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LARGE AND LOCAL

CULTURE-FIRST PHILOSOPHY GROWS
KODIAK BUILDING PARTNERS

IN DEPTH:
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DEMAND FOR LOW MAINTENANCE,
EASY INSTALLATION DRIVES TRENDS

REAL ISSUES. REAL ANSWERS.
HIRE OR HOLD OFF?

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+ BENEFITS

HOW MUCH SALESPEOPLE EARN,
HOW THEIR PAY IS STRUCTURED,
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Big companies, large in both finance and footprint, are known to be layered and top heavy without a lot of control at a local level. With 80 locations in 11 different states, Kodiak Building Partners is proving to be exactly the opposite of that business model. Founded in 2011, Kodiak closed out 2017 with under \$750 million in sales, and after five acquisitions in 2018, has grown to a \$1.1 billion company. Yet you wouldn't know it by going to one of Kodiak's locations.

BY JAMES ANDERSON

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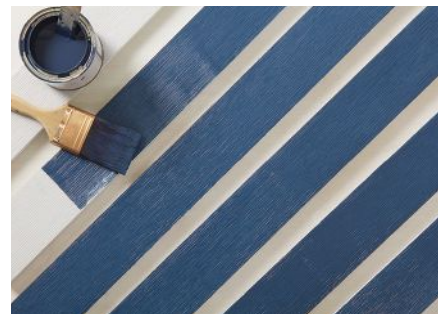
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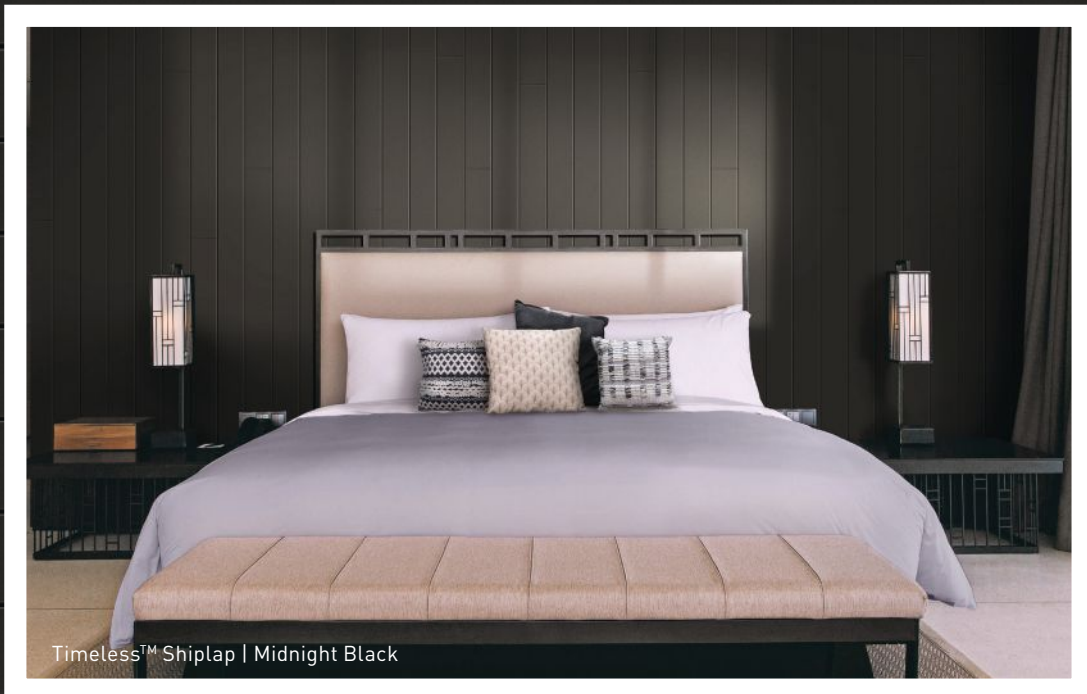
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Attack of the Low-Cost Competitor

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EDITOR'S NOTE

Beyond the money

EACH MONTH, when we read over the business challenges that readers share as part of our “Real Issues” surveys, there’s one issue that consistently stands out above all others. The challenge of finding, hiring and retaining good people. There’s no shortage of reasons why that’s the case, but there are seven pages in this issue that tell a story that might surprise some young pros choosing a career path: the lumber/building material industry can be very lucrative.

The pages I refer to share many of the topline details from the just-completed LBM Sales Compensation + Benefits Survey. Sometimes numbers speak for themselves—and there are plenty of numbers and charts in those seven pages. But we asked our contributing sales editor Rick Davis to read over a draft of the report and let us know his thoughts. His take on the results was so compelling, and so rich with context, that we decided to use that as the introduction to this feature, which begins on page 44.

As the survey results show, the LBM industry clearly offers an opportunity to earn a healthy living. What the survey results don’t show, but that you and I know to be true, is that the LBM industry offers an opportunity to build a lifelong, enriching career. While the opportunity to earn a six-figure income is attractive, and the percentage of salespeople who do just that will likely surprise many and hopefully intrigue some future leaders to explore the LBM industry, there’s more to our story. *Much* more.

Case in point: Kodiak Building Partners. In the excellent profile by senior editor James Anderson beginning on page 40, we learn about a company that’s less than a decade old which generates more than \$1.1 billion in revenues. While CEO Steve Swinney and his team clearly know a lot about acquiring and growing companies, read what Swinney has to say about his company’s culture. “We want to serve our employees, support them, be a blessing to them, and create an environment where they can then do those same things for their customers and vendor partners. When we engage our employees that way, good things have happened. Why would we ever change that?”

Kodiak is like so many other companies whose stories we’ve been fortunate to share in our pages. They understand that creating and nurturing a positive company culture is not only a key to happy employees and satisfied customers, it’s also the key to attracting good people who are looking for the right kind of company to invest their career with. As Parker Palmer writes in his book, *On the Brink of Everything*: “We all want our work to make a difference. But if we take on the big jobs and our only measure of success is the next quarter’s bottom line, we’ll end up disappointed, dropping out, and in despair.”

My point, and the point of the dealer stories we share in each issue, is that our industry has a tremendously powerful story to share. Our companies do important work providing a fundamental human need. Our people have the opportunity to build a career doing honest work, helping others, and earning a good living while they’re at it. Our job, yours and mine, is to make sure our story is not the tree that falls in the forest with no one around to hear it. It’s our job to share our story and make some noise. ■

Rick Schumacher

Rick@LBMJournal.com



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TIPS BY PLM

PUTTING THE RIGHT PEOPLE BEHIND THE WHEEL WITH MVR MONITORING

Despite continuous advances in automotive safety, auto accidents are a major concern for businesses. Not only do accidents put drivers and passengers at risk, but commercial auto claims are expensive for businesses to handle. According to SambaSafety, auto crashes cost \$57.6 billion in workplace productivity costs. Plus, due to a range of trends, commercial auto premiums are rising.

Taken together, this means businesses across industries are seeking to control their associated liability and costs—and the lumber and building material industry is certainly no exception. From crowded parking lots to loaded-down trucks, LBM dealers face a number of driving-related exposures.

Fortunately, there are an equally broad range of tools available to help encourage safe driving among employees and reduce accidents in company-operated vehicles. From backup cameras to GPS tracking to collision mitigation systems, technology is stepping up to help make cars and trucks safer to operate. These tools are important enhancements to fleet safety programs.

But 90 percent of crashes are caused by driver error—which means the person behind the wheel is still one of the most influential variables in accident prevention and safe driving. In the past, businesses have sought to control this variable by pulling a static, one-time motor vehicle record (MVR) for each, new employee-driver. Reviewing an MVR once or twice a year provides only a snapshot of driver behavior and gives managers little visibility into an employee's day-to-day driving behavior.

Enter continuous MVR monitoring. Newer software tools allow managers to monitor driver behavior in real time, which has the benefit of letting them understand each employee as a driver.

Under the typical MVR review system, a manager may review an employee's MVR and that employee may get pulled over for speeding the next day. The manager won't know until next year when he or she pulls the MVR. By implementing continuous monitoring, managers can review employee-drivers' MVRs every day.

This approach to MVR monitoring also has the benefit of encouraging safer driving. Continuous monitoring not only creates a sense of accountability, but it allows managers to intervene before a minor problem—one speeding ticket—escalates to one that affects the business—or multiple tickets leading to a lost license. In this way, it supports other fleet safety and driving policies and procedures at organizations by allowing managers to address violations of policy as they happen.

Continuous monitoring also may help reduce a business's exposure to costly lawsuits. Under the legal principle of negligent entrustment, a business can be held liable for trusting an allegedly unqualified driver behind the wheel. For example, say a company runs a yearly MVR review for a driver. The following weekend, that driver is cited for driving under the influence and his license is revoked. He fails to tell his employer, for whom he continues driving a truck. What happens if he gets in an accident and injures a third party while behind the wheel? The injured party can bring a suit against the company, claiming they were negligent in allowing this employee to continue operating a truck when he was unlicensed. Without continuous monitoring or an admission from the employee, a business will not know about serious violations until six months or a year later when they review the driver's MVR again.

At Pennsylvania Lumbermens Mutual Insurance Company, we have chosen to partner with the leading driver risk management provider SambaSafety to assist our insureds in improving driver safety. Their software includes a Driver Dashboard that provides an at-a-glance peek at driver performance with their proprietary Driver Score. For more information on our partnership and on SambaSafety's indispensable tools, visit <http://www.plmins.com/loss-control/samba-safety/>.

For more information, ask your insurance agent or broker about PLM, find a PLM representative at www.plmins.com or call 1-800-752-1895. More details on loss control are also available on our website at www.plmins.com/loss-control.



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UPDATES

PEOPLE

Do it Best Corp. has named **Jason Stofleth** as its newest divisional merchandise manager. **Laura Williams** is merchandise manager in hand tools, and **Nicole Kepler** is associate merchandise manager of tools.



STOFLETH



WILLIAMS

BMC Stock Holdings, Inc., has appointed **Timothy Johnson** as executive vice president and general counsel, **Joyce Vonada** as chief information officer, and **Gary Gross** as vice president of pro-remodeling.



KEPLER

LP has named **Alan Haughie** executive vice president and chief financial officer.



HAUGHIE

Masonite has named **Dan Shirk** as chief information officer.

Jay Dickens has been named president at **The Lester Group**.



DICKENS

The AZEK Company has announced the appointments of **Ralph Nicoletti** and **Robert Perna** to the executive leadership team.



CHURCHWELL

Chuck Churchwell has retired from **McCoy's Building Supply** after 48 years.

Benjamin Obdyke, Inc. has hired **Joe Holcombe** as national sales manager.



HOLCOMBE

MAX USA Corp. has promoted **James Sullivan** to senior midwest sales executive.

Roseburg Forest Products has named **Jake Elston** senior vice president of operations.

LeNoble Lumber Co., Inc. has introduced **Arsenio Alvarez** as the newest member of its sales and customer relationship team.

INDUSTRY

Manufacturers Reserve Supply has completed the construction of a new 73,000 square foot warehouse at its Irvington, N.J. headquarters location.

Simpson Strong-Tie has increased the number of scholarships in its Student Scholarship Program for the 2019–2020 academic year to 100.

EXISTING HOME SALES DECLINE IN DECEMBER

Total existing-home sales, released by the National Association of Realtors, decreased 6.4% to a seasonally adjusted rate of 4.99 million in December, after two consecutive months of increases. Compared with a year ago, sales decreased 10.3% in December, the lowest level since November 2015. Total existing home sales include single-family homes, townhomes, condominiums and co-ops.

Meanwhile, the first-time buyer share slightly declined to 32% from 33% last month but remained unchanged from a year ago. The December inventory decreased to 1.55 million units from 1.74 million units in November, but was up from 1.46 million units compared to a year ago. At the current sales rate, the December unsold inventory represents a 3.7-month supply, down from a 3.9-month supply last month and up from a 3.2-month supply a year ago.

OSB DRIVES BUILDING MATERIALS PRICES LOWER IN DECEMBER

Overall, the price of materials inputs to residential construction declined 1.8% in December (Not Seasonally Adjusted) according to the latest Producer Price Index released by the Bureau of Labor Statistics (BLS). While most building materials prices showed little movement in December, prices paid for OSB fell by double digits for the second consecutive month. OSB prices declined 12.0% (NSA) in December after falling 13.7% in November. Prices paid for OSB decreased 22.4% in 2018 and have fallen 36.7% since hitting their most recent peak.

Although softwood lumber prices rose by 1.0% (NSA), the increase followed five consecutive monthly declines totaling 23.6%. The path of prices since June 2018 has been similar to that of OSB, according to BLS.



REMODELERS' CONFIDENCE HOLDS STEADY

The National Association of Home Builders' (NAHB) Remodeling Market Index (RMI) posted a reading of 57 in the fourth quarter of 2018, only one point lower than 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 current remodeling activity and future indicators.

"The overall remodeling market remains strong, but there are signs of concern related to rising labor and input costs," said NAHB remodelers chair Joanne Theunissen, CGP, CGR. "Remodelers are battling sticker shock with many home owners who expect lower bids."

Current market conditions fell one point from the previous quarter to 57. Among its three major components, major additions and alterations remained steady at 56, minor additions and alterations decreased one point to 56 and the home maintenance and repair component fell one point to 59.

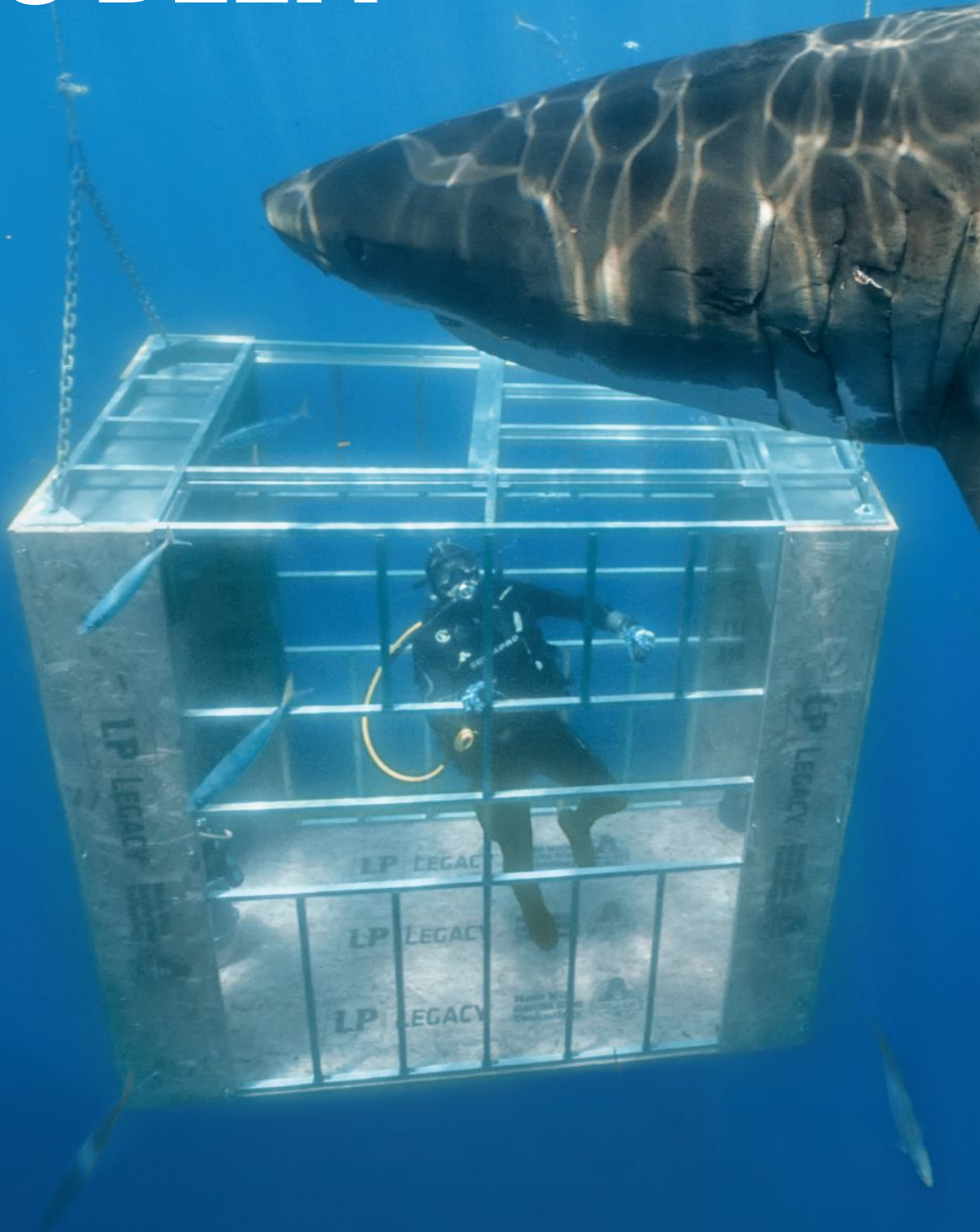
The future market indicators dropped three points from the previous quarter to 56. Calls for bids remained still at 57, the amount of work committed for the next three months decreased seven points to 52, the backlog of remodeling jobs fell three points to 59 and appointments for proposals decreased four points to 55.

