

\$100 cost
 x 128% (28% markup on cost)
 \$128 sell price
 \$28 gross profit divided by \$128 sell price = 21.88% gross margin

Again, on average, this business would have operating expenses as a percentage of sales that would run between 17.5% and 18.88%.

Gross margin - 20.00% of sales
 Less Operating Expenses 17.5% of sales
 Pre-tax Profit 2.5% of sales

The next level of profitability would run between 4% and 6% of sales before income taxes. Dealers that are earning "top dollar" would be generating 6% to 8% of sales before taxes. This level of profitability is pretty rare for me to see. Because the majority of building supply businesses are S Corporations and the owners pay income taxes as individuals, I typically use pre-tax profitability rather than after-tax profitability when I set benchmarks.

As you can see from these numbers, 80% of building supply businesses are a far cry from "gouging" their customers. I have frankly never seen a building supply business that is earning so much gross margin that their pricing would fall into the category of "gouging."

"I don't take advantage of our customers. If I can get a product at a reduced rate I pass that on or if I have to purchase at a higher rate I increase our price."

"A dealer has to ensure himself that he is earning a large enough profit to support his capital requirements, or he won't be supplying that loyal customer in the future."

"This is an interesting question because we have competition in our market that keeps most prices more than fair for consumers. The question for me is how do we maintain margins and stay competitive in the market place."

"If you have any competition you never have to ask this question."

"There isn't a threshold, everything today needs to be priced properly to be competitive today. Blind items need to make up what the competitive items don't. The box stores are the ones that use this, to not look bad we need to follow the same strategy."

"Being in a competitive market, gouging is nearly impossible for our company. Not to mention, younger, more connected people, can find an equivalent price online in a matter of minutes to check your pricing integrity. I think if you can make margins, fair margins that is, you should. You never know when that well will dry up or when a competitor can come in and change your ability to be profitable. New competition will always lead with price because customer service doesn't come into play until you've actually sold something. I feel like the goal for any lumber dealer would be to net profit anywhere between 5% and 8%. I think that is fair and reasonable."

"There is no such thing as gouging in retail with the exception of taking brief over-advantage of a tragedy like a hurricane. Supply and demand, competition, operational excellence, and sales and marketing talent tend to set the tone for a business's profit ability. Be the best and smartest you can be, grow the business and never feel guilty about profits, whatever their level."

"My dad taught me, 'If you can't make a profit selling to your friends, you'll never make a profit selling to your enemies.' I believe most dealers' prices are within 5% of each other. We all try to be competitive in the market and must do enough research to determine what competitive is. The problem comes when we are so insecure that we try to 'buy' our way into a new customer versus sell our way into a new customer. Fair profits are a challenge sometimes, but the competition in our market is so strong, that there's certainly no room for price gouging."

"Knowing the cost and the selling price of an item, would you feel gouged as a customer of your product? If you think you'd feel gouged, likely your customer will."

"If you are price gouging, you will know soon enough because these contractors will just stop doing business with you. My contractors are my business partners. If they are doing well and selling a lot of projects then I am doing well too."

"We have a good feel for current market pricing. We try very hard to make sure we offer competitive or better-than-competitive pricing for our loyal customers, many who do not seek competitive bids. We feel strongly that loyalty should be rewarded not abused. If we were found to be taking advantage of a loyal customer, we know that this would result in loss of a good customer."

"The free enterprise market will prevent gouging fairly quickly in a competitive market. My experience is with competitors who do a pretty good job of keeping pricing below what I consider 'fair profit.' When working on raising profit margins, I believe we must create win/win scenarios for all. The best way to do that is find ways to take inefficiencies and costs out of the system, then keep some of the margin for our share of the 'fair profit.' For example, we raised our margins significantly when we improved our service levels by committing to deliver within 24 hours of an order placed. Our customers gladly pay us the higher margin because their overall costs go down when they have the materials when needed. Just ask a framer what it costs when his crew shows up and there is no material on the ground."

"Fair profits and price gouging do not belong in the same sentence. Profits are always fair, because customers will always walk away from price gouging. Figure out how much do you need to charge to break-even. Then set your profit goal. Retirement within the year probably equals gouging."

"Price gouging only occurs when the customer has no choice in the market place other than you."

"As an 82-year old company, we do not nor have we ever taken advantage of or gouged any customer, loyal or not loyal. Had we ever done so, we would not soon be beginning our 83rd year in business."

"I am looking to make 5-7% on my equity every year. A fair profit is what allows me to cover my cost of goods, selling expenses, general and administrative expenses, taxes, and give me the net margin I am looking for."

"I believe that there is not much concern with getting away with 'gouging' in these days of ample competition and savvy internet shoppers. It's important to get the margins required to be a responsible, stable business owner. If gouging is the prime directive of any business, it's a short-term existence."

"In today's competitive world, you have to balance pricing with tight margins just to stay in business. If you price your products according to market, and find you still have better-than-expected margins, you are very lucky. That's when you can work with loyal and volume customers to give some pricing breaks. While you're at it, take better care of your employees. If you don't, you might lose them to competitors."

"There is always a fine line between the two, however market pricing helps keep everyone honest."

"It is very important to maintain a good relationship with longer term loyal customers. Determine a fair margin, considering all costs of dealing with individual customers. Payment histories, back-charge abuse, special demands that increase cost, etc. When a customer demands that pricing be held for extended periods of time, adding risk premium for cost volatility may offset short term losses. As much transparency as prudent will help customers understand that there is a formula for pricing that benefits their loyalty. In the absence of credible information people will fill in the blanks with thoughts of arbitrary gouging. Supply crunch premiums can be extracted from new customers, especially one-time customers coming because of limited options. If they transition to more loyal customers, pricing can reflect their importance to the business. Pricing to new customers can be a safety valve to make certain new business resource demand doesn't impede your ability to adequately serve your core customers. Also the business you get will enable investments valuable to enhance the experience for all customers." ■

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BY JAMES ANDERSON

THERE'S RICHES IN

NEW SOUTH CONSTRUCTION SUPPLY
FOCUSES ON WHAT IT KNOWS BEST.

Jim Sobeck has five keys to success. Really, it's two keys, but the first one is so important that he lists it four times. "People, people, people, people, and products."

Those two (or five) words have become a mantra that has guided Sobeck's company, New South Construction Supply, to a compounded annual growth rate of around 22% since the Great Recession. The simple key of focusing on people first and foremost, products second, then profits, has New South trending toward another record year in which he has already seen higher net income at the end of June than all of 2017. >

Part of New South Construction's leadership team. L-R: David Hodgin, VP of Purchasing; Jim Sobeck, President and CEO; Daniel Stehlar, Director of Sales and Marketing; Jimmy Sobeck, VP of Finance; Allen Poteat, Senior Sales Manager for North Carolina.

PHOTOS BY ELI WARREN



NICHES



Sobeck doesn't see his company's upward trend changing soon. "We've doubled in sales in the last three years," he says.

As a specialty retailer, 80% of New South's business is in concrete, masonry, and waterproofing products. The other 20% is a wide mix of everything from drill bits, power tools, and safety equipment.

"Our bread and butter is concrete products. Mainly rebar," Sobeck says. "It makes up 45% of our sales."

Sobeck's focus on niche construction supplies has fueled his company's growth. As such, he says he doesn't have much time for walk-in, DIY customers.

"They stand at the counter for an hour just to get instructions on how to install a product. We're a wholesale distributor selling to professional contractors only. The pro doesn't want to stand in line behind Johnny and Mary Homeowner asking questions about how to stain their concrete deck."

Sobeck says his loyal pro customers actually thank him for turning away walk-in business so they can get in and out quicker. "I tell them there's a Home Depot about four blocks from us, and I walk them to the door," he says.

As a specialty dealer primarily supplying rebar, Sobeck has stayed ahead of the wave of price increases, which have been upwards of 30% this year, due to recent steel tariffs. Most increases have passed through, he says, though some customers with 30-day pricing left him in a bit of a tight spot for the first 30-60 days. Still, it's largely to New South's advantage that prices have gone up.

"We were buying almost half of our steel from overseas, mainly from Turkey and also some from Portugal. Right

now, we're only able to get domestic steel, and I'm for that," he says. "Trump is right. If we don't have a steel industry, we don't have a country. If war breaks out, we'll need a lot of things built out of steel and if a foreign adversary controlled our steel industry we'd be in big trouble."