"Many of the fundamentals for the remodeling market, including demographics and economic and employment growth, remain favorable," said NAHB chief economist Robert Dietz. "However, remodelers continue to face challenges in keeping their prices competitive while dealing with the increasing costs of labor and building materials."



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UPDATES

INDUSTRY

The AZEK Company, parent corporation to **AZEK Building Products**, **Versatex**, **Scranton Products**, and **Vycom**, has moved the location of its new headquarters and training center to Chicago's Fulton Market neighborhood.

Guardian Building Products, Inc. has changed its name and corporate identity to **Cameron Ashley Building Products, Inc.**

Safe-Way Garage Doors has rebranded its logo to celebrate its 60th year in business.

Trex Company, Inc., has released its 2018 Sustainability Report. The report includes a review of the company's strategy and performance on environmental, social and governance programs and initiatives.

BlueLinx Corporation has a new corporate office in Marietta, Ga.

Linden Cypress has joined **Southern Cypress Manufacturers Association**.

MERGERS & ACQUISITIONS

Homewood Holdings LLC, a portfolio company of the investment firm, **Building Industry Partners LLC**, has acquired the assets of **Eagle Creek Siding, LLC**, and **Mud Bay Manufacturing, LLC**, from their longtime owners, Jon Hunter and Scott Kramer.

Roseburg Forest Products will acquire **PotlatchDeltic Corp.**'s medium density fiberboard (MDF) plant located in El Dorado, Ark.

Cameron Ashley Building Products, Inc., a portfolio company of Los Angeles-based private investment firm **Pacific Avenue Capital Partners, LLC**, has acquired the assets of **Warrior Building Products**, a St. Louis-based distributor of roofing, fasteners, siding, insulation and decking.

Ipe Woods USA has acquired the **Buy Ipe Direct** website.

BMC Stock Holdings, Inc. has acquired **Barefoot & Company**, a provider of windows, exterior doors, hardware, specialty products and installation services.

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HARVARD STUDY: EXPECTED GAINS IN REMODELING SPENDING TO SLIDE LOWER IN 2019

Annual growth in the national market for home improvement and repair is expected to slow considerably by the end of the year, according to the Leading Indicator of Remodeling Activity (LIRA) released by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University. The LIRA projects that gains in renovation and repair spending to owner-occupied homes in the U.S. will shrink from 7.5% in 2018 to 5.1% in 2019.

"Slowing house price appreciation, flat home sales activity, and rising mortgage interest rates are deflating owners' interest in making major investments in home improvements this year," says Chris Herbert, managing director of the Joint Center for Housing Studies. "Continued slowdowns in homebuilding, sales of building materials, and remodeling permits all point to a more challenging environment for home remodeling in 2019."

"Despite the growing headwinds, improvement and repair spending is still set to expand this year to over \$350 billion," says Abbe Will, associate project director in the Remodeling Futures Program at the Joint Center. "But after several years of stronger-than-average increases, the pace of growth in remodeling activity is expected to fall back to the market's historical average annual gain of 5.2%."

LOWER INTEREST RATES STABILIZE BUILDER CONFIDENCE

Buoyed by falling mortgage rates, builder confidence in the market for newly-built single-family homes rose two points to 58 in January on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI).

"The gradual decline in mortgage rates in recent weeks helped to sustain builder sentiment," said NAHB Chairman Randy Noel. "Low unemployment, solid job growth and favorable demographics should support housing demand in the coming months."

"Builders need to continue to manage rising construction costs to keep home prices affordable, particularly for young buyers at the entry-level of the market," said NAHB chief economist Robert Dietz. "Lower interest rates that peaked around 5% in mid-November and have since fallen to just below 4.5% will help the housing market continue to grow at a modest clip as we enter the new year."

Due to the partial government shutdown, there will be no government figures released tomorrow on housing starts and permits. NAHB estimates that the December government data would show that single-family starts ended the year totaling 876,000 units, which would mark a 3% gain over the 2017 total of 848,900. However, the slowdown in sales during the fourth quarter of 2018 has left new home inventories elevated in some markets.

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

All the HMI indices posted gains in January. The index measuring current sales conditions rose two points to 63, the component gauging expectations in the next six months increased three points to 64 and the metric charting buyer traffic edged up one point to 44.

Looking at the three-month moving averages for regional HMI scores, the Northeast dropped five points to 45; the Midwest and South both fell three points to 52 and 62, respectively; and the West registered a one-point drop to 67.

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UPDATES

BUYING GROUPS & CO-OPS

LBM Advantage has announced its 2018 Building Products Vendors of the Year who will be recognized at Advantage's Annual Convention in Orlando, Fla. this month. Vendors in four main building products categories are evaluated on a variety of criteria, including sales growth, gross margin improvement, customer support, and product quality. The winners for 2018 are:

Commodities: **Guardian Building Products** (New name: **Cameron Ashley Building Products** beginning February 1, 2019)

Specialties: **Orgill**

Millwork: **Wolf Home Products**

Kitchen & Bath: **Masterbrand Cabinets**

DISTRIBUTION

Fairway Building Products, LLC has reached an agreement to sell its Mid-Atlantic based distribution unit to Seven D Wholesale.

Mid-State Lumber has added **Shoreline Railing Systems** to its railing product lineup.

Capital Lumber Company's Denver and Salt Lake City branches have entered into an agreement to distribute **LP SmartSide** siding and trim as well as its SolidStart engineered wood products.

Cameron Ashley Building Products, formerly Guardian Building Products, has opened its newest distribution center in the Brooklyn Heights neighborhood of Cleveland, Ohio.

CONSTRUCTION EMPLOYMENT ROSE TO CLOSE OUT 2018

According to an Associated Builders and Contractors analysis of data released by the U.S. Bureau of Labor Statistics, construction employment expanded by 38,000 net new jobs in December. Across the industry, employment is up by 280,000 year-over-year, an increase of 4%.

Nonresidential employment grew by 35,800 net new positions over the previous month, which means the vast majority of construction job growth emerged from nonresidential construction categories.

Construction industry unemployment rose to 5.1% due to a meaningful increase in labor force participation, yet remains 0.8% lower than at the same time one year ago.

And while unemployment rose to 3.9% nationally, wage growth continues to accelerate.

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EVENTS

FEB 21-24 True Value Spring Reunion
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FEB 21-23 Orgill Spring Dealer Market
Orlando FL • www.orgill.com

FEB 26 Iowa Lumber Convention
Des Moines, IA • www.nlassn.org

FEB 27 Independent Dealers Education
Association Services (IDEAS) Show 2019
King of Prussia, PA • www.ideasshow.org

FEB 28-MAR 1 Midwest Building Suppliers
Association (MBSA) Annual Meeting &
Member Summit, Detroit, MI
www.theMBSA.org

MAR 5 Nebraska Lumber Dealers
Convention, Omaha, NE • www.nlassn.org

MAR 21-23 LMC Annual Meeting
San Diego, CA • www.LMC.net

APR 1-3 NLBMDA Spring Meeting &
Legislative Conference, Washington, DC
www.dealer.org

APR 17-19 Lumbermen's Association of
Texas (LAT) Golf Tournament, Convention
& Buying Show, San Antonio, TX
www.lat.org

MAY 17-20 Do it Best Spring Market
Indianapolis, IN • www.doitbestcorp.com

JUL 25-28 Building Material Suppliers
Association (BMSA) Summer Management
Conference, Myrtle Beach, SC
www.mybmsa.org

AUG 21-23 Florida Building Material
Association (FBMA) Annual Convention
and Gulf Atlantic Building Products Expo
Orlando, FL • www.fbma.org

AUG 22-24 Orgill Fall Market, Chicago, IL
www.orgill.com

SEP 11-13 Construction Suppliers
Association (CSA) Annual Conference &
Expo, New Orleans, LA • www.gocsa.com

SEP 18-20 LBM Strategies Conference
Austin, TX • www.LBMStrategies.com

OCT 3-6 True Value Fall Reunion
Chicago IL • www.truevalue.com

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

SINGLE-FAMILY STARTS WEAK, ESPECIALLY IN THE WEST

The pace of single-family starts declined for the third consecutive month as housing affordability concerns continue to weigh on the home construction market. Total starts posted a 3.2% increase due to gains for multifamily development. Total single-family and apartment construction starts are up 5.1% on a year-to-date basis, according to the joint data release from the Census Bureau and HUD.

The November rate of single-family starts decreased 4.6% to a seasonally adjusted annual rate of 824,000. The steady decline for the pace of single-family construction mirrors recent weakness for the NAHB/Wells Fargo Housing Market Index (HMI), now registering a score of 56. Builders are concerned about housing affordability conditions due to the rise in mortgage rates and increasing construction and regulatory costs. However, rate declines over recent weeks should provide some support for the market in the coming months. Nonetheless, a 10-year low for housing affordability conditions may put a stop to the two-year trend for rising homeownership, especially for Millennials.

Despite the weak second half of the year, on a year-to-date basis, single-family starts are 3.9% higher relative to the first 11 months of 2017. Single-family permits, a useful indicator of future construction activity, were flat in November and have registered a 5.2% gain thus far in 2018 compared to last year.

TOUGH CALL ANSWERS

ANSWERS TO OUR NOVEMBER/DECEMBER TOUGH CALL:

THE CASE OF THE NON-EFFECTIVE EMPLOYEE

A long-time employee's performance declines as the years go on. What would you do? Here's how readers would handle this Tough Call survey.



YOUR VOTES ONLINE AT LBMJOURNAL.COM

- 5%** **STICK WITH JOE.** Even if Joe hasn't turned out to be the superstar he first appeared to be, he's loyal, he comes to work every day, and he knows your company. Keep working with him.
- 9%** **SAY "BYE JOE."** As the company GM, your job is to do what's best for the company. It's clear that Joe isn't helping your company grow. You owe it to the owners and to Joe's coworkers to cut him loose.
- 20%** **ULTIMATUM.** You've tried everything else, it's time to tell Joe that considering his declining performance, he needs to help you justify keeping him onboard, otherwise you'll have to let him go.
- 66%** **DIG DEEP.** Something happened to knock Joe off track. As the company leader, it's your job to do everything in your power to find out what, then to help find a solution. He'll appreciate it, and you'll be glad you did.

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NLBMDA APPLAUDS ADOPTION OF TALL WOOD BUILDING CODES

The National Lumber and Building Material Dealers Association (NLBMDA) applauds the announcement from the International Code Council (ICC) that all 14 tall wood building code change proposals passed through the Online Governmental Consensus Vote (OGCV). This means that the mass timber code changes will be incorporated into the ICC's 2021 edition of the International Building Code (IBC). NLBMDA supports building codes that allow for tall wood buildings and has advocated for increased research and development of mass timber construction.

Updated every three years, the IBC is considered a baseline for building codes. The 2018 IBC, which is the current edition, was published in November 2017, and the 2021 IBC that will include the tall wood building code changes, is scheduled to be published in November 2020.

The ICC established an Ad Hoc Committee on Tall Wood Buildings in December 2015 to study the science of tall wood buildings and take action to develop and submit code change proposals. After studying the issue for two years, including conducting fire prevention tests at the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) Fire Research Laboratory, the Ad Hoc Committee recommended 14 code proposal changes.

"The announcement today by the ICC is an important step in giving builders, designers, and jurisdictions the confidence to pursue mass timber construction projects," said NLBMDA president and CEO Jonathan Paine. "Tall wood buildings have been thoroughly researched and proven to be a safe, sustainable, and cost-effective method of construction."

Although the ICC announcement will not cause most jurisdictions to adopt the mass timber construction changes right away, they can begin the process of adopting the changes into their local building codes. This year, Oregon became the first state to adopt language allowing for construction of tall wood buildings between eight and 18 stories.

BY THE YARD

NEWS FROM LUMBERYARDS AROUND THE COUNTRY

Alexander Lumber to close or merge seven Illinois lumberyards

Alexander Lumber Co. has announced that the company will be closing several of its legacy lumberyards in rural Central and Western Illinois. After conducting extensive market research, Alexander Lumber's leadership affirmed that major metro and mid-sized markets should be the company's core focus. It also became clear that trying to balance small, rural markets did not fit this strategy and, in the end, exhausted precious resources.

About the closures, Watt Alexander, chairman, Alexander Lumber Board of Directors, says, "This is not a decision we make lightly. As a family, we take great pride in the legacy of our lumber company, and we value the employees who work for us. After a comprehensive strategic review of our business, we've decided to double down on specific markets we believe offer the strongest opportunity for future growth in a difficult fiscal and economic environment. This means closing other yards, which, while profitable, do not offer that same level of opportunity. It does represent change to the way we've done business in the past, but we believe this is the best course of action for our company to grow in the future."

TAL Holdings acquires Gerretsen Building Supply

TAL Holdings LLC, an eight-store chain of retail building material centers in Oregon and Washington, will acquire Gerretsen Building Supply Co. in Roseburg, Oregon.

Your Building Centers acquires Berlin Lumber Company

Your Building Centers (YBC) has acquired Berlin Lumber Company in Berlin, Penn., in Somerset County, a lumber, truss and building supply provider that has been serving builders and homeowners for more than 68 years. YBC purchased the company from Doug Brant, owner/president of Berlin Lumber; and intends to continue to operate under the name of Berlin Lumber. The acquisition is the third in as many years for YBC, which has 16 locations throughout Central Pennsylvania.

McCoy's Building Supply opens Midlothian, Texas location

McCoy's Building Supply in Midlothian, Texas opened in December. The new store features 18,000 square feet of inside retail space and a paved drive-through lumberyard. The Midlothian store serves professional homebuilders, remodelers and do-it-yourselfers throughout Midlothian and its surrounding communities. Manager Dan Buller, who has 39 years of tenure with McCoy's, leads the store team along with assistant managers Jeffrey Snider and Daniel DeWeerd.

Meagan McCoy Jones named president and COO at McCoy's Building Supply

Brian McCoy, chairman and CEO of McCoy's Building Supply, announced the promotion of Meagan McCoy Jones to president and chief operating officer. Brian McCoy, the third generation of the McCoy family to lead the company, has acted as chairman, president and CEO since 2001. Additionally, McCoy's Board of Directors voted to promote Reid McCoy, Brian's son and current board member, to vice chair. The board also named Dennis Strong and John Meeks, former senior vice presidents of the company, as new members of its board.



MEAGAN MCCOY JONES AND BRIAN MCCOY

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.

Firing mistakes to avoid

FEW ACTS IN BUSINESS are avoided longer and dreaded more than having to fire an employee. In my work, I see managers spending anywhere from several weeks to several months mustering the courage to go ahead and do what they know needs to be done—terminate the employee.

Because managers realize that it's not only the employee who will be affected, but his or her family as well, firing is an even more emotional experience than it would be otherwise. There are two questions I have always asked myself when forced to make a firing decision:

1. Have I done everything in my power to bring this employee's performance up to a satisfactory level, and have I now given up? In other words, have I given this employee every opportunity to succeed? Naturally, I want to answer yes to this question.
2. Will my decision be a surprise to the employee? Have I had the guts to sit down with the employee and give him or her a satisfactory warning? If the firing is a surprise to the employee, then shame on the manager.

FIRING GUT CHECK

I also ask myself one more question to make sure that I am doing the right thing: If this employee were to walk into my office and say, "I quit," would I be elated or despondent? If my answer is something along the lines of: "If he or she quit it would solve about 90% of my problems," then my decision is even more solid.

When it's time to fire the employee, consider the following firing don'ts:

- Don't make small talk; don't ask about the family or last weekend. Don't beat around the bush. Get to the point in your first few sentences that his or her employment with your company is ending.
- Don't try to fire someone and act like a friend might act. Be compassionate, show empathy, but keep the meeting on a business-like basis. Show resolve in your voice and in your facial expression.

- Don't argue or debate the termination. Speak of it in the most final of terms. Employment here is over. Nothing can be said to change that.
- Don't succumb to pressure to get together and talk about the firing or the circumstances leading up to the firing at a later date.
- Don't put the employee down in any way. It's not the individual himself or herself that's the problem, it's the person's performance or behavior that is the problem.
- Don't mention or even imply that you in any way do not agree with the decision to terminate the employee's employment.
- Don't allow confusion; be accurate with the facts that you present. Use notes if necessary to keep your comments succinct.
- Don't try to soften the blow by lengthening the discussion. If the employee wants to vent or express opinions regarding working conditions, his or her supervisor, or other company issues, suggest an exit interview with another manager.
- Don't fire someone at the end of the day on Friday unless you have serious concerns about proprietary information. Hold the termination interview in the last hour of the day, say, on a Wednesday, so the individual can wrap up loose ends with customers and get past his or her shock and anger, and arrange an exit interview.
- Don't feel guilty about what you have done. It was the employee who did not live up to the performance or behavioral standards of the job.

Finally, while it is fresh on our mind, make a list of characteristics of this employee that you don't wish to duplicate when hiring a replacement.

There's nothing anyone can say that makes firing an employee fun or easy, but if you follow these rules, you will accomplish an unpleasant task in the most effective way I have ever found in my years of experience. ■

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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How to properly onboard a new customer

THERE IS AN OLD SAYING THAT “you only get a last chance to make a first impression.” Truer words were never spoken when it comes to the process of onboarding a new customer. If you don’t make the customer excited about the start of the relationship, you may struggle throughout the relationship, if you keep it at all.

An LBM dealer in the Midwest shared the story of a customer who apologized for having to buy from a competing lumberyard. In itself, that was a powerful sign of the builder’s loyalty. Nevertheless, it’s always uncomfortable when your customer tests the services of a competitor.

The competing dealer had earned the business by providing a valuable lead to the builder who, naturally, felt compelled to honor the gesture by purchasing from them. For the competing dealer, it was the chance to make a great first impression and earn more business from the builder.

It didn’t go well and there were several problems on the job. The first delivery was incomplete, and the quality of the drop was below expectations. Resolution to problems was slow and, needless to say, the first order hurt the competing dealer’s reputation, cost them the relationship, and solidified the position for my client.

There are several learning lessons to take from the story about onboarding a new customer.

1. SWEAT THE ORDER DETAILS EARLY

The first order you take from a new client is not supposed to be like the rest. The sales representative should discuss the order in detail with the client and teammates before it is placed. Bring your staff and the buyer’s staff together to plan the first transaction. Arrange meetings as necessary with labor crews, subcontractors, purchasing agents, owners, and anyone else involved in the process. You’re not bringing products to a jobsite; you’re bringing two teams together to introduce new scheduling, delivery and communication practices. Eliminate surprises. The first order cannot be “business as usual” because your client doesn’t know what usual is...yet.

2. GREET THE FIRST ORDER AT THE JOBSITE

The top salespeople I meet in any market assured me they will be on site to meet an initial order. Average salespeople argue they want to avoid creating false expectations by establishing a practice they can’t fulfill on future orders. Nonsense! Everyone wants to make a unique and special impression on a first date and it should be the same for a first order. If things are delivered right, you accept the praise for a job done well. If not, then you are on the spot to quickly resolve any problems. The first order must go off as smoothly as possible because you haven’t earned the second order...yet.

3. VALIDATE SUCCESS

One of the most powerful, and overlooked, presentation skills is one I call the “Validating Presentation.” This is the proactive dialogue a salesperson should schedule after an order or task is complete to ensure client satisfaction or, if necessary, get valuable feedback. Never say, “It was no big deal to help or go the extra mile,” or, “It’s just my job.” If the job goes perfectly, then brag. Always let the customer know you are working hard to make doing business with you a great experience. Validate the quality of your performance because you haven’t built the loyalty you want in the relationship...yet.

This case study offered three valuable lessons that you can implement when onboarding new customers. First, onboarding a new client requires special attention to ensure that your first order is not your last order. Second, buyers resist change and are loyal to competent dealers. Lastly, don’t take the relationship for granted. Looking back at the example from the opening of this column, the new dealer did a great job by delivering a valuable sales lead to the builder but, luckily for my client, dropped the ball on the first order. Selling is more than earning the business; it’s planning a strategy to keep the business after the first order...and well into the relationship. ■



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



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Timing and distributor relationships matter when selecting new products

I MENTIONED IN LAST MONTH'S COLUMN that I'm skipping this year's local home and garden winter shows. I have a number of reasons for doing so, which you can read in the January 2019 issue of *LBM Journal*. However, that doesn't mean I'm missing out on the world's biggest annual industry gathering—the International Builder's Show, held this year in Las Vegas. In fact, by the time this issue hits your desk you will likely either hear from some industry contacts who are at this year's IBS or will be learning and networking at the show yourself.

While there is a lot of buzz (and rightfully so) around all the new products being introduced at the show, most dealers already know going in whether or not these products will be on their show floors when deck and outdoor living season rolls around in a couple months. Why is that? Because most dealers have already made their purchases for this coming season. Months ago distributors approached us with winter buy deals and we took advantage of that special pricing to stock our warehouse and place our distributor orders for the summer building season. For many of us, we've already planned out our showrooms and we used slow time during the winter and holiday season to update our show floor displays to prepare to sell the latest products, featuring new technologies and color trends.

Because of the lag in timing between winter buying and planning season and product releases at IBS, a strong distributor and manufacturer relationship is essential to making sure your showroom is stocked with the latest products. Often times, even though a product's official unveiling will occur at IBS in mid-to-late winter, a good manufacturer rep will let you know about it ahead of time and will encourage you to set aside space on your showroom for the product. For example, at The Deck Store, we've set up displays that we've kept under wraps until the official release of the product, or

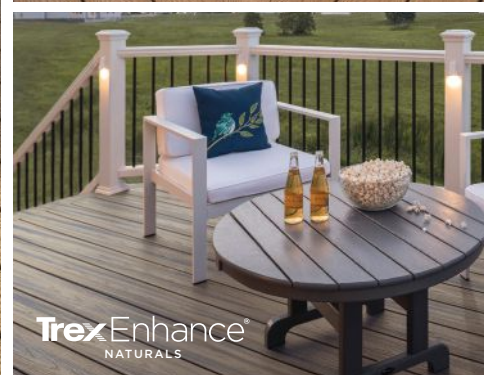
we've built displays with room to grow to accommodate a new sample product when it is released. This isn't always the most convenient way for a dealer to set up a showroom, and it involves a trusting relationship between manufacturer, distributor, and dealer, but done right, it allows for the latest products to get in front of consumers at just the right time of building season.

Even if you have your showroom completely set up because you have a great relationship with the manufacturers you carry, that shouldn't stop you from taking in all the new products at IBS, where you'll find the latest and greatest available in decking, deck accessories, outdoor living, and everything else you'll want to stock at your lumberyard. But what do you do with all your newfound love for these new products that you didn't get a chance to hear about ahead of time? Well, don't forget them, for one thing. Be sure to make note of all of the products that caught your attention at IBS and talk to your area distributors to make sure they're available in your market.

Once you've made the decision to carry the products, and if there is still time to make adjustments to your showroom, there may be a way to get the products on the floor yet for this season. If the product is from a familiar manufacturer, you may be able to convince them to do a buy-back of your current inventory so that you can stock the latest product. But it's more likely that you've already accounted for showroom space and inventory turn time, and don't have room for a new product right now. If that is the case, be sure to develop a relationship with the manufacturer and distributor of the product you want to carry. Getting to the top of their contacts list will allow you to secure product knowledge in advance of next year's round of home shows and will help to secure your position as a product trend-leader in your market. ■



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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How to build a talent funnel

WE TALK A LOT IN THIS COLUMN about hiring—where to place your ad, how to write it, etc. But what if you could actually cut back on the amount of publicity you need to do for each and every position? Building out a long-term talent funnel is one way to have potential qualified candidates at the ready.

“Long-term talent funnels” are the relationships you develop that ensure you and your company are top of mind with the people who know when the type of people you want to hire are looking for jobs.

Here are a few groups to form relationships with to start to build your long-term talent funnel:

VETERANS GROUPS

Hiring veterans offers a host of potential advantages: They understand discipline and structure, they have had to work as a team and demonstrate leadership, and they often have specialty skills that suit our industry. There are a number of organizations dedicated to helping veterans find gainful employment. Reach out to let them know about your company and the types of positions you often have available so they can help connect the right people back to your firm as they become available.

IMMIGRANT GROUPS

Many new Americans were professionals in their home countries, but may be unable to work in their trained field here. Traditionally, they are hungry for opportunity and therefore are very appreciative and very loyal; therefore, they often are a great fit for positions in which you have had a lot of turnover because previous employees got bored or were unwilling to do the work. Connect with the local associations and resource centers in your area that work with new Americans or those learning the language.

GROUPS FOR THE DISABLED

Most persons with disabilities are highly capable with reasonable accommodation. Though a disability may limit the ability to do one task, there are plenty of other areas where that same person may excel. There are many organizations you can connect with that provide a job coach and assist the person in becoming a contributing member of your team; in many cases, that person will be able to do the

job independently over time. This is another opportunity for you to hire people who are grateful to have a job and, therefore, are loyal.

SCHOOLS

For many businesses, developing relationships with schools can solve your hiring challenges. As long as you have the systems to be able to train and grow your people, reaching out to schools is a great way to get in front of young talent. Universities will connect you with candidates for entry-level professional positions; trade and tech schools will connect you with talent for skilled trades or hourly positions. High schools can connect you with more entry-level hourly workers as well as with students who are headed to college for a relevant degree that you can hire part-time and groom for when they graduate.

- Working to develop a relationship with a career services representative will ensure you are top of mind when a student walks in and says they are looking for a job. If they maintain files of companies, make sure yours is included, and see if you can post jobs on their boards.
- Inquire about alumni outreach opportunities. Some have job boards or email blasts through which you can promote your job directly to the alumni of certain school divisions. This is ideal for targeted searches.
- Go old school and post your jobs on bulletin boards around campus. (You may need to get approval.)
- Sponsor targeted group events. For example, a marketing firm might sponsor events for the marketing club on campus. Offer to speak to the group about the industry.
- Advertise at athletic events and in programs.
- Connect with professors of classes in your industry, and offer to speak to their classes about what your business does.
- Advertise in or partner with coffee shops, bars, and restaurants that students frequent.

These are just a few of the places to start building your long-term talent funnels. Always have the funnel in the back of your mind—who else is invested in getting people to work and has candidates ideal for your company? If you can build those relationships and develop them, you’ll reap the rewards for years to come. ■

Rikka Brandon is the founder and Chief Executive Recruiter of Building Gurus, a boutique executive search and consulting firm that works exclusively with building product manufacturers and distributors to find, hire, and retain top building products talent.



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Hire slowly, fire quickly

ONE OF THE HARDEST TASKS WE FACE as leaders is building our team. Most often, we inherit a team, rather than build from scratch. Then it becomes our task to train up the people who have the drive and are willing to learn, or trade out the ones who are uncomfortable with (or outright hostile toward) change. Once we get through that phase, we enter what I call the Permanent Recruiting phase. Every leader should always be on the lookout for new recruits. I like to say that I am always hiring truck drivers and salespeople because you never have enough; if by God's grace you do, hire them anyway and keep the best performers.

Hiring salespeople and managers is where the money can be made—or lost. A good outside sales rep, or OSR, not only can bring you sales, but they often also bring ideas and new areas of business to grow into. A really bad OSR will probably fire themselves, but the worst “bad OSRs” are the ones who sell just enough to stay off the radar and never really grow. The same is true for managers. They clog your pipeline of development and stymie your growth plans. They also are the toughest ones to get rid of because they are probably doing the same amount of business they always have, and now you are changing the rules and saying that is not enough.

Stop hiring the competition's salespeople or industry retreads, and start hiring for attitude and aptitude. I've wasted a fortune bringing over a competitor's OSR for big and/or guaranteed money, only to find out that they do half the volume they promised, and that there was a good reason they were looking to make a move to a new employer—they were the problem. Identify the culture you want and the personalities that work best in that culture, then go find those people, regardless of what industry they come from.

Ask the right questions. Try some different questions that may make the candidate step outside their comfort zone. A classic is, “Sell me this pen.” I think it is a little hokey, and there is a good chance they have heard it before; maybe that is a good reason to ask it. They should have a good answer. I like to ask a salesperson, “Name three self-help or sales training book titles that you currently have in your personal library.” Most often, this query is met by crickets, but the ones who do have any books they can name are showing you they have invested in themselves. My last litmus test is to see if a sales-

person asks, “How much will I make at this job?” vs. “How much can I make at this job?” The former shows a concern about Day One compensation, whereas the latter shows an interest in the upside potential of the job.

Use tests and personality profiles to help you understand what the candidate is really like. There are a multitude of tests, many free online. I like knowing a candidate's Myers-Briggs personality type. If you have a top performer you can benchmark against, the Hogan test is wonderful for assessing whether someone has similar traits.

Once you are personally sold on a candidate, bring in other opinions. I will admit that I often fall in love with my hiring finalists. I find myself looking for things in the candidate that support the fact that the person is a really good hire. Luckily, I have learned always to have a sounding board or a second opinion to review your finalists. At Hope Lumber, we used a process called The Gauntlet, an in-person group interview during which a candidate was asked the same set of questions I had initially asked. It was fascinating hearing candidates offer different answers to the same questions. What happened nine times out of 10 was that I observed the candidate who I was certain was the right hire utterly fail answering questions posed by others in the group. Different environment, different dynamics.

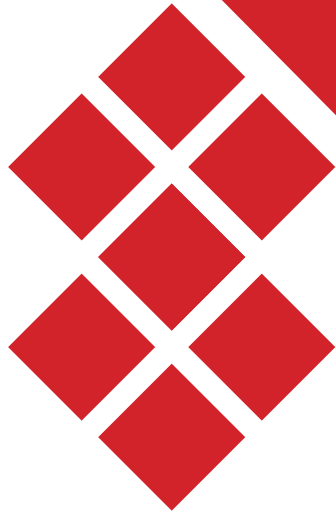
If it walks like a bad hire and quacks like a bad hire, it's probably a bad hire. Set milestones and objectives in writing at the time of making the offer. Review the new hire's performance regularly at those milestones. If the objectives are being missed by a wide margin, quickly get into your de-cruiting mode and find a way to “allow that person to pursue their life objectives at a different venue.” You have to be vigilant about reviewing your new hires and making sure they are growing and staying on course; otherwise, they become just one more person clogging the pipeline.