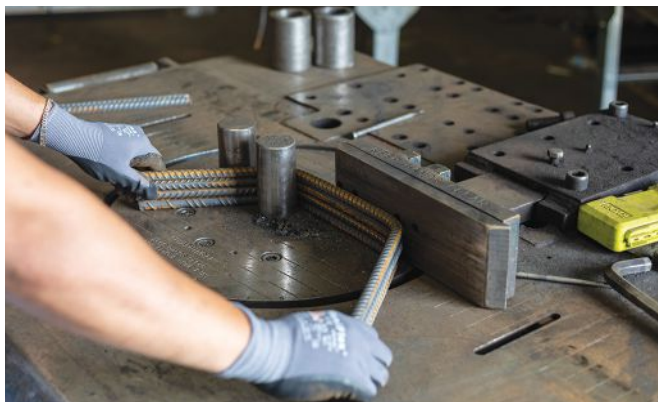
STRONG COMPANY

Sobeck's story with New South starts nearly 17 years ago, and it's a story that almost didn't happen. On Sept. 11, 2001, Sobeck was in the process of purchasing what was then five locations. He was doing due diligence research, fully intending to go through with the transaction. Then the world changed.

"It gave me pause, that's for sure," he says of the terrorist attacks of 9/11. "I thought that our lives as we knew them might be over. I was worried there would be more attacks, that our economy would tank."

Ultimately, after some negotiations, the seller lowered the price and made some other concessions that helped mitigate his concern. November 1 will mark Sobeck's 17th year as the owner of New South Construction Supply.

At New South Construction Supply, rebar makes up 45% of the company's sales. New South specializes in rebar fabrication in under 100 ton orders.



New South was established in 1981, “founded by two guys who literally bootstrapped the company with almost no money,” Sobeck says. The story of their entrepreneurial spirit is part of what attracted Sobeck to the business.

The partners launched the business on a \$50,000 loan from a customer. “They were sales guys and if they sold it, they had to load it and deliver it,” he says. “On weekends, they’d do accounting and billing. They worked seven days a week for the first 18 months without taking a day off. They built a heck of a business from absolute zero.”

Their story of bootstrapping and grinding their way to success sounded familiar to Sobeck, because it was similar to his own history. Their story, along with the company’s place in the market, made owning the company the next logical step in his career.

“I wanted a company that had a platform built that could be expanded on, and New South did that. These two guys built a really unique niche company. ‘There’s riches in niches,’ they say. This company had a unique niche of concrete, masonry and waterproofing products. It’s the perfect niche in that there are no national competitors, just several regional players.”

STRONG FOUNDATION

Sobeck knows bootstrapping. Growing up in Northeast Pennsylvania, his father was in the commercial roofing business. On his 12th birthday, Sobeck was told there would no longer be an allowance. If he wanted money, he was told, he needed to ride his bike to the warehouse and earn it by sweeping and loading trucks.

Later, he was a union apprentice working on roofs, waterproofing, and fabricating sheet metal. He turned that job into a college education by working 30 to 40 hours per week and taking a combination of day and night classes.

“My dad said he would give me the best education we could afford, and a work ethic. With those, I’d never lack. And he was right.”

Sobeck was hired by L.A. Fry Roofing, a Chicago shingle manufacturer, and started with them a week after graduating from college. The company had grown to 24 shingle plants and asphalt refineries. Sobeck was there for less than two years when Owens Corning bought Fry and moved him to Dallas as a Regional Marketing Manager at age 23. Builder Marts of America was the company’s biggest customer and when he was 25 he joined BMA as a partner. Eventually, Sobeck was a VP of Sales at BMA.

In 1985, with an “itch to run my own show,” Sobeck took over a BMA subsidiary called Enterprise Computer Systems, a company that sold systems to lumberyards and contractors. He was president at Enterprise until he left to form ChanneLinux in 1999, which was later sold. He then bought New South Construction Supply in 2001.

“I’ve been in roofing, manufacturing, wholesale distribution, then software, and then back to my roots in distribution,” Sobeck says. “My background has served me well. Most anyone here in our company, I’ve basically done their job.”



“I WANTED A COMPANY THAT HAD A PLATFORM BUILT THAT COULD BE EXPANDED ON, AND NEW SOUTH DID THAT. ‘THERE’S RICHES IN NICHES,’ THEY SAY, AND I DIDN’T WANT A CONTRACTOR YARD TO COMPETE WITH BIG LUMBERYARD CHAINS.”

— JIM SOBECK

GROWTH

Sobeck has grown New South from five to nine locations. Now based in Greenville, S.C., the company was originally headquartered in West Columbia, S.C., about 100 miles south of Greenville. A few years after Sobeck purchased the company, he moved its headquarters to his adopted hometown of Greenville.

With nine locations in three states, New South has trucking authority on its own trucks in seven states, and uses other companies to ship to 31 more states. Perhaps more impressive are its deliveries to 12 foreign countries via shipping containers.

“We have a customer who builds most of the U.S. embassies around the world,” Sobeck says. “Everything but the concrete and steel needs to be sourced from the U.S. for security purposes.”

That’s where New South comes in. Sobeck’s company rounds up the materials and ships them to the contractor, who then ships them to the foreign countries. “I’ve had to Google the name of some of these countries to find out where they are,” he says with a laugh.

The biggest growth opportunity for New South right now is the fact that the company is “in the hottest construction market in the U.S.,” Sobeck says of his South Carolina location. The company is located near three of the lowest union-based states in the country, he says, which is bringing in a lot of business. “There is the largest BMW plant in the world 20 miles away from Greenville, a Boeing plant, new Volvo and Mercedes plants. Ohio used to be the tire capital of the world. South Carolina is now, and we have five different tire manufacturers.”

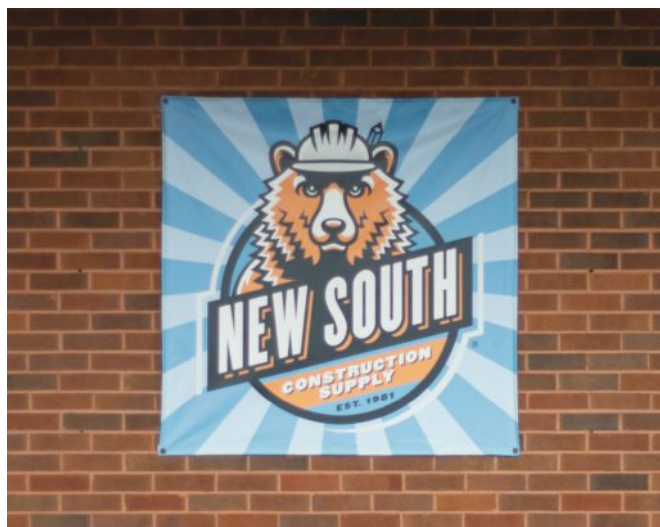
Because of his company's proximity to coastal communities where vacation and retirement homes are booming, New South has "more opportunities than we can shake a stick at." With all that opportunity in his own back yard, Sobeck is focused on growing in place.

"Two of our locations are near maxed out. Seven have the opportunity to double or triple. Why would I want to add more locations and overhead?" he says.

New South employs about 80, and to Sobeck, it seems as though the company is constantly on the lookout for CDL drivers. Half of the drivers now are from temp firms, he says, which helps alleviate some of the high turnover of the position during the current nationwide driver shortage.

"There are drivers (around the country) quitting without notice. They're filling up at a truck stop and a recruiter approaches them offering \$2 an hour more and they quit on the spot."

In other positions, Sobeck says, he has learned that paying well above average results in lower turnover. Another big contributor to employee retention at New South is its college intern program. Like a farm team in baseball, Sobeck says, their hiring of college interns fuels the company's Manager in Training program. Currently, four of nine branch managers at New South are under 30 years old.



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FOUNDED:	1981
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"We hire them right out of college before they develop bad habits someplace else," he says. Within 12 to 18 months, a qualified candidate can work his or her way into a manager position. They do so by working their way through every role at the company, from warehouse to forklift certification and from deliveries to CDL licensing and then behind the sales counter.

By the time they're a manager, they've done every job in the company. Sobeck likes his managers to have that broad range of experience because it's also what makes up his own background. As CEO, he sets an example by still going on sales calls. He and his wife (who doesn't work in the business) have even made deliveries periodically.