A wise man once shared that a bad management hire can be a two-year mistake. The same holds true for salespeople. Take your time vetting your candidates before you hire, then react quickly after you hire if you realize you have made a mistake. ■



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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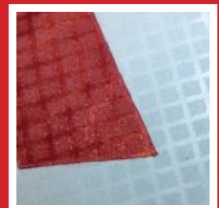
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“Pricing in” a recession

AS WE HEAD INTO THE THICK OF 2019, you can read predictions from economists all day long about what the future holds. One will say there’s a recession coming; the next one will say we’re set for growth, and the third will say it will be a flat year. (You may even see predictions that the price of tomatoes will rise, but ignore that. That’s because business owners are buying up the tomatoes to throw at the economists.)

No matter what the fate of the economy, in the world of mergers and acquisitions you can rest assured that prospective buyers of your company will try to leverage economic uncertainty and recessionary storm clouds to offer less for your company than they would in a time of economic growth. That should not come as a surprise. There is always a natural tension between sellers (the optimists) who want the highest imaginable valuation, and buyers (the pessimists, at least temporarily) who want to drive the valuation lower.

That said, exactly how would acquirers drive down the value of your company to price in or guard against a potential recession? They will do this in at least two ways: Offering a lower multiple paid for your company, and the implementation of earnouts.

First, as background, let’s review a topic I covered in a recent column: If you are selling a company with a \$3 million EBITDA, and it’s valued at 5.5X (a typical multiple in a good economy for an LBM business), your company value is \$16.5 million. However, if there are recessionary clouds on the horizon, the buyer will likely price in the potential slowdown by lowering the multiple he wants to pay. Just dropping the multiple from 5.5X to 5X will lower the purchase price by \$1.5 million. (As you see, even a “half turn down”—just a slight softening—can have a dramatic and negative effect on value.) So, in a recession, or even in the face of a prospective recession, a buyer may simply offer a lower multiple for your company in anticipation of a downturn.

A second technique for pricing in a recession is an earnout. An earnout is a risk-allocation vehicle that can bridge the gap in value between the buyer and the seller. Essentially, with an earnout (as spelled out in the purchase agreement), part of the purchase price for the company is deferred.

The earnout, which is usually a relatively small percentage of the overall deal value, is paid over a specific period of time, post-closing, based on the performance of the acquired business. Essentially, the buyer says, “I think the market will soften, so I want to pay less.” The seller says, “I think the market will be strong, so I want you to pay more.” The earnout can bridge the gap, essentially saying: “Hey guys, let’s put a mechanism in place that will reward the correct party a year from now, or two years from now, when we see who’s right.”

The earnout approach will work only if the seller agrees to peg a future payout to certain performance metrics. If the metrics are achieved, the seller gets the earnout; if the seller misses the mark, he won’t get the earnout (or gets only a fraction). For example, in the simplest terms, assuming a \$3 million EBITDA, you may get 5X at close and receive \$15 million. Then, an additional 0.5X is paid a year after close (\$1.5 million more), if you perform.

Earnout structures can be remarkably creative, and they are based on all (or some) of a range of performance metrics, such as gross revenue, sales revenue, net profit, or EBITDA. When structuring them, here’s a word to the wise: Some buyers will want earnouts to be “all-or-none.” If the seller agrees to, say, achieve \$20 million in revenue per location, the buyer may want to pay out zero dollars if the seller comes in at \$19.9 million. So, when structuring an earnout, drive to make it graduated, not all-or-none. If you achieve 80% of your goal, you should get 80% of the earnout. If you reach 90%, you get 90%. You can also structure an earnout to reward you if you exceed the amount targeted in the earnout. Say you kill it in 2019, and achieve 110% of your earnout target. You should be rewarded for that extra performance. If you’re a seller, and you have a good investment banker advising you, he or she should be putting these ideas in front of you and driving to have them accepted.

Finally, make sure to maintain control of your operations. If the earnout performance metric is EBITDA, and the acquirer layers in corporate overhead, you have just lost some control of your EBITDA. Protections against this and similar occurrences can be built into a deal structure by a good advisor. ■

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



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12 KEY CREDIT APPLICATION CLAUSES

Most suppliers require their customers to sign credit applications at the beginning of the sales relationship. However, since suppliers rarely need to enforce the terms of that document it is common to forget what it says or to periodically review it. A client recently asked me to pursue an overdue account. When I reviewed its customer

agreement, I saw that it had a number of holes in it and my client did not know exactly what the document said. He had been using it for years as just another part of opening a new customer account. If you take the time to review and refresh your customer agreement, here are 12 key provisions I recommend:

BY BLAKE NELSON

1 ► PERSONAL GUARANTY: Make the owners of your customer personally responsible for overdue balances. It is simple to add a personal guaranty section to a standard credit application and most contractors are not surprised to see this requirement.

2 ► PAYMENT TERMS: Eliminate outdated payment terms. Also consider creating different payment terms for orders that exceed a certain dollar amount. For example, orders exceeding \$10,000 require a 50% down payment.

3 ► COLLECTION COSTS: Always obligate the customer to pay your attorneys' fees, collection costs, and other expenses to enforce the credit application and collect overdue balances.

4 ► RETURNS & RESTOCKING FEES: State that custom-ordered materials may not be returned, and payment is due regardless of whether the contractor uses the materials. Also charge a restocking fee if standard materials are returned.

5 ► DELAYS: You should not be responsible for delays because the property owner or contractor failed to provide access to the delivery site, or for bad weather, strikes, or other circumstances beyond the supplier's control. Also consider a daily or weekly storage fee if the contractor orders materials but does not take delivery for a substantial period of time and forces you to store them.

6 ► WARRANTY DISCLAIMERS: In most cases you are not manufacturing the products and are only a selling them. All warranties for the products should be clearly disclaimed and the customer's only remedy should be the manufacturer's warranty.

7 ► OTHER DISCLAIMERS: Consider including special disclaimers for special products. For example, disclaim responsibility for flooring that is laid over in-floor heating where the temperature exceeds a certain level or where there are sharp temperature changes over a short period of time (such as 24 hours).

8 ► NOTIFICATION OF BREACH: Require the contractor to notify you within a short period of time after he discovers a problem with materials you supplied. If he does not send you a written notice within that time period (for example within five days), he has waived the claim.

9 ► LIMITATION OF REMEDIES: Limit the customer's remedies and state that you will not be responsible for any indirect, incidental, consequential or special damages. Another aggressive clause would state that your liability is limited to the amount the contractor paid for the products at issue. Also provide that any action against you must be commenced within one year from the date the issue arose.

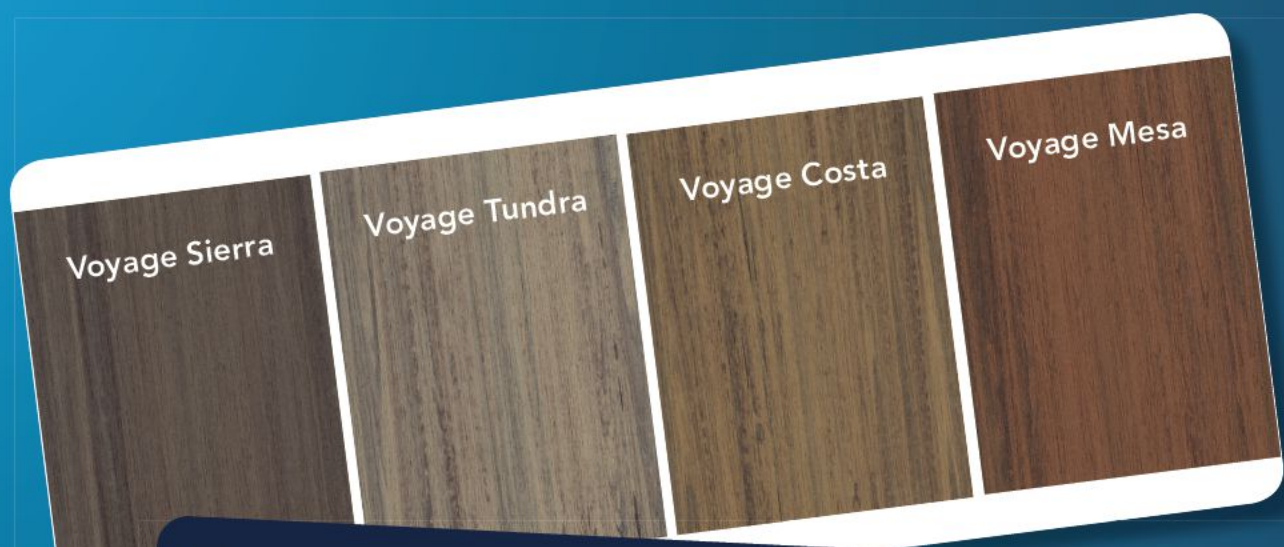
10 ► DELIVERY & RISK OF LOSS: Clearly state that a) your responsibility for the products ends when they are delivered to the job site; b) your only obligation is to drop the product outside at the project site; and c) it is the contractor's responsibility to take delivery of the product at the job site and to move it inside the property.

11 ► INDEMNIFICATION: The customer should agree to indemnify and defend you if you are dragged into any disputes. For example, if you sell windows to the contractor and the homeowner later sues everyone because the windows leaked, the contractor should be required to indemnify you and pay your attorneys' fees in defending against the action.

12 ► DISPUTE RESOLUTION: Choose whether you wish to use litigation or binding arbitration as your method of dispute resolution. However, if you choose arbitration consider still allowing claims under a certain amount to be pursued in small claims court. Also state that all legal action must take place in the county in which your main office is located.

These are just some of the provisions that I recommend when I review and draft customer agreements. If you have other provisions that you have found useful in your own agreements, please feel free to drop me a line and let me know about them. I am always looking for extra tools for my toolbox. ■

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



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REAL ISSUES. REAL ANSWERS.



While business remains rock-solid in most markets, economists remind us that a slowdown is inevitable. It's impossible to know when that's going to happen, but headlines about some prominent LBM dealers shutting stores prompted one reader to ask if he should fill a couple of open positions now, or hold off until the future is more certain. His question, which is at the heart of this month's Real Issue, boils down to this:

HIRE OR HOLD OFF?

BY RICK SCHUMACHER

THIS MONTH'S QUESTION came from a LBM dealer in Missouri who wrote: "I'm concerned that things are slowing down. A big regional chain just closed six stores, and Lowes announced plans to close 20 stores nationwide in 2019. We were looking to hire another estimator and truck driver. Should we hold off or hire and train them for the future? I am nervous to hire someone and then have to let them go."

To learn how other readers would advise this dealer, we sent a very brief survey to the subscribers who've opted in to receive our email communications. A big thank you to the nearly 300 dealers who took time to weigh in. If you don't receive our Real Issues surveys, and would like to be added to our opt-in list, please drop me an email at Rick@LBMJournal.com and we'll get you added.

First, we wanted to gauge reader attitudes about where we are in the business cycle—whether a slowdown has already begun or is still several years away, so we asked:

QUESTION 1

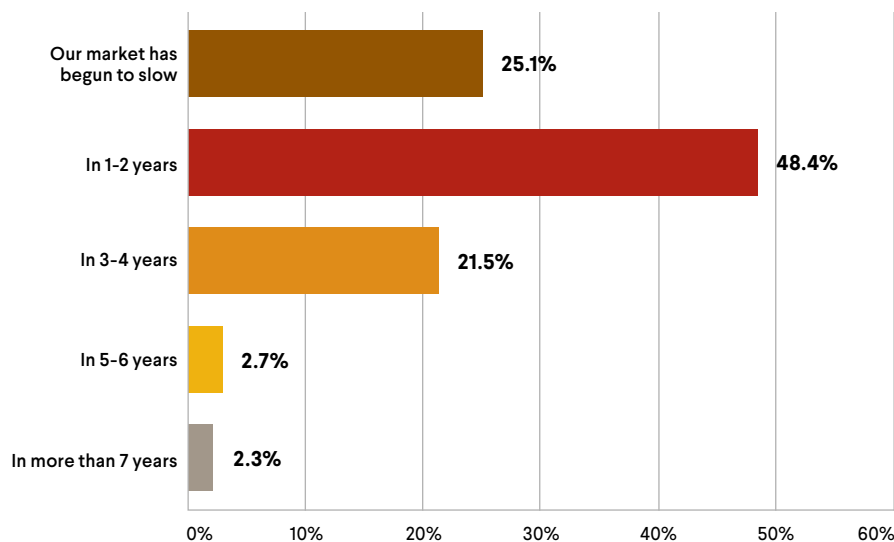
While business remains very strong in most markets, an eventual economic slowdown is inevitable. How long do you believe it'll be until the next slowdown affects your business?

As the chart shows, almost exactly one quarter of respondents (25.1%) report that their market has begun to slow, but nearly double that number (48.4%) believe that the next slowdown won't begin for another year or two. Just over one-in-five respondents (21.5%) believe we're still three or four years away. Comments to this question emphasize the regional variations in economic health, the impact of unusual weather, along with a number of unknowns.

"Due to the oil and gas industries and the Texas economy being strong, all indications is it will be at least seven years before local business will be affected by any outside sources."

"I believed we peaked in early-mid 2018 and are starting to see some headwinds. Business is still very strong and will be very profitable for organizations that are skilled at expense control and managing margins."

"Residential business backlog is down even though current sales are good. Commercial sales and backlog remain strong."



"As a rural lumberyard with a little over 50% of our business coming from the agricultural sector, we began feeling a downturn two years ago."

"While our market (DC area) has shown signs of slowing, we're not quite sure if it is weather-related yet or not. We experienced record rainfall in 2018, which hindered building. Our market is now also dealing with the effects of the partial government shutdown. Those federal employees affected by the furloughs are potential end customers for us and if they are uncertain as to when the shutdown will end, they won't start that addition or home improvement project any time soon."

"The tariffs and vendors raising their prices all trickle down back to us consumers. We are the ultimate ones paying the tariffs and at the same time hurting the businesses that we run."

"We'd love to see it continue with no end, but that's not realistic. Luckily, the region we operate in (Northeast) never got too high in this upswing and never got too low several years ago. We're lucky enough to deal in an area where there is always money for renovation and high-end new homes."

"I keep reading that it is strong but vendors tell me that it's not, it isn't great for us and our competition is cutting profit margins to the bone to get the sale."

"As of now we are projecting a sales increase of 5% to 7% in 2019, but in our case, some of that increase comes from a large new location just getting up closer to its likely annual sales potential. Also, some increase could come from the lumber price yo-yo going back up in 2019 after the sizable downturn in 2018. But, as always, our crystal ball is strictly knowledgeable guesses."

QUESTION 2

How would you advise this dealer?

"I'm concerned that things are slowing down. A big regional chain just closed six stores, and Lowes announced plans to close 20 stores nationwide in 2019. We were looking to hire another estimator and truck driver. Should we hold off or hire and train them for the future? I am nervous to hire someone and then have to let them go."

"I would move ahead with my hire. I am not worried about what the regional chains and national chains are doing. I will prepare my company for the business at hand."

"Hire the estimator and truck driver. If they are good, competent help, they will help you fend off the downturn. If not, then let them go."

"Hire part-time help."

"I would use overtime to cover all customer needs until there is a clear vision of what the future holds. Additionally, the labor market is very tight, and most applicants are not blue chippers. If I came across a blue-chip candidate, I would definitely make room on my team."

"Hire away and take market share. If the new hires work out, carry them through the down times."