SERVICE

All of the cross-training at New South has led to exceptional levels of customer service, he says. Three of the company's top five customers buy 100% of their supplies from New South.

"People buy on price, but they quit you on service," Sobeck says. To make sure they're not quitting on New South, the company focuses on creating "customers for life." Part of this focus has led the company to establish a delivery guarantee.

"Everybody says they have great service, but we put our money where our mouth is. We issue a credit of 10% of the amount of any delivery that is more than an hour late."

Sobeck and his team also analyze the lifetime value of a customer and do what it takes to retain that customer. Even if it means admitting you're wrong when you're not, you do it to save the relationship and to create lifetime customers, he says, when sharing an example of a customer who claimed an order was wrong, when in fact the customer himself ordered the wrong product.

"I had to fall on my sword because you can be dead right and still be dead. It's hard to apologize when you're right, but I swallowed my pride and ate a \$7,500 problem that we didn't cause. It ended up creating a customer for life."

DATA-DRIVEN

Sobeck says he is "very blessed" to be able to work with his son, Jimmy Sobeck, who serves as VP of Finance & Administration of the company. The younger Sobeck leads the company's growth in analytics.

"He's better educated and smarter than me. He has a Master's degree in industrial distribution and he's been putting together dashboards that we use internally and externally," Sobeck says.

Customers are assured of on-time deliveries via customer-facing dashboards that show the percentage of deliveries that go out same day and are on time.

"Talk is cheap until you sit down with a customer and pull out your iPad and show all the on-time deliveries you've done for them."

The company also keeps a supplier dashboard to track incoming inventory and service levels from suppliers.

"Knowledge is power," Sobeck says. "In the 21st century, you've got to make data-driven decisions. We have data to support every decision we make." ■

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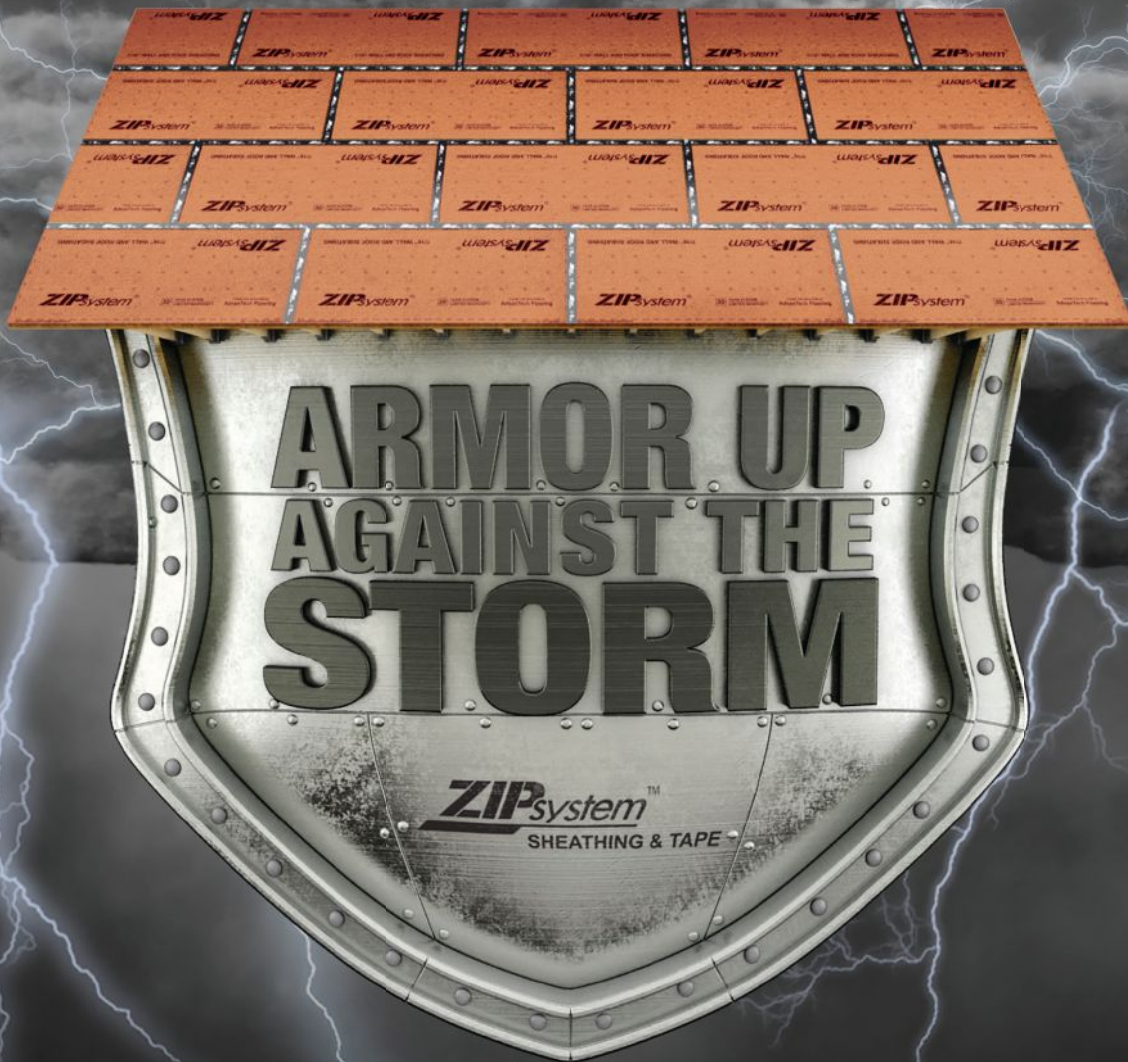
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WHY I CHOOSE ZIP SYSTEM® SHEATHING AND TAPE FOR QUICK ROUGH DRY-IN

By: John Hourihan



• **June 11:** The crew sheaths the roof with 5/8" sheathing butting the joints with no H-clips because we are running roof rafters 16" OC. (If you're running trusses at 20" or 24" OC, you will need to either install H-clips between sheets or use tongue and groove.) Now, the crew is pulling around ropes from their harnesses to tape and roll the seams of the sheathing and valleys, which instantly gives the build a weathertight roof.

• **June 12-13:** The framing crew leaves to complete roof trim and window set, and at the same moment, your rough mechanicals have started on the interior.

• **June 14-15:** The roofing crew has arrived to apply ice and water to valleys, cheek walls and the first 3-6' up from the fascia, and shingles start being applied. The framing crew is trimming windows, corner boards and the water table. Plumbing, electrical and HVAC are on day three, when normally they can't start until June 16, giving them a four-day advantage. In my eyes, this four-day process could be five to seven in a heartbeat if snow or rain is in play.

To be clear, I'm not trying to cut days for the sake of speed alone. I feel the only time you can gain on your construction schedule to create contingency and flow is in the excavations and rough framing/mechanical stage. The difficult part is doing it without sacrificing quality.

What I've defined above didn't change the process and didn't cut corners. Instead, it's a mechanical approach with the same use of manpower in a more efficient way, which gives you the ability to overlap trades in different areas on the site. That's the trick, and ZIP System sheathing and tape gives us the ability to pull it off. Saving time at this stage is priceless because you would pay any amount of money for one or two extra days in the millwork or mechanical stage. With this method, you can add four more days into the bank for later in the process.

I hope this tip and explanation helps, and I wish you guys the best in the battle of framing homes and additions all across the USA, Canada and beyond.



As builders working in New England, we have a joke: Don't like the weather? Wait 30 minutes and it will change. But seriously, the building industry has its challenges, and I believe the biggest and most common challenge between remodelers, custom builders and spec builders alike is getting a weathertight shell. I can't remember how or when exactly we started using ZIP System® sheathing and tape, but I do know that because of its weatherproof durability and time-saving application, I never looked back once we did.

Here's a good example of why: Back when we used to "pop" the top off single-story Cape-style homes to create a two-story Colonial, it'd be a mad race to demo the roof system and frame wall and then install a weathertight shell. To add to the challenge, 85 percent of the time the first level of these homes still contained all the client's belongings and even the clients themselves. We would watch the weather like a hawk, waiting until we had a five- to eight-day window of clear weather to pull the roof off the home. But, of course, this never stopped Mother Nature from splashing a rain shower on us at 7 p.m. on a Friday. If we didn't wait for a clear weather window, we risked water damage to the client's goods. If we waited for the window, we risked holding the budget for the job. But financially, we couldn't just wait a month for clear weather — no budget or cash flow system would allow it.

What if we could complete the process faster? What if we could finish on Thursday, a full 24 hours sooner than that surprise rain shower, eliminate the potential damages to the client's property and, more important for us, limit the potential damages to our reputation? ZIP System sheathing and tape gave us the ability to hack the system that was forever our norm.

For the general contractor whose crew completes the demo, frame, trim, roofing and window set, ZIP System® roof sheathing creates a weathertight roof in one process. This has two benefits: First, instead of pulling a \$180 tarp over the roof for the evening and pulling it off the next morning, you get to move right to window set. This is a huge time-saver. Second, you're not rushing. You're setting windows while another crew member tapes and rolls the roof. Then, the next morning, you are comfortably completing the roofing. In the end, the client and their neighbors are amazed by how quickly it came together, and you don't have to worry about callbacks. Rather than chasing leaks through a tarp on a Friday night, trying to reassure the client it's normal, and then using excess manpower to fix it, you're completing the job faster and with fewer issues. That's the goal. It's a no-brainer.

Today, we've moved on from remodeling Cape-style homes to building custom homes. However, the initial philosophy is the same. Water is still the devil in construction, but it's in different details now. We typically have a weekly client meeting during the rough frame stage, and if it rains and we don't have weather protection, we're walking the client around puddles continuously reminding them it will not affect the final product of their home. We still need a weathertight shell as soon as possible.

Now, let's break down a schedule example of the overlap and the install of ZIP System sheathing and tape on a new build.

• **June 10:** The frame crew is the only crew on-site and they are finishing the roof framing and about to start sheathing.

 To learn more about ZIP System Sheathing and Tape, visit ZIPSystem.com/Roof.



IN DEPTH

ENGINEERED WOOD PRODUCTS

IN TODAY'S WORLD OF SKILLED LABOR SHORTAGES, ENGINEERED WOOD PRODUCTS PROVIDE DESIGN FLEXIBILITY WHILE DELIVERING STRENGTH, EASE OF INSTALLATION, AND PRODUCT CONSISTENCY.

BY MIKE BERGER

IT REMAINS AN AXIOM OF LIFE that the things you don't see are often the most important. That adage could also be said to apply to engineered wood products (or EWP as it is commonly referred to). You might not always see engineered wood components once a structure is built, but it is there nonetheless, acting as an unsung hero that has helped bring about some of the greatest advancements in design.

Technically speaking, EWPs are advanced high-performance building products that provide dimensional sta-

bility and consistency of performance by utilizing small dimension lumber, veneers, and wood fibers to help create stability and performance. As a product category, EWPs have had a dramatic impact on the building industry, and they are poised to have an even more prominent role in the very near future, with projected growth tied to the increase in the U.S. housing market.

According to the U.S. Census Bureau and U.S. Department of Housing and Urban Development's most recent report of new residential construction,

privately owned housing starts in May of this year were at a seasonally adjusted annual rate of 1,350,000. This is 5% above the revised April estimate of 1,286,000 and is 20.3% above the May 2017 rate of 1,122,000. Single-family housing starts in May were at a rate of 936,000 (3.9% above the revised April figure of 901,000).

Concurrently, the report shows that when it comes to building permits, privately owned housing units authorized by building permits in May were at a seasonally adjusted annual rate of

1,301,000, 4.6% below the revised April rate of 1,364,000 but 8% above last year's rate of 1,205,000 at this time.

Joe K. Elling, Market Research Director for APA – The Engineered Wood Association, echoes these government figures and sees a positive outlook for the category, one in line with earlier predictions. “Given how 2018 is unfolding in terms of the end-use markets, most notably in residential construction, the outlook for engineered wood products is about the same for 2019 compared to what we thought it would be 12 months ago,” he says. “The APA forecast calls for U.S. housing starts in 2019 to be 1.36 million units, up from 1.3 million in 2018. Using I-joists as one measure, demand for North American-produced I-joists is expected to be up 6% in 2018, and up another 2% to 3% in 2019.”

In fact, every industry expert interviewed weighed in with a positive outlook for the next few years in regards to EWP, and it's a future that's not solely dependent on housing starts. As Kelly Harmon, EWP Business Development Manager for LP Building Products, pointed out, “I anticipate EWP to continue to grow over the next year and longer due to several factors such as pricing stability, extreme swings in commodity lumber, long length lumber demand, quality of lumber, and greater design flexibility.”

In regards to this anticipated growth, residential construction (both single- and multi-family) remains the single biggest contributor for EWP

manufacturers. “Single family and multi-family home construction consumes the largest volume of engineered wood products,” says Brian Wells, Director of Marketing for Rosboro.

“Wood is also becoming more common in mixed-use development projects, specifically mass timber construction, which is helping to drive growth in solid section engineered wood products such as glulam beams and columns.”

“Within new residential construction, single-family homes and multi-family are important subcategories,” adds Ross Theilen, North America Engineered Lumber Products (ELP) Sales Director for Weyerhaeuser. “Single family homes have historically constituted a larger percent of sales than multifamily, and we expect that trend to continue and consider both important for our long-term success.”

Millennials in particular are a strong driving force in the residential growth forecast. “In both our internal forecasting and market observations, we see continued recovery in new residential construction,” says Chris Reiten, National Business Development Manager at Boise Cascade. “Millennials are purchasing new homes. We're seeing year-over-year growth in single-family starts and are predicting a 5-7% increase in 2019.”

This rosy forecast is not, however, without its thorns. “While the first quarter was slightly sluggish because of historically high moisture that de-

layed construction projects,” explains Charlie Robinson, Vice President of Marketing for Huber Engineered Woods, “the second quarter has come back with a surge of demand to pick up pace restoring growth to projected levels for the year. The greatest barrier to growth compared to years past and looking forward is labor, in both trucking and construction.”

APA's Elling echoes Robinson's concerns in regards to labor; specifically, the shortage of skilled labor for on-site product installation gives him pause. “Skilled construction labor is scarce,” he says. “The number of openings in the construction industry is at a record high and developed lot supply remains tight, especially in the western states where demand-supply balance is the tightest.” Still, even factoring in on-site labor issues, EWP usage and demand appears to be headed nowhere but up. ▶

OPPOSITE PAGE: According to Weyerhaeuser, its Parallam PSL beams add strength and reliability to structures, make longer spans possible, and allow for more design options with open, spacious floor plans.

BELOW: Rosboro very recently introduced X-Rim glulam, designed for heavy timber rim applications in mass timber structures. It's also available in a pre-sealed version that is intended for regions that experience extended periods of rain during construction and is coated on all four sides and both ends with Liquid Wrap sealer that reduces water penetration and minimizes swelling and shrinkage.



LEFT: LP's SolidStart LSL installs like traditional lumber, but according to the manufacturer it surpasses it in strength and consistency and is ideal for a variety of applications. Long lengths and uniform dimensions reduce jobsite waste and low moisture content reduces shrinkage.

REACHING NEW HEIGHTS

If there's one trend that's poised to spur growth and development of EWP, it's that of building tall with what's referred to as mass timber construction. Traditionally more popular in Europe than it has been here in the U.S., mass timber construction utilizes a primary load-bearing structure that's made of either solid or engineered wood. As well, it uses solid wood panels to frame a building's walls, floors and roofs and is seen as a sustainable and more carbon-friendly alternative to steel and concrete.

"Mass timber construction is becoming increasingly popular in four- and five-story mixed-use development," explains Rosboro's Wells. "Mass timber construction utilizes solid-section engineered wood products such as glulam beams, Cross Laminated Timber (CLT), as well as some solid sawn lumber and timbers. Glulam is often used in beam and column applications while CLT panels form the wall and roof decks. Architects appreciate

the beauty and environmental benefits of wood construction and developers choose wood over steel and concrete designs because wood is easier to work with and provides a significant cost advantage."

Mass timber products include a number of large engineered wood products that typically involve the lamination and compression of multiple layers to create solid panels of wood, including:

- Cross-laminated timber (CLT). Used for floors, walls and roofs, CLT is made up of layers of dimensional lumber stacked perpendicular and glued together to create structural panels that are typically three, five or seven layers thick.
- Nail-laminated timber (NLT). Used primarily for floors and roofs, NLT is made by stacking layers of dimensional lumber on end and fastening them together using nails or screws.
- Laminated Strand Lumber (LSL). Resembling oriented strandboard in appearance, LSL is made from

long strands of fast-growing aspen or poplar where the strands are arranged parallel to the longitudinal axis of the member.