"Hire them and get ready for the future. They may be better than the people you have."

"People are crucial to success, so if you find a good one or two, hire them. We're not talking about a 2008 recession but a much more minor downturn."

"Lowes and big regional chains have a good number of stores. They often close stores that are underperforming and cover those areas with other locations. I would study your market areas and make your choice after talking with builders and other retailers in other industries to get their take on the future. Sometimes smaller building material suppliers can move and change with what is going on easier than big chains. In the end you can always budget for flat sales and see if you can still make a good profit with the extra employees."

"Back in 2007, we faced the same decision. Though the economy wasn't certain, we decided to aggressively staff up. When the downturn came shortly thereafter, we had no choice but to let lots of folks go. Lesson learned. We're much more cautious now."

"Try temporary measures first such as overtime or contract estimators until you're sure you really need additional staff, or cross train existing staff to step in when needed."

"Must look at your own business and hire based on your needs and expectations, not what is happening to somebody else."

"I would move forward cautiously."

"Depends on two factors: How good are the candidates? Can you get the work done with overtime? If the candidates are only just okay, don't hire new and use overtime to get the work done. If the candidates appear to be outstanding employees, hire them and they will pay for themselves."

"Hire the truck driver."

"I would consider the need for each. While estimating is important, deliveries drive business. The most accurate estimate can be negated by bad performance in shipping."

"Hire new. If layoffs become necessary, layoff your 'weak link.'"

"If you find a reasonably competent candidate, hire him/her and train for the future. I share your same concerns but have filled two positions in the last three months on the bet that they will be solid, well-trained employees when I need them."

"Hire and train them up."

"Depending on your proximity to the stores being closed there may be a real opportunity to show the worth of a small dealer like yourselves in this shrinking market. Better to be prepared for the coming business and pull back if necessary than lose the opportunity when it presents itself."

"Only you know what you can handle payroll-wise. You must have enough knowledge and muscle power in your staff to help customers. If there are stores closing in your area that would have knowledgeable folks, you should consider them on your team. Another option is to bring someone on part-time with the ability to work more hours when the workload needs are there."

"Depending on ownership age/succession plan, I would suggest you grab good talent while it's available. Plan/look to the future."

"Hold off until business picks up in the spring."

"Hire and train for the future. You can always cut back if needed."

"When others move down or out, that is a prime time to offer better service to fill the demand and offer great service. Their bad is your good as long as it is a reasonable risk."

"It takes time to train a new employee, so hire and train for the future. When and if the time comes for staff reduction, eliminate the 'bottom feeders.'"

"Hire them *now*. Just because certain segments of the industry are hurting does not mean that all segments are."

"If I could find a truck driver or estimator who would fit our future plans, I would hire him or her in a heartbeat. Qualified help is too difficult to find. These new people will help put you in a position to survive whatever is out there."

"Don't judge the economy by how the big boxes are opening and closing stores as their store and regional financial decisions are not necessarily directed by the health of the economy, particularly not in regard to new home sales as new home construction is not their primary customer or business driver. Assuming you are a contractor store based on the need for an estimator, strike while the iron is hot and make some money while you can. Inaction while waiting for the housing market to fail based on box store performance is akin to not investing in the stock market when a few major individual stocks falter slightly. No investment, no return."

"Business climate is positive, hire them now. Don't put yourself in a position to have to play catch up."

"I think you always need to be looking to better your staff, and if the current economy has you in need of additional staff, you have to move forward with hiring. This next estimator or driver hire may turn out to be better than someone you currently have. Unfortunately, when the economy turns you may have to let someone go, but it may not be your most recent hire, and you'll be better equipped to handle the downturn with a higher quality staff."

"If the business is strong and can sustain both employees now, you should hire them. No one has a crystal ball and you should take advantage of this opportunity to keep customers happy."

"I would go ahead and hire them. Make your mark now and this is the time to really emphasize your commitment to your customers/business partners."

"Invest! Talent will be what separates the winners and losers during any correction that comes in the future."

"I'd hold off until you can see what the spring brings. It sounds good in our area but until that lumber hits the ground onsite, you're never positive. We've resisted the urge to hire and expand too quickly. That said, it always pays to keep your eye out for the next younger person who is capable and shows an interest in the business. You can't have too many of them."

"It is difficult to find quality personnel, so if you have an immediate need and have quality candidates, I would hire them now."

"Hire if adding them will make you more productive and profitable. If the economy does slow and it impacts your operations, be willing to make the necessary cuts."

"Overtime is better than another hire. Can a yard man be trained to drive in a pinch? Can a salesman be trained to estimate? Consider giving them a bonus per print. Have you looked into outsourcing for estimating? Maybe a retiree is looking to pick up some extra cash doing their old job?"

"I would hold off until after the 2nd quarter of 2019 and make your decision then."

"I would not hire."

"Go ahead and hire as you plan for the future, since employees are your greatest asset. These two positions are critical."

"At this point in the business cycle—with the economy slowing after an extended expansion—I'd hold off on hiring for now."

"Wait a year and see what happens, go from there."

"No one has a crystal ball to know what the future holds. If your business can support that estimator and truck driver for what looks to be at least six months, go for it. It may take an extended amount of time to find someone and get them ready for the job. In that time, you could lose another employee for an unrelated reason and be left even more short of proper help. Being unable to service your customers properly could cost you more business than a slow-down would."

"Truck drivers are in high demand. Hire the driver and use him in other spots when it is slow."

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"We are a small business so we do more with less. What we cannot do in-house, we farm out to third parties. Example: trucking. Where the load is large and requires a bigger piece of equipment such as a gooseneck trailer, I will farm it out to an owner-operator. For estimating, you might check your network for recently retired experts in that field that might want to pick up some side money but not necessarily want a full-time job."

"I'd like to say go for it, you'll be prepared when things heat up again, but experience has taught me to be more cautious. Besides, it sounds like there will be help available when you do decide to hire."

"Get in there and take the lead. Do what works for you, and don't worry about competitors' problems. With over 48 years' experience I think I know what I'm talking about."

"Depends on the sales staff already on the payroll, dependability, experience etc. If the right person walked in looking for a job, I would have to do some evaluating as to what would be best for the business. I have always believed in being prepared for when things turn around. When that happens, it is likely too late to hire a good employee. I want them on my side, not theirs."

"Grab them."

"We are hiring five people this year (bringing our head count from 10 to 15), three of which are outbound sales people. I would advise this dealer to hire as normal. If changes need to take place later due to unforeseen circumstances, then a business has to do what a business has to do."

"Given the market jitters, we're holding off on any new hires."

"With the labor pool as shallow as it is, I'd hire them and let them prove themselves. They just might be better than what you have on staff now. That will make the decision easier if layoffs become necessary. Always be prospecting for customers and staff."

"We all recognize that labor costs are typically the second largest expense. Along with that, having the right members on our team, at an appropriate staffing level, differentiates us from our competitors. That in turn, drives the level of service that supports the higher margins we strive for. Consistently, we should be looking for people to help upgrade the team, irrespective of the timing or current economic conditions. We should always be searching, you never know when or under what circumstances that opportunity will reveal itself. That new opportunity can be a person to help upgrade a current position, address bench strength shortages, or represent fresh, new concepts to grow the business. In any case, it is all about keeping a balance between labor cost as a percent of gross margin dollars generated. Staffing levels, and the related payroll dollars invested, have to financially make sense, all of the time. Especially when business is good and sales and margin dollars seem to be free-flowing. At that point in time, our labor costs should be on the low end of the scale. Staffing questions are answered by looking at the return on the dollars invested."

"Be positive and keep moving forward."

"Independent lumberyards have to out-service the big box stores. The business is still out there, so go and increase your market share by concentrating on the pro business. Hire the estimator and hold off on the driver until you see revenues appreciably increasing."

"Hire. Customer service will help you stand out from the crowd. If it comes down to layoffs it may not be the new guy that has to go. Keeping competition alive in any business will help keep the business sharper in the long run."

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"Never pass on a good man or woman."

"Hire, educate, nourish and empower. Young people want to do meaningful work. Create the leaders of tomorrow leading to the success of your customers. People are your most important asset."

"If you are nervous then raise the bar. There is likely some very good talent available to be picked up. When you find an all-star, hire them. They will add value even through a downturn. If it gets bad, then release under-performers and ultimately you'll emerge from the downturn even stronger."

"If you need them now to service your current market or you see an immediate or near-term market opportunity, hire. Otherwise, hold off."

"Hire the best you can afford, and invest the time and money now to be ready for 2021."

"The future is never certain, so don't wait until 'the future is more certain' as that will never happen. Hire based upon what you have in front of you presently and your own business history."

"Are these positions necessary currently or are they for growth? If they are for growth, I would be more cautious. However, if you need young blood and current business supports the additions, I would move forward."

"Hire now. Run your business and make hay while the sun shines."

"Still move forward with your plans, but be transparent with them so they are not surprised if things go south."

"Do the best with what you already have."

"What if business doesn't slow down? Hire if you need more help. Deal with the slow down when it arrives."

"Hire now, labor markets are also getting tight. When things turn around, it will be harder to find good labor."

"Depends on the business and how much you have in cash reserves to weather the storm."

"Hold off, business appears to be slowing in the Midwest/Northeast market that we are in. Can't believe that other markets are that strong that you would need to hire additional help." ➤



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"A slowdown is coming eventually, so study your market conditions very carefully before making hiring decisions."

"Don't wait. The big guys cut costs in the short term to improve reports to their stockholders, which comes back to kick them in the rear end when they can't service their customers."

"You need to service the business that you have well. If that means hiring, then I would hire. We hire part-time people to cover the growth before we hire full time. Then, if we have to lay off, it shouldn't affect our full-time employees."

"Given the chance to hire an experienced person in either position, I would probably jump on it, assuming this person is equal to or better than current staff in the same position. When it slows down, you can then decide who needs to go."

"If the need is there, hire and train. Keep moving forward and take advantage of the big guys' inability to be nimble in times of change."

"Go forward and hire if the business is there. Cannot make decisions based on Big Box stores. Two different business models."

"Hire for when things improve. That way you won't be behind the 8-ball."

"I would consider the hire if my current situation warrants it. If you are concerned about not being able to grow to support this person, I would hold off."

"Hold off until the economic uncertainty passes. The last thing you want to do is hire someone, train them in, then have to let them go. That's not good for anyone—especially remaining staff who wonder if they may be next."

"Hire them. There is a lack of talent in the current workforce and trends show that a qualified workforce shortage will remain in the future. Train them to be productive and competitive in the future markets."

"Hire. If you're looking to hire, you evidently need the personnel."

"Big chains no longer believe in customer service. You should position yourself to take advantage of this reality because people still value it. That is why your bigger chains are losing business. Market your business traditionally and on social media, advertise regularly and be sure to push customer service as one of your top priorities." ■

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BY JAMES ANDERSON

LARGE AND LOCAL

CULTURE-FIRST PHILOSOPHY GROWS KODIAK BUILDING PARTNERS.

Big companies, large in both finance and footprint, are known to be layered and top heavy without a lot of control at a local level. With 80 locations in 11 different states, Kodiak Building Partners is proving to be exactly the opposite of that business model.

Founded in 2011, Kodiak closed out 2017 with under \$750 million in sales, and after five acquisitions in 2018, has grown to a \$1.1 billion company. Yet you wouldn't know it by going to one of Kodiak's locations.

First, you wouldn't know it because there are no Kodiak Building Partner yards. The Kodiak name grew out of the company's Denver-area founding in 2011. Back then, when the Great Recession flattened the building industry and many companies were looking for buyers, Steve Swinney left his position as VP of finance at ProBuild and, along with his team made up of Brian Cleveringa, Eric Miller, and Kyle Barker, purchased Barton Supply, a struggling \$20 million revenue supplier of construction supplies in Colorado. From there, the company, 20% owned by its leadership group, utilized its background in industry analysis, as well as its relationships with private investors, to acquire lumberyards, construction supply companies, appliance retailers and specialty distributors. As they did, each acquisition maintained its independent identity and local management.

There's no sign that any of the Kodiak companies are affiliated with others, and that independence is key, says

Swinney, CEO of Kodiak. Across its 80 properties, Kodiak employs more than 2,300 people. Each business, he says, is focused on its own company and locations and is managed by "player coaches," who maintain positions such as president of local companies and work to mentor and collaborate with other Kodiak employees in their area. Management and decision-making is deliberately pushed to the local level closest to the customer, Swinney says, and that is what sets Kodiak apart from other companies its size.

"You don't need someone whose sole job is to go around and check on others," says Swinney. "We strive to have a decentralized, entrepreneurial, locally driven company. If you're truly doing that, you don't need a lot of layers."

FOUR SEGMENTS

Without layers of unnecessary management, Kodiak is able to provide more focus instead on the four business segments the company serves: Building Materials, Construction Supplies, Gypsum, and Interiors Group. In each segment, the leadership group in the Highlands Ranch, Colo. headquarters south of Denver works to interface with the vendor community when it makes sense, but overall the company leaves those vendor decisions to local operations and their respective buying groups.

"We're a big believer in buying groups," Swinney says. "LMC is a big one for us. Several of our organizations are members of LMC." ➤



PHOTOS BY KENT YOUNGBLOOD



"YOU DON'T NEED SOMEONE WHOSE SOLE JOB IS TO GO AROUND AND CHECK ON OTHERS. WE STRIVE TO HAVE A DECENTRALIZED, ENTREPRENEURIAL, LOCALLY DRIVEN COMPANY. IF YOU'RE TRULY DOING THAT, YOU DON'T NEED A LOT OF LAYERS."

— STEVE SWINNEY

Though leadership can work with others and share information about vendors and how the group may approach supply, Swinney stresses that it is ultimately a ground-level decision. “We maybe miss a few opportunities for synergy because of that, but we firmly believe our local and entrepreneurial culture is the driving force of what we do,” he adds.

Of the four segments, Swinney says LBM leads the company’s sales and will be a clear focus in the immediate future. In the early days of Kodiak, he says, there was a nearly even balance between the four segments. Over the past 18 months, the company has made a shift to core LBM business. Now, nearly 50% of the company’s sales come from its LBM operations.

BIG COMPANY, CLOSE CULTURE

While Kodiak companies face the same challenges any building materials dealers see in their own markets such as labor shortages, commodity market volatility, and an uncertain economic environment, there are challenges specific to a \$1.1 billion company not faced by a majority of LBM dealers.

Since the company grew from half a billion to \$1.1 billion in just the past 15 months, Swinney says the biggest challenge is continuing to grow while maintaining the culture that he says is “really, really valuable to our leadership team.” Kodiak is made up of 20 different companies from around the country, something that makes for a number of complexities as the growth continues. Aside from the 25-30 employees at the corporate office who make up accounting, finance, human resources, and IT departments, Kodiak is essentially decentralized and aims to remain that way.

“For me, to grow this to a several billion dollar company but lose the identity we’ve created would be a bigger failure than to maintain the culture but to stop growing. I’d much rather maintain that and not grow than lose that and



Steve Swinney and Matt LaScola, VP of corporate development.

triple in size,” Swinney says. “Can we be a big company and maintain our culture? That’s our challenge and that’s our mission.”

Kodiak has kept the focus on culture from the early days, and as each acquisition is brought on board, the message remains the same, Swinney says. “We’ve created a culture that people really want to be a part of. This means we have the opportunity to build a team of the best and the brightest in our industry.

“We want to serve our employees, support them, be a blessing to them, and create an environment where they can then do those same things for their customers and vendor partners. When we engage our employees that way, good things have happened. Why would we ever change that?”

MORE GROWTH ON THE HORIZON

The ownership and leadership team at Kodiak take a long-term view on the industry and opportunities available to them. They see risks and volatility as the market will fluctuate, and they will use that time to look for opportunities to grow through the adversity, Swinney says, in an effort



The leadership team at Kodiak oversees the company’s four business segments: Building Materials, Construction Supplies, Gypsum, and Interiors Groups.