- Parallel Strand Lumber (PSL). Typically used for columns, beams and posts, PSL is formed from parallel wood strands bonded together with adhesive.
- Glue-laminated timber (glulam). Commonly used for floors, beams and columns, glulam is made from stacking dimensional lumber on edge and bonding them together with moisture-resistant adhesives.

"Glulam is fundamental to mass timber," explains Chris Webb, General Manager of EWP sales for Canfor Southern Pine. "It is the core of the structure used as beams and columns. Designers can also design glulam in the plank orientation for floor or roof decking."

THE CHANGING NATURE OF EWP

Engineered wood products have been in existence for thousands of years. Archeologists have found traces of laminated wood in the tombs of the Egyptian pharaohs, and the Chinese were making furniture from glued-together shaved wood more than 1,000 years ago. In modern times, engineered wood in the form of plywood launched onto the public stage with the 1905 World's Fair in Portland, and the EWP industry has consistently evolved as codes and building practices have changed.

Products are becoming more stiff and strong, more fire-resistant, more energy-efficient, and easier to install. "Manufacturers are looking for ways that their panels can do more to help dealers and builders keep up with code changes and labor shortages," explains Jeff Key, Senior Marketing Manager for Georgia Pacific Wood Products. "For example, recently we started combining our structural panels with an air and water barrier, helping reduce the need for skilled labor and also helping meet lower air exchange rates required by code. These panels also greatly reduce the amount of time it takes to properly protect the building enclosure." ➤



ABOVE: According to Boise Cascade, its AJS 24 FMJ Fire Membrane Joist meets ICC-ES acceptance criteria for fire protection of residential floors and is code-approved through ICC-ES ESR 1144. It arrives at the jobsite ready to be installed, is non-corrosive to fasteners, and has no Specific top and bottom orientation to help assure correct framing every time.

RIGHT: Canfor says its Power Column glulam column is seeing increased demand as designers use engineered wood columns instead of stud packs to hold up engineered wood beams. According to the manufacturer, it utilizes all #1 Dense Southern Yellow Pine lumber, and in head-to-head strength comparisons it is competitive with other engineered wood columns.



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EDGE GOLD

Because of the development of the aforementioned mass timber construction, engineered wood products are being manufactured to meet more stringent fire codes. “When wood is exposed to fire,” explains Rosboro’s Wells, “the char layer protects the remaining unburned wood against the heat. Mass is critical to providing the required fire ratings. Glulam and other heavy timber can achieve a fire rating of up to two hours in accordance with Chapter 16 of the National Design Specification for Wood Construction (NDS) and Section 722, Calculated Fire Resistance, of the 2015 International Building Code (IBC). The industry has developed several floor, roof and wall details that give the designer tools to meet the fire code.”

Still, don’t look for radical changes in EWP; the simple fact that it’s been around as long as it has indicates that the future more than likely holds evolutionary changes rather than revolutionary ones. “I personally don’t see EWP changing much, just being utilized more and more,” says LP’s Harmon. “A drive away from dimensional lumber is happening; however, it’s such a huge segment that even small changes are hard to see in the overall dimensional lumber market.”

Weyerhaeuser recently debuted Diamond OSB, a premium floor panel that according to the manufacturer is engineered for strength, nail retention and weather resistance. Tongue and groove edge design ensures hassle-free installation and Weyerhaeuser’s proprietary Down Pore self-draining technology reduces rainwater ponding.



Boise Cascade’s Reiten agrees that it can be difficult to see large-scale changes, but he points out that there are still smaller regional changes that are happening that can impact the national front. “At the macro level, there haven’t been significant changes to model building codes related to engineered wood framing,” he explains. “However, adoption of building code updates takes time. In the Northeast, Midwest, and parts of Colorado, municipalities require fire-resistant I-joist in unfinished residential basements. We are working to expand capacity of the AJS 24 FMJ for this application. Being successful comes down to making the right product for each market.”

PRODUCT CONSISTENCY IS KEY

In today’s world of labor shortages, builders are faced with the challenges for which engineered wood products are ideal. Contractors want to know that the building products they use are both easy and quick to install, are consistent and will not require time-consuming callbacks, and by providing EWP solutions to builders, distributors are helping builders operate as efficiently as possible.

“Builders know that engineered wood products cost a little more on the front end but save them time on installation and greatly reduce expensive callbacks,” says Rosboro’s Wells. “In today’s tight labor markets, this is critical.”

“Engineered wood products provide consistency,” says Tom Kositzky, APA Field Services Director. “The labor

shortage has the potential to affect construction quality, and products that provide consistent, reliable performance help to minimize callbacks and complaints.”

LP’s Kelly Harmon agrees with Kositzky. “Education of the products are the key,” he says. “Most builders want to use a good quality product that performs great and helps eliminate call-backs, which is such an important issue with contractors.”

To be as efficient as possible, builders want one-stop shopping where they can get all of their EWP needs met by one manufacturer or supplier, and distributors who position themselves to provide such solutions are ultimately creating a “win-win” for both themselves and their customers. “The way manufacturers have started to differentiate themselves is by providing value added products such as radiant barriers, moisture resistant sub-floor products, and air and water barrier systems,” says GP Wood Products’ Jeff Key. “We recommend dealing with structural panel producers who offer a wide variety of products to cover every area of the home with high quality, value added products. That way you don’t have a lot of different manufacturers on your yard or on the jobsite. ‘One stop shopping’ makes things easier for the dealer, contractor and homeowner.”

Weyerhaeuser’s Theilen agrees with the “one stop shopping” approach and sees it as a great point for distributors to emphasize to their customers. “Builders value an integrated approach when sourcing their structural frame,” he explains. “All our products work in unison to provide superior framing solutions builders require. Floors, walls, headers, beams, columns, sill plates, rim board, ridge boards—we offer the right product for the right application.”

Like the builders, homeowners also want to know that the products they’ve chosen or that their builder is recommending are the best option for their application. They want to know that the products are a good choice for the environment and that they will deliver long-term performance, and distributors need to be ready to answer those questions. ➤



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WHAT'S NEW IN ENGINEERED PANELS

While the spotlight advancements in EWP segment has been focused on structural elements such as joist and beams along with mass timber construction, engineered panels are providing solutions that are just as innovative at simplifying installation and reducing labor costs; while the materials themselves have not changed that much over the years, how they are put together has certainly evolved.

"Plywood and OSB are still essentially made the same way," says Georgia Pacific's Jeff Key, "but the big difference in the last ten years or so is the advancement in resin technology. OSB panels in particular are more stable, more moisture resistant, stiffer and stronger today than they have been."

For example, Georgia Pacific's integrated panels and ForceField seam tape creates a weather barrier that the company claims is 37% faster to install than house wrap and requires less skilled labor to install. Subsequently, it has also introduced other products that help with the sealing of the building envelope including flexible flashing tape and ForceField corner seal, which is a hinged polypropylene product that helps with weather proofing inside and outside exterior corners.

"Research and development is always in full swing," says Huber Engineered Woods' Charlie Robinson. "Because labor crisis puts even more pressure on crews to get framing jobs done right the first time, we recently launched a few new tools to add speed and ease to jobsite installation." Huber's new long-reach spray foam adhesive gun gives installers the ability to apply adhesive without having to step out onto the joists, while the company's new tape roller for its well-known ZIP System sheathing is specially designed to allow easy rolling in hard-to-reach areas like inside corners or around windows and doors.



A. Introduced in 2016, Georgia Pacific's ForceField Air and Water Barrier System consists of an integrated air and water barrier that according to the manufacturer eliminates the need for housewrap.



B. Huber's new ZIP System tape roller now incorporates a tape marker for rolling accuracy. According to Huber, the roller features a unique marking mechanism that leaves a Z-shaped indent in the tape where pressure has been applied, thus providing a clear indication of where tape has been rolled.



C. Huber claims that its new 28" applicator gun for its AdvanTech non-stick spray-foam subfloor adhesive brings new levels of speed and ease to the jobsite by offering quick adhesive application that can keep subflooring installation moving even easier, year-round.

Canfor's Webb points out that many engineered wood product manufacturers are vertically integrated for the supply of their raw materials and because of that are an environmentally friendly choice. "Most have technology in place that optimizes wood resources efficiency by utilizing every part of the tree," he explains. "This is important to emphasize to consumers that engineered wood products are a good choice for the environment."

WARRANTIES BUILD CONSUMER CONFIDENCE

As builders and consumers become better educated about building materials and how they impact a structure's performance, warranties become more and more important. But a piece of paper stamped with the word "warranty" is no longer sufficient—homeowners want to be assured that products will perform as promised, and builders demand that manufacturers stand behind those products. "Homeowners appreciate the peace of mind that comes with the warranties that most EWP manufacturers provide," adds Rosboro's Wells. "A home is their largest investment and they can be confident in the long-term performance and stability provided by EWP framing."

The "one-stop-shopping" approach can help greatly simplify warranty issues for the builder or contractor, and it can be used as a sales tool for the homeowner. "As a consumer I want to deal with one company when purchasing anything," says LP Building Products' Harmon. "Sometimes when you are dealing with several manufactures of EWP on one project, warranties can be confusing. When you have a manufacturer that produces all the products it gives the contractor and homeowner a sense of security knowing if there ever is an issue, they are dealing with one company."

It boils down to piece of mind. As Weyerhaeuser's Theilen explains, "For builders, product warranties are very important part of the sales process. Builders know they can rely on us to stand behind our products used in their homes. That translates to homeowner piece of mind knowing their

home was built with quality products that will perform year after year."

PRODUCT KNOWLEDGE DRIVES SALES

When it comes to dealer success, a willingness to embrace new technology coupled with a thorough understanding of every products' unique benefits and performance will go a long way towards increasing sales. "We see continued acceleration of technology and its potential impact on lumber dealers," says Boise Cascade's Reiten. "The Amazon model changed the landscape for many retailers. Our industry lags behind, but innovation is beginning to reshape building materials. Owners of lumberyards need to be aware of new software and standards and find business partners that can help them navigate the new landscape. Everyone is busy, but now is the time to 'dip your toes in' and start experimenting."

"It is very important that our dealers understand how our integrated ELP products are designed to work together," adds Weyerhaeuser's Theilen. "Our sales teams work with our dealers to make sure they are best equipped to show how all of our products work together to deliver reliable solutions."

For example, Canfor emphasizes the cost effectiveness, the ease of installation, the overall durability of its multiple glulam product lines, and the unique aspects of its products. For example, according to Canfor, its Power Beam product is designed for use as primary support beams, and its pressure-treated Power Preserved Glulam is ideal for exterior applications such as decks, raised floor construction, boardwalks and pier and beam foundations.

Georgia-Pacific stresses that as a company it has been around for almost

100 years and that it offers a wide variety and consistent supply of products that make homes perform at a higher level through strength, stability, moisture resistance, energy performance and long-term protection. Likewise, LP Building Products emphasizes its product performance and stability, the quality of materials and workmanship, and the overall versatility of its products.

And in the case of Rosboro, appearance and performance are emphasized. "Our X-Beam is the only architectural appearance glulam that is a full 3-1/2" and 5-1/2" wide," explains Rosboro's Wells, "meaning that it fits flush with standard wall framing and can be used in visually exposed applications. X-Beam is manufactured with just enough camber that it lays flat in floor systems once installed, and it provides the beauty of wood and value to the builder." ➤

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So how do distributors succeed in positioning these product benefits? According to the manufacturers, it's through product education for both the sales staff and the counter personnel in regards to product performance, safety, and proper material handling. "Dealers have to take advantage of the information that is available to them," says Georgia Pacific's Jeff Key. "This is no longer about just selling commodity wood products; they have to understand how code changes and trends like advanced framing impact the way homes are built and how manufacturers can help meet those needs through their products and services."

LP Building Products' Harmon agrees. "Value-added selling from the dealers means educating their customers on the value of EWP and its versatility in the home. Dealers will seek manufacturing partners who not only produce in-demand products but

who also have these products readily available with quick delivery turnaround time."

MANUFACTURER SUPPORT DELIVERS DEALER WINS

As in any segment of the building industry, training and education—both for the distributor and for the builder/contractor—are vital to ensuring product success, proper performance, and overall customer satisfaction. In regards to engineered wood products as a whole, APA – The Engineered Wood Association provides recommendations for design and product installation that combine the results of studies conducted at the Association's research laboratory with knowledge gained from decades of field work. The resulting publications, CAD details and reports are available on the Association's website (apawood.org) and are promoted to builders, designers, and code officials.

When it comes to the individual manufacturers, each has its own unique approach. Obviously, methods such as literature, samples, point of purchase displays, and product training are all key components that manufacturers take advantage of to best educate and support distributors. But many go above and beyond these common approaches.

"There isn't really a one-size-fits all solution for our customers," says Georgia Pacific's Key. "We try to customize our support based on the dealer's needs. We've found in-person contact and support has been of benefit to all involved. We do in-person training, trade shows and events, and try to take advantage of face-to-face opportunities to help support the dealers."

In the case of Huber Engineered Woods, it utilizes a variety of approaches to bolster its dealers' education. "Our marketing department includes both demand-generating national ➤



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and regional advertising, as well as over 500 local lumberyard events that provide hands-on product experience to both outside sales reps and builder customers,” says Huber’s Robinson.

“We also offer co-branded and customized customer marketing programs to supply dealers with a wide variety of direct marketing, in-store merchandising, social media and traditional advertising support. In addition to our dealer events, we’ve also launched a mobile classroom designed to provide installation training to multifamily and light commercial job sites.”

Boise Cascade utilizes local experts to train and support customers on the proper use of its products and partners with a nationwide network of distributors to make sure it has the resources to address any problems quickly. “Boise Cascade field engineering offices provide additional support for technical problems and to work with code officials,” explains Boise Cascade’s Chris Reiten. “Our software trainers are always on the road helping new designers, installing software, and teaching new skills. And unlike other industries, we still provide a large amount of printed copies of specifier guides and installation guides to lumberyards and builders. We are slowly making the switch to digital, but are happy to provide whichever format a customer prefers.”

For Weyerhaeuser, it hosts in-person training for its dealers and their builder/contractor customers as well as offering an extensive on-line learning center where it offers hundreds of subject-specific sessions. “Our in-market sales teams aren’t there just to sell what we make, but also to remain connected to help solve the problems our customers face,” explains Weyerhaeuser’s Theilen. “We have a successful history of innovating and we will continue to do that.”

“We have a wide variety of tools available for customers including literature and design software,” says



Boise Cascade’s BC Connect management tool for a lumberyard’s EWP business shares information between design drawings, sales funnel, material list optimization, each location’s point-of-sale system, and automated saw systems. According to Boise Cascade, this makes it easier to manage the flow of materials through the supply chain and avoids the inefficiency of rekeying data and potential errors.

Rosboro’s Wells. “Our market development managers live in their territories and actively work with distributors, dealers, engineers and framers. They provide product knowledge training, consult with engineers and architects regarding specification, and spend time on jobsites ensuring successful installation.”

All of this education and support bring confidence to the contractor, a confidence that becomes apparent to the consumer. And when the consumer feels confident in the product options and solutions offered to them by the contractor, then all parties win—consumers will be rewarded with structures that are exceptionally stable and provide technologically advanced performance, and both contractors and suppliers will benefit from increased sales, increased speed and ease of construction, and fewer callbacks, all of which equates to more money in the pockets of both builder and distributor. ■

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

INTERNET INFORMATION

Companies highlighted participated in this article.