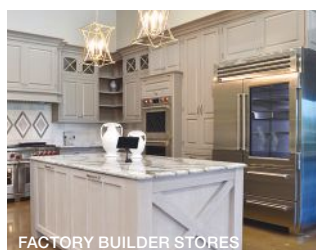
to become stronger and add scale in anticipation of better times ahead. In addition, the group's access to capital allows them to make those acquisition decisions, so that when the right opportunity presents itself, they are able to make expenditures at Kodiak's existing companies when there are needs.

Though he predicts a softening of the market for 2019 and 2020, there will still be room for strategic growth, both organically and through acquisition, through the company's relationship with Court Square Capital Partners. "We're always working on acquisition opportunities," Swinney says, and though none are ready for publication as of press time, there were "about half a dozen or more" in active conversation, he adds. ■



Kodiak Building Partners corporate staff, Highlands Ranch, Colo.

KODIAK BUILDING PARTNERS FOUR BUSINESS SEGMENTS



BUILDING MATERIALS

COMPANY	LOCATIONS	STATES
AMERICAN BUILDERS SUPPLY	10	Florida
A.O., INC. COMMERCIAL DOORS	1	Texas
BUILDERS MILLWORK, INC.	3	Wisconsin and Minnesota
DIRECT LUMBER & DOOR OF COLORADO	5	Colorado
FOREST TEK / OVERSEAS LUMBER SUPPLY	2	Florida
FRONTIER BUILDING SUPPLY	8	Washington
NEBS (NEW ENGLAND BUILDING SUPPLY)	1	Massachusetts
ZARSKY LUMBER	10	Texas

CONSTRUCTION SUPPLIES

COMPANY	LOCATIONS	STATES
BARNSCO, MI	2	Michigan
BARNSCO, TX	5	Texas
BARTON SUPPLY	3	Colorado
ERECT-A-LINE	1	Texas

GYPSON

COMPANY	LOCATIONS	STATES
FREEDOM MATERIALS	3	Deleware and Maryland
JONES HEARTZ / DMS	4	Colorado

INTERIORS GROUPS

COMPANY	LOCATIONS	STATES
ARIZONA WHOLESALE SUPPLY	3	Arizona
FACTORY BUILDER STORES	7	Texas
GULF & BASCO	1	Texas
SPECIALTY APPLIANCE	6	Colorado

STAFF REPORT WITH INTRODUCTION BY RICK DAVIS

LBM JOURNAL EXCLUSIVE **SALES COMPENSATION + BENEFITS 2019**

One of the most critical components of your success is an effective sales force. If you want to attract and retain the best sales talent in today's market, it's important to understand how your compensation and benefits package stacks up against the competition. To help you meet this challenge, this year's Sales Compensation + Benefits Survey was conducted by The Farnsworth Group, and reworked from the ground-up with input from *LBM Journal* sales editor Rick Davis of Building Leaders, Inc.

The survey was distributed by email in December, 2018 and early January, 2019 to *LBM Journal* subscribers who've opted in to receive our email communications. The 250 readers who took the time to participate in the survey and share details about their company's sales compensation and benefits packages will receive a copy of the full report and analysis at no charge. For others, it will be available to purchase for \$495. Until then, the following pages offer some of this survey's most notable top-line results.

CONSTRUCTION SUPPLY: THE OPPORTUNITY INDUSTRY

A look behind the numbers of the latest sales compensation survey reveals an incredible upside for hard-working pros.

IN LBM JOURNAL'S SALES COMPENSATION + BENEFITS SURVEY, we sought answers to many questions about attracting, rewarding, and retaining salespeople. The results unexpectedly validated a belief I have long held. Specifically, that this is *the* sexy industry.

During my travels around the country, captains of our industry lament the difficulty of getting people into the construction supply business while expressing the common refrain, "Let's face it. We're not a sexy industry." I disagree.

We offer a growth path in an industry that literally builds this country. More importantly, we provide career security few industries can match.

Show me an industry in which the barrier to entry is nothing more than a desire to work hard and show up on time. Show me an industry in which you can start working as a teenager, perhaps as a loader, and rise to make a six-figure income and gain lifelong financial security. Show me an industry that will never ship the core products we sell overseas,

specifically the buildings we live in, work in, play in, and pray in. To the best of my knowledge, the only industry offering these all opportunities is construction supply.

Let's cut right to the chase. Salespeople, inside counter staff and outside salespeople alike, make a lot of money... or at least they can. We asked you to tell us how much your "highest paid salesperson" earned, and the results prove that this is an industry of opportunity. The significant majority of the survey respondents, 85% reported their top inside salespeople earn over \$40,000 annually. Close to 20% the top inside salespeople make over \$80,000 per year, while 9% of the top inside salespeople earn over \$100,000! *Inside salespeople.*

For outside salespeople, the compensation was even more significant. 57% of the companies reported that their *top earners* make over \$100,000 annually. 18% reported that top earners are paid over \$200,000 per year. Many outside salespeople earn over \$300,000 per year, examples of the income potential for dedicated sales leaders in our profession.

The *average* income for inside salespeople exceeded \$40,000 for over 80% of the dealers who responded to the survey. This is well above the national median (center point) 2017 income of \$31,786 in the U.S. 40% reported that their average inside salesperson earns over \$50,000, just above the national mean (average) 2017 income. At 20% of the companies, inside salespeople average more than \$60,000 per year in compensation.

The survey reveals interesting information about bonuses, benefits, and incentive plans that enable salespeople to drive their income to higher levels. When it becomes available, the complete 2019 Sales Compensation & Benefits Report will contain many more details, but importantly, it will validate the simple truth that a hardworking individual with ambition can thrive. If you presume that many inside salespeople aspire to loftier roles, then the outside sales compensation results should provide ample incentive.

The average income earned by outside salespeople at three quarters of the dealers exceeds \$60,000 per year while 40% averaged above \$80,000. At 20% of the dealers surveyed, the average outside salesperson makes over \$100,000 in annual income.

We broke out statistics for inside and outside salespeople as well as product specialists. In other words, we wanted to establish how companies compensate specialists for windows, cabinets, flooring, trusses and other specialty categories. We discovered, not surprisingly, they are compensated at slightly higher levels than inside salespeople.

The survey revealed two additional, unsurprising facts about our industry. We're old and male.

The overwhelming majority of outside salespeople (94.2%) and inside salespeople (74.7%) in our industry are male. This indicates we're not tapping into half of the brain power available in the country today and raises abundant questions about the causes for omitting so many potential leaders to our business.

The survey showed that the majority of outside salespeople are over 40. Predictably more than three of four outside salespeople are over 40; one third over 54. Less predictable was the finding that more than half (62%) of all inside salespeople are also 39 or older.

These are just some of the highlights from this year's survey. For me, the results show that we are an industry that is not tapping into the rich diversity of talent available today, possibly because of our bias and insecurities of what we have to offer.

My hope is that you'll review the data and conclude there is plentiful opportunity for those who want to succeed, but the success must be earned. The study included a benchmarking question I ask all of my clients: If a salesperson sold \$3.6 million at a 24% gross margin, what would the compensation be? The answer is approximately \$102,900, a finding consistent with the data I have accumulated from my clients over the years. In other words, six figure incomes and above are attainable, but require hard work.

Obviously, your compensation plan is the one you currently have to sell, which is why it is important to benchmark your compensation against other dealers in the industry. The real power comes when you recognize that your compensation offer might be more competitive than you think. More importantly, you offer a learning environment in an industry that will never stop evolving, never stop building, and never stop being sexy.

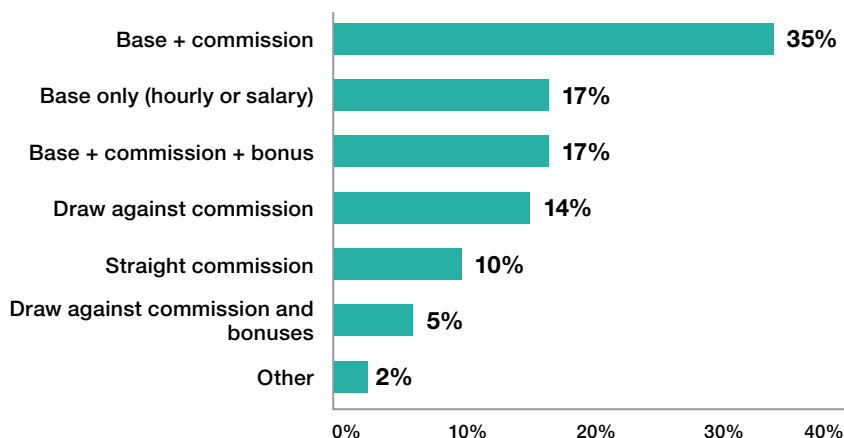
— RICK DAVIS, BUILDING LEADERS, INC.

ON TO THE RESULTS



THE 2019 SALES COMPENSATION + BENEFITS

COMPENSATION TYPES FOR OUTSIDE SALESPEOPLE



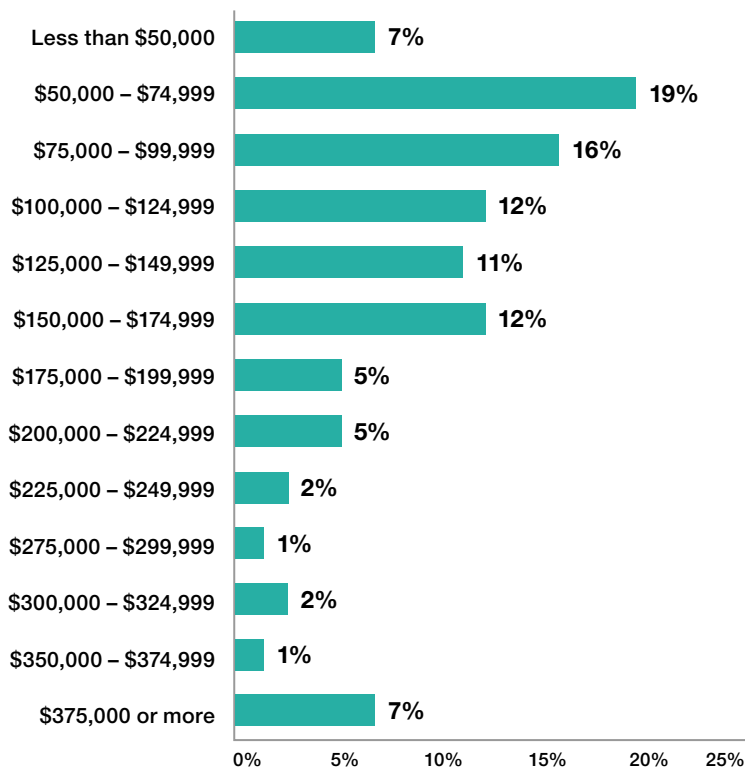
TYPICAL COMPENSATION FOR OUTSIDE SALESPEOPLE

35% of respondents pay outside salespeople with a base plus commission. Base-only pay accounts for 17% of an average employer's outside sales compensation, and base plus commission and bonus accounts for 17%. Less common forms of compensation include drawing against commission (14%), straight commission (10%), and drawing against commission and bonuses (5%).

HIGHEST-PAID OUTSIDE SALESPEOPLE

18% of the highest paid outside sales people earned over \$200,000 in 2018. 17% made \$150,000 to \$199,000, while 23% made between \$100,000 and \$149,000. 35% of respondents report that outside salespeople earned between \$50,000 and \$99,000.

2018 EARNINGS OF HIGHEST PAID OUTSIDE SALESPEOPLE



OUTSIDE SALES BENCHMARKING

Since the specific details of outside sales compensation plans vary widely from company to company, we added a question this year to create a benchmark based on a salesperson with net sales of \$3.6 million at 24% gross margin. Based on the 250 respondents to this year's survey, the average outside salesperson with those numbers can expect to earn about \$102,900 a year.

WHAT ABOUT INSIDE SALESPEOPLE?

Considering their growing importance in the industry, inside salespeople are a new element of this year's study. More contractors are working with inside salespeople, especially as the remodeling market continues to be so strong. Dealers that serve both pros and consumers employ a higher number of inside salespeople, on average, than pro-focused or specialty dealers. A dealer serving both pros and consumers employs an average of 15 inside salespeople, compared to pro-focused dealers at 11 and specialty distributors at 9.

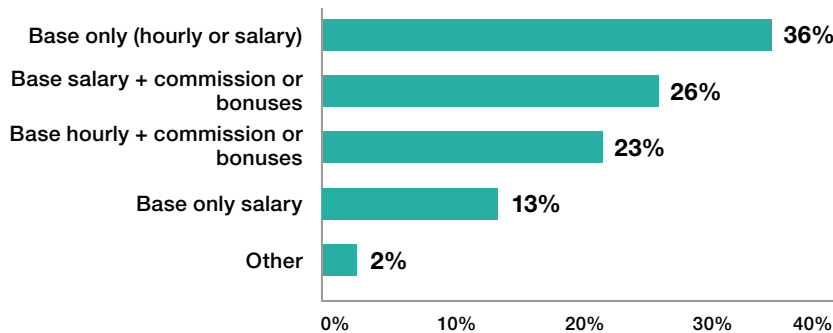
SURVEY RESULTS

The typical compensation structures for inside salespeople are base-only, base salary plus commission or bonuses, and base hourly plus commission or bonuses. On average, companies report that 36% of their inside sales force receives base-only compensation, which is nearly 20% more than those in outside sales. Compared with outside salespeople, fewer inside salespeople tend to be paid base salary plus commission or bonuses at 26%. Base hourly plus commission or bonuses is slightly less typical at 23%.

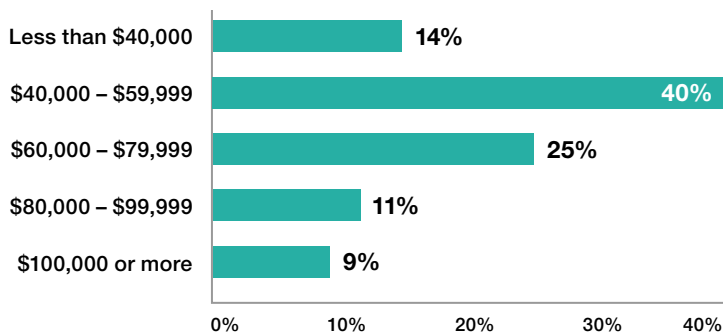
As expected, earnings for the highest paid inside salespeople were lower than earnings of the highest paid outside salespeople. 65% of the highest paid inside salespeople made \$40,000 to \$79,000 in 2018. 14% made below \$40,000, while 20% made \$80,000 or more.

Because inside salespeople can be a critical pipeline of talent, you should examine whether your wages measure up to the market. Across all companies, the mean hourly rate for inside salespeople is just under \$18. Hourly compensation varies across regions, with inside salespeople in the Northeast making the most and those in the South with the lowest average of just under \$17. Companies said they determine hourly rates for inside salespeople primarily by experience. ➤

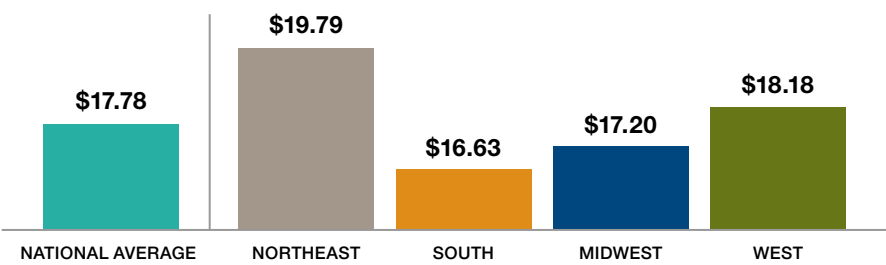
COMPENSATION TYPES FOR INSIDE SALESPEOPLE



2018 EARNINGS OF HIGHEST PAID INSIDE SALESPEOPLE



WHAT IS THE AVERAGE HOURLY RATE FOR YOUR COMPANY’S INSIDE SALESPEOPLE?