APA-
The Engineered Wood Association:
www.apawood.org

Anthony Forest Products:
www.anthonyforest.com

BlueLinx:
www.bluelinxco.com

Boise Cascade:
www.bc.com

Canfor Corp.:
www.canfor.com

Georgia-Pacific:
www.buildgp.com

Huber Engineered Wood:
www.huberwood.com

LP Building Products:
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MetsaWood:
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Norbord:
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Potlatch:
www.potlatchcorp.com

QB Corporation:
www.qbcorp.com

Rosboro:
www.rosboro.com

Roseburg Forest Products:
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RoyOMartin:
www.royomartin.com

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



Quik Drive PRODW drywall system

Simpson Strong-Tie has introduced a new, lightweight, auto-feed screw driving system for drywall applications. The extension of its Quik Drive line, PRODW drywall system features a lighter-weight tool body said to enhance durability and ergonomics. The system includes a collated-screw feed mechanism designed to provide consistent and efficient screw delivery, a self-locking depth adjustment for accurate drive and depth and a fully rotatable driver adapter for hard-to-get areas. Curved, collated strips are designed to hold screws away from the tool's nose to prevent scratching or marring the surface of materials. Quik Drive auto-feed screw driving systems are designed for one-handed operation. Backed by a lifetime limited warranty.

www.strongtie.com/prodw

Huttig-Grip construction adhesives

Huttig recently introduced two adhesive products—Huttig-Grip Subfloor and Drywall Adhesives—to its new line-up of Huttig-Grip products. The lines have been developed as a consolidation of product categories that Huttig says makes it easier for suppliers to stay competitive and work efficiently. The subfloor adhesive is available in three formulations with varying installation and performance attributes; all three exceed the performance requirements of APA's AFG-01. The drywall adhesive comes in two formulations, including a no-odor, water-based formula. www.huttig.com



Alan McIlvain hardwood mouldings

Alan McIlvain Company has been producing and distributing hardwood lumber, S4S, and custom mouldings for 220 years. Recently added to the company's product offerings are in-house manufactured and primed mouldings. Starting with high quality mouldings, the company's new Cefla priming line is said to provide primed and buffed mouldings for every project, including latex-based primed millwork. www.alanmcilvain.com



Qora Cladding

Qora Cladding is designed to look and feel like traditional brick, stone, and cedar shakes. Qora Cladding panels are said to be lightweight and easy to install using common carpentry tools, thus eliminating the need for specialized masonry labor, and significantly reducing the overall installation time compared to traditional brick, stone, and cedar shingles. Qora Cladding panels are made to be durable, insulative, sound-deadening, and fire-resistant. www.qoracladding.com



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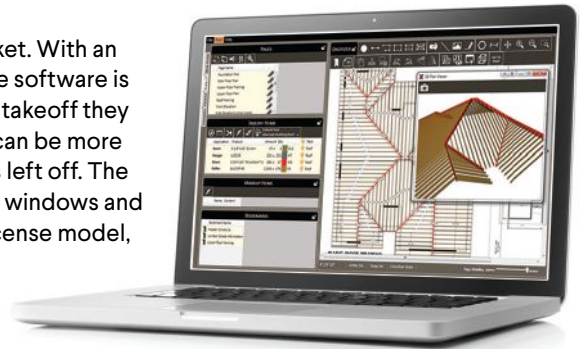
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PRODUCT PICKS

PrebuiltML X construction takeoff software

PrebuiltML X offers a takeoff solution for the structural frame LBM market. With an extensive database, jobsite ready output, and floor and roof layouts, the software is designed to provide the tools that dealers and builders need to get the takeoff they want. With the new Quick Check system, the company says that users can be more confident that material quantities are accurate and that no material was left off. The system is said to be easy to use with point-and-click interface, multiple windows and an intuitive interface. The product is available through a subscription license model, with latest features and support available. www.prebuiltml.com



Boral TruExterior Beaded Bevel siding

The Beaded Bevel siding profile from Boral is designed to combine authentic wood looks with the performance, moisture-resistance, and durability of Boral's proprietary poly-ash material. The new Beaded Bevel adds a bead to the bottom of the company's 6", 8", and 10" Bevel profiles. The milled bead mimics a wood style, and is said to be historically accurate. Beaded Bevel is made with Boral's proprietary blend of polymers and fly ash. The formulation is engineered to provide a high level of dimensional stability for reduced expansion and contraction, and durability for resistance to warping, cracking, and splitting. The siding can be used in ground-contact applications. Boral TruExterior Siding carries a 20-year limited warranty. www.boraltruexterior.com



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www.durationmillwork.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



MAX SuperSider siding nailer

The MAX CN565S3 SuperSider is a professional grade pneumatic siding nailer that can be used for siding, fencing, exterior trim, furring, and strapping jobs. The nailer features a slim, removable contact foot which is designed to dramatically reduce driver marks and reduce wire from flying out while shooting. The nailer has a magazine designed for easy loading, with a fold out nail support. Featuring a patented anti-double fire mechanism, the tool can be contact or single fired with no adjustments. A patented maintenance free end cap filter captures dirt and sand down to 11 microns. Features a trigger lock out for safety, a belt hook, tool case and easy twist-adjustable exhaust deflector. www.maxusacorp.com



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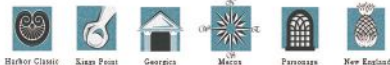
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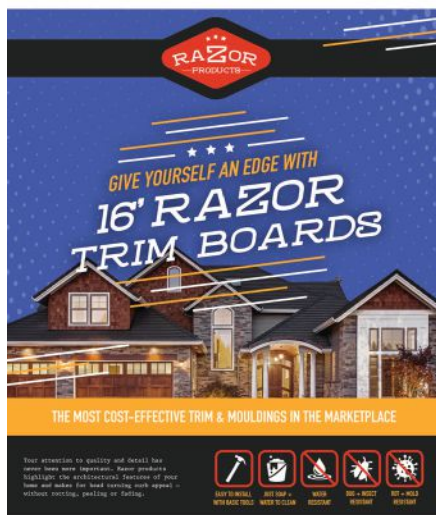


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PRODUCT PICKS

Vertical railing from Key-Link Fencing & Railing

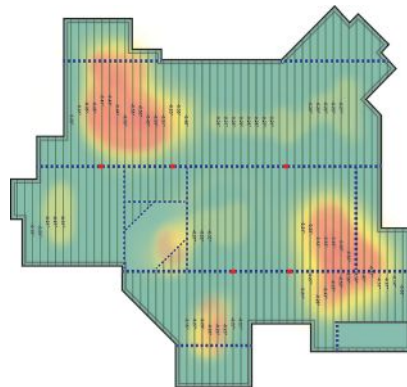
Vertical cable from Key-Link Fencing & Railing comes pre-installed from Key-Link's facility. Contractors simply have to separate the bottom and top railings, insert the stainless steel spacer bars for support, and then install the section. Key-Link's stainless steel support bars are designed to be less obtrusive than other systems and blend in with vertical cable. The flat-top American Series railing is powder-coated to AAMA 2604 standards, and the cable is 316 marine grade stainless steel.
www.keylinkonline.com



BC FloorValue software from Boise Cascade

Part of Boise Cascade's BC Framer design software, BC FloorValue is an easy-to-use tool that checks a floor plan for problems, suggests options to correct detected issues, and provides a cost comparison for required upgrades. Designers can evaluate different products for on-center spacing and sheathing thickness options to achieve the optimum price/value relationship.

The tool can also be used to evaluate less expensive framing without negatively impacting the floor. In addition, floors throughout the home can be designed with optimal characteristics for each space. BC FloorValue utilizes a visual "Heat Map" (shown) to indicate areas of floor system deflection. www.bc.com



Hardy Frame prefabricated narrow shear wall panel

The new narrow shear wall panel from Hardy Frame, a MiTek company, is designed to allow users to pick up 3' of space on each garage side and add more living space. The 9" panels are said to enable a faster and easier garage build. With the panel's C-shaped cavity, it is designed to be easy to inspect, easy to install and eliminate callbacks. The panel was developed to enable narrower walls, and to maximize the square footage in a smaller space. For example, a home can be built on a smaller lot and gain 80 square feet.
www.hardyframe.com



Epicor BisTrack Warehouse Management for iOS

Epicor's BisTrack Warehouse Management, now available for Apple iOS devices, consists of the BisTrack Count, BisTrack Picking, and BisTrack Receipt applications. The app features a responsive design which supports devices of any size. BisTrack Count offers instant inventory adjustments as well as quick and accurate inventory counts. BisTrack Picking is designed to allow warehouse staff to pick more accurately using barcoding with fewer missed items, quantity errors, or wrong products. BisTrack Receipt gives users the ability to expedite the receiving process and is said to reduce mistakes, supporting precise and up-to-date inventory data. BisTrack Warehouse Management is also available for Android devices.

www.epicor.com



HOLDSaBIT from Screw Products

Screw Products, Inc. has been providing professional quality fasteners, backed by great customer service since 1999. The company's extensive product line also includes the HOLDSaBIT, a product that allows drill users a simple way to hold multiple insert bit drivers, drill bits, screws, pencils and more on a drill. The HOLDSaBIT attaches, in seconds, to a cordless drill or impact. The product holds up to 16 1" bit drivers as well as thousands of combinations of bits. The HOLDSaBIT can slip onto a drill, or can be used on its own to hold bits in a tool pouch, tool box, suspenders or belt. HOLDSaBIT is made of a proprietary blend to provide strength and holding power. The product is UV rated for outdoor use, and is designed to fit all full-sized cordless drills. www.screw-products.com



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PRODUCT PICKS

SPAX T-STAR Plus Exterior/Deck Screw

The new SPAX T-STAR plus Exterior/Deck Screw is designed to be a versatile, high-performance construction screw for exterior wood applications. The screw features the new SPAX proprietary HCR-X coating system, which is tested and code-recognized for use in treated lumber and Condition 4 (coastal) construction environments. SPAX states that it is the next best thing to 304 Stainless Steel at half the cost. The SPAX patented thread technology and T-STAR plus drive are designed to provide faster, easier driving with no pre-drilling required. Available nationwide at leading home improvement centers and coming soon to wholesale LBM dealers. www.spax.us



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Elections matter. Encourage your employees to vote

BY BEN GANN

MIDTERM ELECTIONS always have lower turnout than in presidential years. Not since 1998 has a midterm election had voter turnout above 50% of all eligible voters. By comparison, presidential year elections typically have voter turnout around 65% of all eligible voters.

That means that despite the importance of Congress, it is likely that less than half the people who can vote will vote. As politics becomes increasingly partisan at the federal level, it is easy to become disenchanted and decide not to vote.

However, it is far from clear whether Republicans or Democrats will control the House of Representatives and Senate in 2019. At present, in the House of Representatives there are 237 Republicans, 193 Democrats, and 5 vacancies. And in the Senate, there are 51 Republicans, 47 Democrats, and two Independents that caucus with Democrats.

Democrats have to gain a net of 23 seats to take the majority in the House. Of the 104 seats rated as competitive by The Cook Political Report, Republicans are defending 90 of those seats.

On the Senate side, Democrats must gain a net of two seats to take the Majority. Senate Republicans have a much more favorable electoral map than in the House. Of the 35 Senate seats up this fall, Democrats are defending 26 seats while Republicans are defending only nine seats. Making the math even more daunting for Democrats, of the 26 Democrats up for reelection, President Donald Trump won 10 of their states—and five by double digits.

Historically, House members of the President's political party lose seats in midterm elections. Presidents with job approval numbers below 50% lose an average of 40 House seats in the midterm elections. That is bad news for Republicans as President Trump's job approval numbers have been stuck in the low 40% range.

The best historical comparison to the 2018 elections may be from 1982. That year, President Ronald Reagan had a 43% approval rating—similar to President Trump's current approval rating—and Republicans lost a net of 26 House seats. That suggests that both the House and Senate will have narrow majorities next year regardless of which party is in power.

Both Republicans and Democrats have reason for optimism heading into November. President Trump's mediocre approval numbers, combined with the awful job approval numbers for Congress, have Democrats hoping they can at least take back the House. Republicans for their part are

touting the strong economy under President Trump and tax cuts passed in December.

There is an interesting dynamic at work in this election. Clearly, there is enough statistical evidence to suggest Democrats could do well in November. However, Republicans are defending very few Senate seats and many House seats are an uphill climb for Democrats. Republicans are hopeful that their structural advantages will overcome the environmental advantages enjoyed by Democrats.

Given just how close the midterm elections are likely to be this fall, lumber dealers should not only vote, but also encourage their employees to vote as well. The future on issues such as tax policy, reduction of regulatory burdens, and health insurance affordability will be determined, at least in part, by the midterm elections.

A study conducted by the Business-Industry Political Action Committee following the 2016 election suggests that employers are seen as the most credible information source for employees on political issues. The study found that 83% of employees saw the information received from employers as helpful in deciding how to vote.

Dealers are allowed to discuss the midterm elections with their employees as long as they do not endorse candidates or tell them to vote for a specific candidate or party. Information that employers can provide employees include deadlines for voter registration, when is Election Day (Tuesday, Nov. 6), and where individuals can find their polling location. For employees, such as sales personnel, who may not be in the office on Election Day, employers can also provide information on how to request an absentee ballot and submit it in time.

NLBMDA has resources at its Legislative Action Center to help dealers talk with their employees. Dealers and their employees can look up their polling location so they know where to vote on Election Day. There is also a flyer you can download, print, and post in your break room reminding employees about Election Day.

Encouraging employees to vote helps create a culture of civic responsibility. While your lumberyard should still run smoothly, employees appreciate being given the time to vote. While we do not know exactly what Congress will look like next year, your actions can set the right tone for political engagement and can help elect candidates that support issues of importance to the lumber and building materials industry. ■

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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*Denotes regional distribution. IBC=inside back cover, IFC=inside front cover, OBC=outside back cover, BB=belly band, INS=insert, PB=polybagged, WP=white paper
Note: last-minute changes will affect the accuracy of this listing.

THE WOODEN CEILING

A longtime builder customer switched suppliers when the daughter took over the family lumberyard.

Speaking from experience, you know that there are worse things than growing up in the lumber business. Your grandpa and your dad were proud of the work they did, and of the company they built. “If owning a home is the American dream,” they said, “then we’re the ones who make dreams come true.” As a little kid, you could imagine no higher calling than that. The years went on, and you worked part-time at the yard during summers all the way through high-school. After earning a degree in business, you chose to follow your father’s footsteps, and went back to build your career at the family lumberyard.

Your dad couldn’t have been happier that his daughter chose to join the family business, but he cautioned you that as a young woman, you’d likely have to work that much harder to earn respect from some of the male customers and colleagues. He was right. Fortunately, once the doubters learned how well you understand the business, their attitudes changed, and life was good.

Fast-forward 20 years. Your grandpa and dad are retired, and you’re nearing the end of your first year running the family lumberyard. Though women still make up only an estimated 5% of the LBM industry, the fact that you’re a woman running a successful lumberyard has made you determined to give other young women the opportunity to break through the “wooden ceiling” and build careers in the LBM industry. You know success is not about gender; it’s about attitude and ability. Most people agree. Then there’s Bobby.

Bobby owns Good Old Days Homes, which builds traditional-styled entry level homes. As one of the only builders in your market who focuses on starter homes, Bobby’s business is solid and growing. You remember him from your summers working the yard during school. “What’s a pretty girl like you doing in a lumberyard?” he’d ask each

time he saw you. Comments like that were common, and you didn’t give it much thought.

Good Old Days Homes bought the bulk of their materials from your company, until the day you took the reins. Since then, the only orders you get are once a week or so, when a delivery from his primary supplier comes up short, and his crew is sitting at the jobsite with nothing to do.

After nearly a year of serving as Bobby’s emergency backup to a supplier who is clearly not capable of meeting his needs, you finally get him to agree to a sit-down meeting. You show him the large number of emergency fill-in deliveries you’ve made over the last year, compared to the on-time and in-full delivery service he always experienced with you, then ask for a shot as his primary supplier. “I like things the way they used to be. A lumberyard is a man’s world. I’m just not comfortable buying building materials from your dad’s little girl.”

Though you’re disappointed in his answer, you’re not surprised. Frankly, you’re tired of being available only for emergencies created by his new supplier, when you’ve proven that your team—under a woman’s leadership—can do the job. What would you do the next time Bobby has an emergency?



Cast your vote online at www.LBMJournal.com

- 1 SORRY, BUSY.** Tell him your crew is busy delivering on-time and in-full to your regular customers. Encourage him to call his primary supplier for help.
- 2 STAY THE COURSE.** At some point, Bobby will probably realize that his current supplier can’t meet his needs, and he’ll give you and your team a shot as his primary supplier.
- 3 MAKE HIM PAY.** Add a sizable emergency surcharge to his fill-in deliveries that makes his small orders worth your while until he decides to give you and your team a chance.
- 4 JUST SAY NO.** Ask why you’re capable enough to handle his emergencies, but not good enough to serve as his main supplier.

SOMETHING ELSE? If you’d take a different plan of attack, email your suggested solution to Rick@LBMJournal.com. If we publish your reply, we’ll send you a LBM JOURNAL mug.

See how your judgment compares with others in the industry at LBMJournal.com. Results will appear in The Buzz section of the November/December 2018 issue.

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