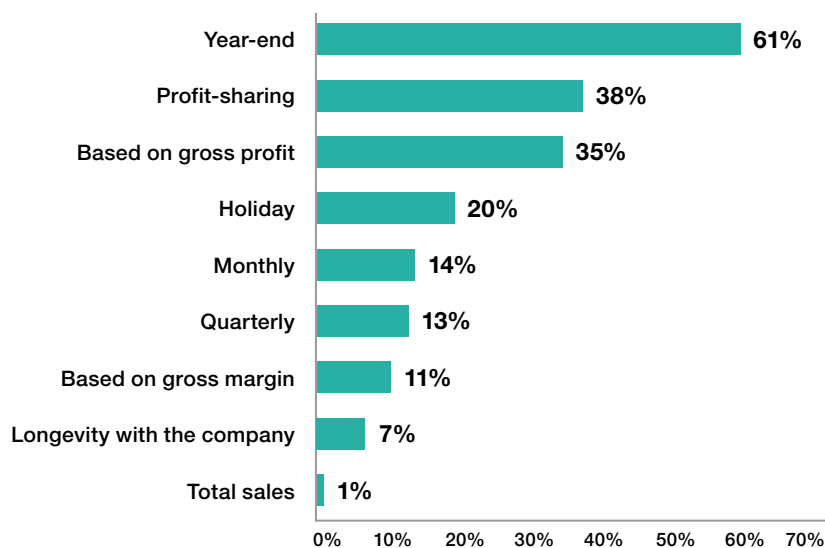


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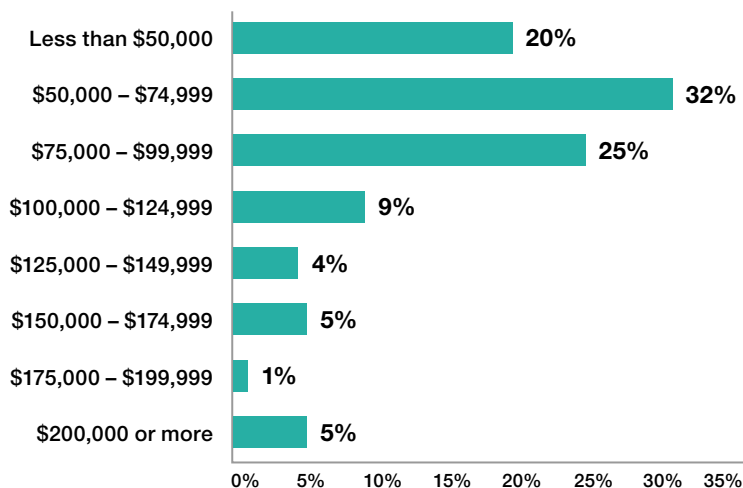
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WHAT TYPE OF BONUSES DOES YOUR COMPANY OFFER?



2018 EARNINGS OF HIGHEST PAID SPECIALTY SALESPeOPLE



Almost all companies offer bonuses for inside salespeople. When asked about types of bonuses offered, 61% of respondents said they offer year-end bonuses, 38% said profit-sharing, 35% said based on gross profit, and 20% said holiday. Monthly and quarterly bonuses and those based on gross margin were less common at less than 15% each.

62% of employers report that they calculate bonuses and commissions based on individual performance. Company performance is common but less popular at 40% of employers. Team, group, or brand performance also plays a role at 35%. Note that the total exceeds 100% because respondents were able to select multiple answers.

COMPENSATION FOR SPECIALTY SALESPeOPLE

Many dealers recognize the value of having a salesperson who specializes in categories like kitchen, bath, windows, or trusses. They serve a unique function and can be compensated differently from other salespeople. We found that 41% of companies paid specialty salespeople \$50,000 to \$69,999 in 2018.

Most of the highest paid specialty salespeople made less than \$100,000 in 2018. 32% earned \$50,000 to \$74,000, and 25% earned \$75,000 to \$99,000. 20% made less than \$50,000.

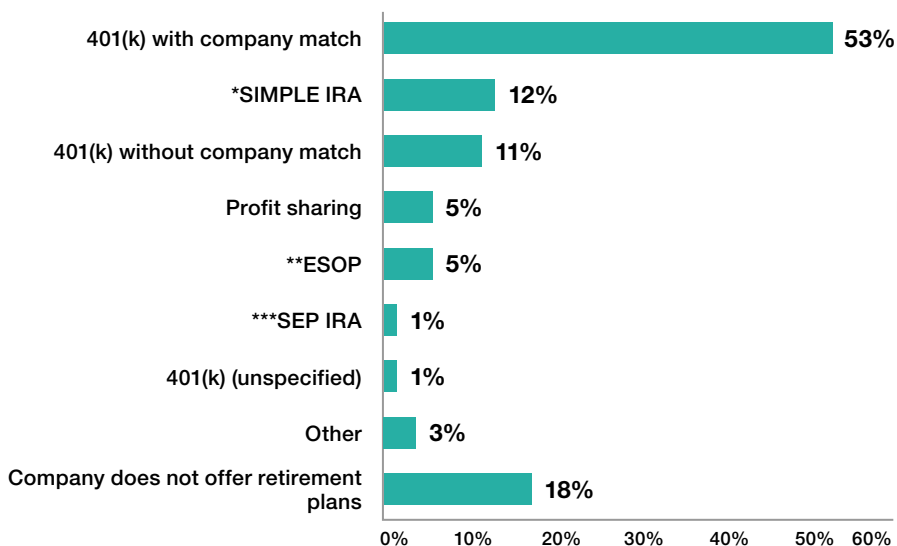
BENEFITS

Employees expect two major benefits: a retirement plan and health insurance.

If you want to attract top talent, it's clear from the results of this survey that offering a retirement plan is key. We found that 82% of employers offer some type of retirement plan. A 401(k) with company match is far and away the most popular plan, with 53% of respondents offering this type. A SIMPLE IRA and 401(k) without company match are a distant second and third at a little over 10% each. Just 18% of respondent companies offer no retirement plan.

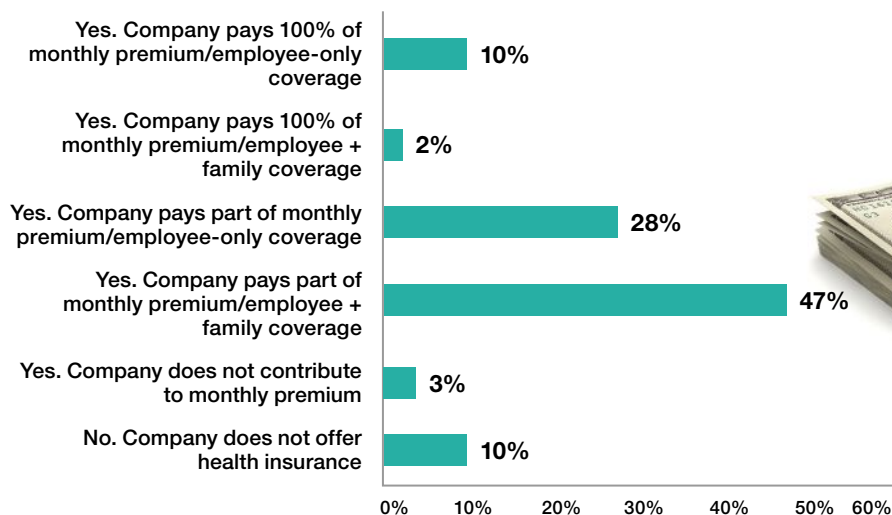
Health insurance is also a very common element of most sales compensation and benefit plans, with 90% of employers offering health insurance to their sales force. But what type of health insurance do salespeople expect?

WHICH OF THE FOLLOWING RETIREMENT PLANS DOES YOUR COMPANY OFFER?



*Savings Incentive Match for Employees
 **Employee Stock Ownership Plan
 ***Simplified Employee Pension

DOES YOUR COMPANY OFFER HEALTH INSURANCE COVERAGE?



We found that 47% of companies offer health insurance coverage and pay part of the monthly premium for employee plus family coverage. Paying the premium for employee coverage alone is less common at 28% of companies. 10% of respondents said they pay the entire monthly premium for employee-only coverage, while only 2% said they pay the entire premium for employee plus family coverage.

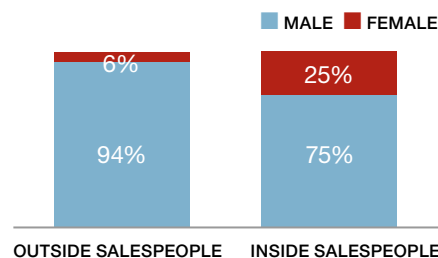
28% of companies that cover a portion of the monthly premium pay 41-50%. The second most popular percent range for coverage is 71-80% at 27%.

The mean percent coverage across all companies is 62%. Companies with a sales volume over \$20 million have a mean percent coverage of 66%, while those with less than \$20 million cover 60% on average.

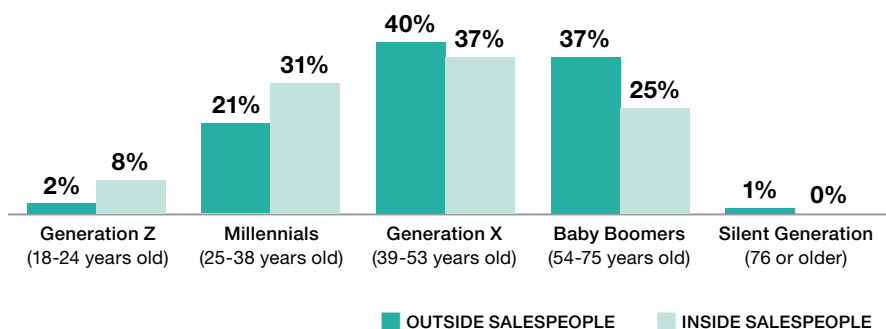
Providing perks to your sales force is important as well. Nearly all employers provide perks such as phones, expense accounts, or car allowances. The most common perk is a company-provided phone, with 60% of employers offering it. Half of companies offer an expense account, and 40% offer a car allowance or company vehicle.

PROFILE OF TODAY'S SALES FORCE

Outside and inside salespeople tend to differ in gender makeup, age, and tenure. Just 6% of outside salespeople are female, whereas 25% of inside salespeople are female.



AGE OF SALESPeOPLE



Around 2% of those working outside are ages 18-24, and 21% are 25-38 (Millennials and Gen X). 78% of outside salespeople are ages 39 and over. Inside salespeople are a comparatively younger group, with 8% who are 18-24 and 31% in the 25-38 range.

On average, outside salespeople have slightly longer tenures. An outside salesperson has an average tenure of 15 years, while an inside salesperson has an average tenure of 12 years.

RESPONDENT PROFILE

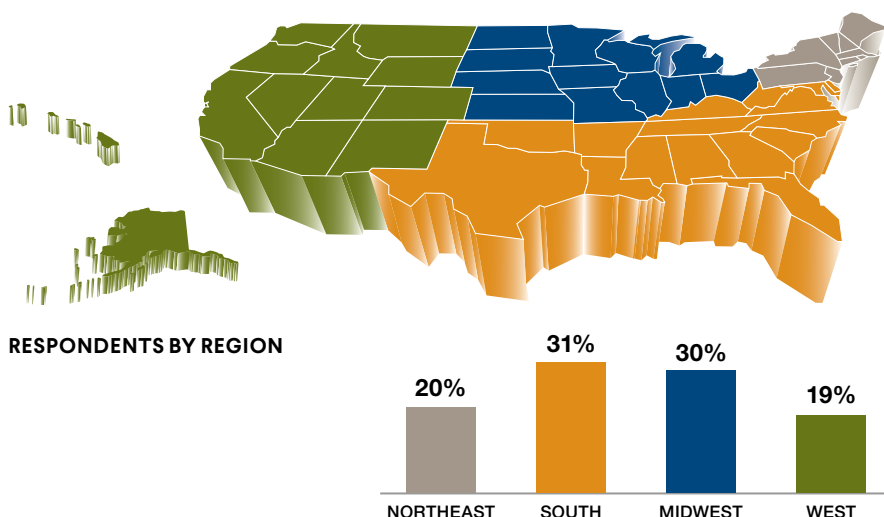
This study has a representative sample of U.S. regions. Nearly 20% of respondents work in the Northeast, and 19% work in the West. Companies in the South make up 31% of the sample, and Companies in the Midwest make up 30%.

Almost 60% of respondents work at a building materials dealer or lumberyard serving both pros and consumers. Around 20% work for pro-focused dealers, while another 20% work at specialty dealers or distributors.

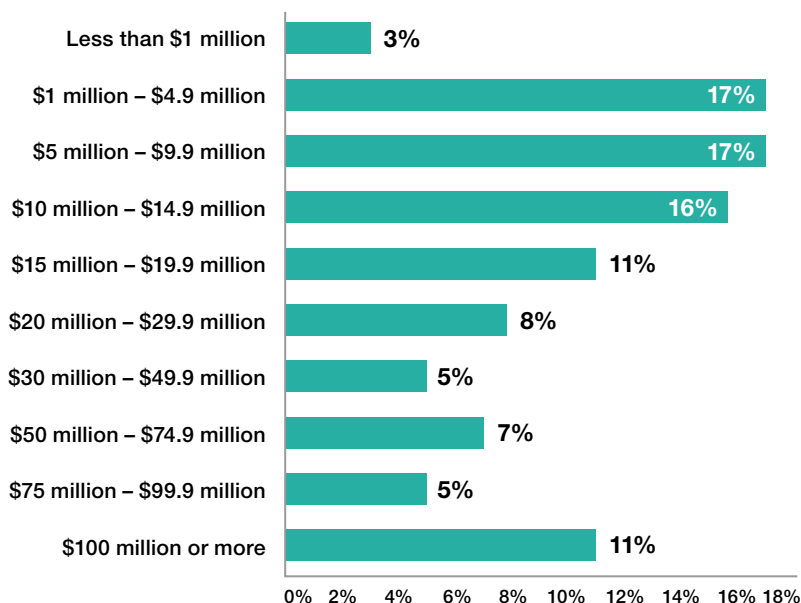
About half of respondents have one company location, and 40% have 2-10 locations. Around 10% have 11 or more locations.

Sales volume varies considerably among respondents. 37% of companies reported revenues of less than \$10 million in 2018, 40% make \$10 to \$49.9 million, and 36% reported making \$20 million or more in 2018. ■

RESPONDENTS BY REGION



SALES VOLUME



LBM JOURNAL EXCLUSIVE SALES COMPENSATION + BENEFITS 2019

FULL REPORT

Readers who completed the survey received a complete copy of the results of this study, with analysis from The Farnsworth Group, including regional breakouts for many of the questions. It is available for purchase for \$495 at LBMJournal.com/salescomp. If you'd like to participate in next year's study, contact: James@LBMJournal.com, and we'll make sure to send you the email invitation.



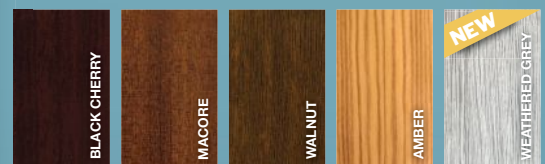
WITH VERSATEX IN COLOR

Extend your design options with the newest technology in cellular PVC trim! The VERSATEX *Canvas Series* has been developed to add contrast to your porch ceilings and interior trim projects. This innovation combines warm woodgrain finishes with our moisture-resistant T&G WP4 profile, Stealth Beadboard, 4" Crown Moulding and Bed Mould. Through the Canvas Series, VERSATEX delivers the look of rich hardwoods with a proven exterior grade laminate that eliminates labor-intensive re-staining requirements.

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IN DEPTH



MOULDING, MILLWORK & TRIM

DEMAND FOR LOW MAINTENANCE,
EASY INSTALLATION DRIVES TRENDS

BY JONATHAN SWEET

WITH A WEALTH OF ALTERNATIVES beyond traditional wood options, dealers have plenty of choices these days when it comes to moulding, millwork and trim products. From PVC to polyurethane to composites, manufacturers are looking to reduce maintenance and make products easier to install in response to demands from consumers and contractors.

“Low-maintenance in any product is always a key attribute for today’s homeowner,” says Steve Booz, vice president of new product development & product management at Royal Building Products. “Homeowners want a great looking house, not a weekend project requiring yearly maintenance. This is why Royal’s Trim & Moulding products are easy to use and easy to maintain. Products need to be resilient and maintain their beauty over a lifetime.”

That trend is especially important with younger homeowners, says Matt Michalski, product manager, Boral Building Products.

“And that means builders are increasingly looking at the longevity of the products they choose,” Michalski says. “Higher-quality products generally cost more, but offer a longer life span, a better aesthetic, and higher performance; builders, remodelers, and dealers who can offer that will be at an advantage.”

At the same time, the labor shortage in the construction industry is driving development and production of new products that can be installed more quickly and easily. ➤



Royal Building Products introduced its Shiplap trim in 2018, providing designers and homeowners with the authentic look they desire in a low maintenance material. Shiplap is designed for outdoor accents or indoor projects, and works perfectly in a kitchen or bathroom where wood can suffer from the effects of moisture.

"The trade must be able to move from one job to the next quickly, which is why Fypon products are ranked high within the industry because they are lightweight and in most cases can be installed by one person," says Mary Nesper, senior product manager for Fypon. "Low-maintenance is crucial as well. Homeowners don't want to spend time replacing or repairing issues with products on their home. They want them to last a long time and here is where Fypon excels. Fypon products are weather- and insect-resistant and look beautiful for years."

NEW OPTIONS, NEW LOOKS

With those parallel needs of low maintenance and ease of installation—and increasing demand for more creative design—manufacturers in the segment are rolling out many new innovations.

An example from Palram is Palight, a free foam PVC trim board designed as an alternative to traditional wood

products. It is available in typical wood profile sizes. It can be easily cut, shaped or painted. Another advantage of Palight is the protective EverClean film available as a standard feature on the products, says Palram business unit manager Jeff King.

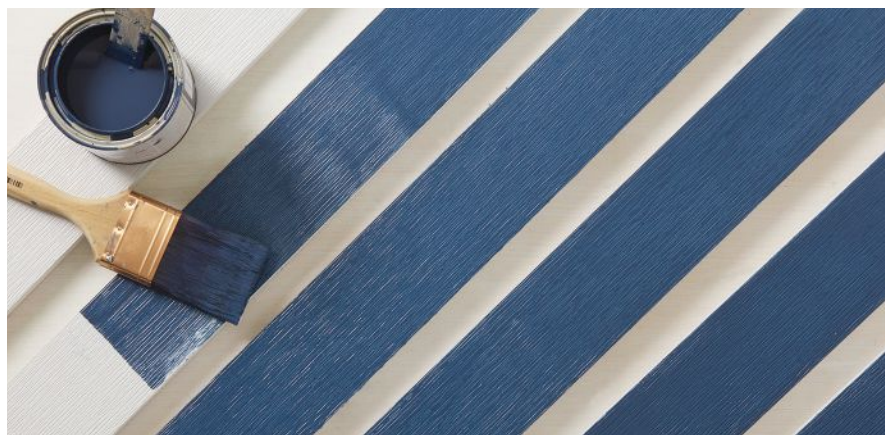
"When we're talking about warehousing a product, there's a chance for everything to get dirty," King says. "And in that process with the EverClean film on it, it does protect against that. Also the biggest benefit is when it's on a jobsite, that's when things really get dirty. And you can leave the EverClean film on until you're done with the project. ... You don't have to worry about scrubbing it down and wiping it down, and it's a good benefit."

Beyond traditional white, the company also offers its trim in sand or clay colors with its proprietary Color2Core technology. Palram also recently introduced its corner accessories in sand and clay as well.



RIGHT: EverClean protective film on Palight trimboard helps protect the boards on the jobsite and during transit to keep the product safe and pristine.

BELOW: AZEK's new PaintPro is engineered to be painted, cutting installation and curing time while delivering long-lasting color.



"We're the only people out there who have a true Color2Core," King says. "The color is all the way through."

The demand for those earth tone trim colors is growing, King says.

"The demand for a softer look, those markets are growing especially in the Midwest and Mid-Atlantic," he says. "The Northeast is predominantly white trim board, so it's a little tougher market to penetrate."

AZEK is also seeing more demand for colored trim, with many homeowners opting to paint their trim—something that is not always an easy task, says Loi McLoughlin, vice president of sales—trim and siding.

"We're starting to see the trend that when you move away from the Northeast, you move away from the coast, more and more people they want color trim," McLoughlin says.

AZEK is addressing that with its new PaintPro, trim that is "engineered to be painted."

"PaintPro will do a few things for you," McLoughlin says. "The paint will dry within half an hour to an hour, so you can touch it. You don't have to prep it, and then once the paint is on, the paint will stay for a very, very long time because PVC is impervious to moisture. ... So, PaintPro, keeping its cost slightly less than our regular white trim, you can paint it, and the adhesion is great, and the paint would dry in an hour versus two days."

AZEK recently introduced a built-in J-channel to its trim board, another advancement with improved aesthetics in mind.

"We're starting to see, especially in the Midwest, that builders are starting to put real trim on vinyl homes," McLoughlin says. "They have fiber cement in the front, and then three-sided vinyl, but then they use [wood] trim and then they use the J channel. Our product is designed that it's got a built in J channel, three-quarter J channel, so they can tuck it in, so it looks a lot cleaner."

"We know that AZEK trim is being used on fiber cement and cedar, but now we have a solution to even address the vinyl," he adds. "Dealers can actually make money now ... in a market that they normally don't reach." ➤



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Beyond painted and colored trim, there is also growing demand for PVC trim with woodgrain.

"While markets in the Mid-Atlantic and westward have always embraced woodgrain textured products, the Northeast has historically been a smooth trim market," says Jerry Blais, Ply Gem's general manager-PVC trim & roofing. "Many East Coast builders are breaking the mold by using cellular PVC with a woodgrain finish that complements siding with a similar pattern."

Ply Gem has several other new products and features designed to address the demand for lower maintenance and ease of use.

"Our PVC trim sheets are now available with film protection in every thickness and length," Blais says. "Sheets can sit in inventory for longer periods

of time, and we feel it's important to give the distributor a way to protect the surface from dust collection. Additionally, we've recently introduced Beadsheets in 8' and 10' lengths that install at a full 48" width in order to address sizing needs of contractors."

Ply Gem has also introduced Basic and Premium Décor Kits for use with its post wraps and accessories. Both kits are available to fit Ply Gem's 4x4, 6x6 or 8x8 post wraps. The Basic kits contain four moulding sets and glue for the first level upgrade all in one kit. The Premium Kits give the installer a single package decorative solution that contains glue, five moulding sets, as well as top and bottom doubled appearance accents.

CertainTeed Restoration Millwork is a line of trim products that look and

feel like lumber, but offer the performance of cellular PVC. In a response to market trends, CertainTeed recently introduced a new 3/4" reversible panel to its Restoration Millwork cellular PVC trim line that features a WP4 V-groove on one side and a 1/4" nickel gap on the other.

"This panel also features our Tight-Lap nailing flange to ease installation by creating a larger nailing area between the tongue and groove connection," says Matt Rapposelli, product manager, CertainTeed Outdoor Living and Trim. "This, along with it being a bit thicker than the standard 1/2" panel, also helps to eliminate or reduce the number of visible fasteners."

Another innovation that helps ease installation and offer a superior visual is CertainTeed's InvisiPro hidden fastening system.

"This is a two-part system that utilizes grooves cut into the backside of trim boards and one-piece corners as well as starter strips and nail flanges," Rapposelli says. "The starter and nail flanges securely lock into the grooves eliminating the need for face nailing and ensuring a clean, fastener-free surface. The product is fastened to the wall via the nail flange, which is in turn covered by the cladding/siding. Corners come with grooves already installed, so all you need is the nail flange to do the fully hidden fastener system."

Versatex is also working to meet the demand among homeowners for more options on the exterior of the home.

"New Versatex products over the past 12 months have been focused on line expansions to provide more choice," says marketing manager Sarah Rawlings. "For example, we have expanded our Canvas Series product line to include Stealth Beadboard and Bed Mould for those looking to create a different look than the traditional WP4 and crown moulding options previously offered. Plus, as of January 2019, the line includes a total of five finish options: Walnut, Black Cherry, Macore, Amber, and the newest addition, Weathered Grey."

Versatex offers several benefits to both homeowners and contractors, Rawlings says. ➤

RIGHT: Ply Gem recently introduced Beadsheets in 8' and 10' lengths that install at a full 48" width to address sizing needs of contractors.

BELOW RIGHT: Versatex has expanded its Canvas Series product line to include Stealth Beadboard and Bed Mould. The line includes five finish options: Walnut, Black Cherry, Macore (shown), Amber, and the newest addition, Weathered Grey.

BELOW: CertainTeed Restoration Millwork WP4 Nickel Gap, the newest profile in the Restoration Millwork cellular PVC trim collection.



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IN DEPTH

"When comparing Versatex trim options against wood, the key advantages are surrounding longevity, especially in high moisture environments," she says. "Against other materials in the market, such as fiber cement and fly ash, Versatex advantages include ease of handling and installation, as well as lesser environmental impact due to manufacturing and recycling methods. Finally, against other PVC options, Versatex leads the market in not only the breadth of our product line but also the quality of our formulation, with minimal 'filler' materials that contribute to discoloration, expansion and contraction, inconsistent cell structure, etc."

Kleer Lumber has added several new accessories to its lineup of cellular PVC trim.

"We recently expanded our KLEERWrap column wraps with a 10" option," Michalski says. "This larger size addresses the trend toward larger porch columns; it delivers a more robust look that's a true focal point. Like our smaller sizes, the 10" column wrap encases treated posts to create a finished look without the long-term maintenance hassles of wood, and it can be installed with just one person, which is a crucial detail in today's tight labor market."

Also new from Kleer is its outside corner with integrated nailing flange.

"The nailing flange forms a 3/4" pocket to conceal end cuts, so it saves installation hassles while ensuring a clean, streamlined appearance," Michalski says. "It's also a great option for dealers because it works well with a range of siding materials—vinyl, shake, shingle, stone, and more."

For the TruExterior line, the company recently introduced 2x trim, providing greater options for dealers to offer their customers for creating custom exterior looks. "This look is especially popular in the South, where it's well-suited to more robust siding profiles and bolder looks," Michalski says. "The 2x trim is made with TruExterior's proprietary blend of polymers and fly ash, which provides the desired aesthetic of wood but with better workability and minimal expansion and contraction due to temperature and moisture changes."

Modern Farmhouse style is an emerging style that is becoming more popular, Fypon's Nesper says.

"Homeowners love the relaxed and comfortable feeling of this new design," she says. "And Fypon has several new products that offer builders and remodelers the opportunity to create a stunning exterior with our new product."

Those new products include barn-style Shaker Modern Farmhouse Shutters, Rafter Tails that can be placed over a 2x4 or 2x6 structural support for a porch or gable front overhang, protecting them from the elements, and column wraps, made from durable PVC that doesn't require painting.

Column wraps are also one of the new products from Royal Building Products in 2018.

"Whether you are dressing up your front porch or your deck, these low maintenance column wraps provide the architectural accent to fit any home," Booz says. "Available in craftsman, traditional, and contractor styles, Royal's PVC wraps allow you to achieve a look that matches your home or project. This low-maintenance addition to your project is quick and easy for the contractor to install with its one-step installation and clamshell design."

Royal also introduced nickel gap and shiplap in 2018.

"These products provide designers and homeowners with the authentic look they desire in a low maintenance material," Booz says. "Great for outdoor accents or indoor projects, and works perfectly in a kitchen or bathroom where wood can suffer from the effects of moisture."

All of these alternatives doesn't mean there isn't still a demand for real wood products, says Ken Freedman, senior category manager at BlueLinx. ➤



Tamlyn's XtremeTrim (extruded aluminum trim) profiles are available to match multiple panel siding systems. Engineered to be sustainable, durable, non-combustible, lightweight, easy to use, for both interior and exterior use, XtremeTrim is available in thousands of design and color options, allowing architects and users to dramatically improve their building aesthetics and create modern architectural lines.



ABOVE: Boral Building Products' Kleer brand has added a 10" post wrap to its line of KLEERWrap porch and column wraps. KLEERWrap post wraps are simple to install with just one person. Each wrap comes with three sides preassembled; the installer applies adhesive to the joints of the three-sided piece and secures it around the wood post, then "snaps" the fourth side into place and fastens.

BELOW: NuWood's brackets can be utilized in the interior or the exterior of any home. They are commonly used under soffit, window ledges, dentil blocks, shelves, eaves, balconies and window boxes. Nu-Wood brackets are easy to install, are finished and ready to hang out of the box, can be custom painted, and will never crack, peel or chip.



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"Building on the success and popularity of our original Shadow Gap products, we added Vintage Shadow Gap to the PrimeLinx family of products," he says. "It offers customers the look of reclaimed wood in two distinct styles—1/8" self-spacing shiplap and authentic narrow line. Vintage Shadow Gap features the character markings of distressed, reclaimed wood without the hazardous paint or insects found in other reclaimed boards."

BlueLinx products are designed and engineered for ease in application and finishing.

"As a result, they require less labor and technical skills to install," Freedman says. "Quality and consistency are key components of the PrimeLinx product line."

In 2018, Woodtone introduced RealTrim Treated, its new primed wood trim product.

"RealTrim Treated has been tested using industry recognized standards and the results were truly superior in terms of resistance to mold, mildew and fungus growth," says Mike Pidlisecky, vice president sales & marketing. "This proprietary treated sealant protects the surface of the wood without infusing the substrate with water, which could potentially compromise the substrate structure and accelerate fungi growth."

Woodtone created RealTrim Treated in partnership with Sherwin Williams.

"To achieve the industry leading performance we demanded, Sherwin developed IsoTek, the first step in our two-step treatment process," Pidlisecky says.

In 2019 and beyond Woodtone is seeing a refocus on wood building products for inside and outside the home.

RIGHT: PrimeLinx Vintage Shadow Gap offers customers the look of reclaimed wood in two distinct styles—1/8" self-spacing shiplap and authentic narrow line. Vintage Shadow Gap features the character markings of distressed reclaimed wood without the hazardous paint or insects found in other reclaimed boards.

BELOW: Fypon's column wraps are made from durable PVC, don't require painting and are engineered to stand up to harsh weather conditions.



"Wood grain is once again being directly equated with higher value products, and we anticipate we will continue to see this trend grow," Pidlisecky says. "We are also seeing a big focus on experimenting with multiple textures, substrates and colors on a single building in multifamily and commercial developments, giving the opportunity for manufacturers to collaborate on designs and offerings."

MiraTEC by Jeld-Wen recently rolled out a thicker trim to meet the need in luxury applications, as well as MiraTEC Smooth Select, a smooth two sides trim with an ultra-smooth surface and nearly square edges. Most recently, MiraTEC introduced gray primer to its exterior trim boards.

"This color change both enhances the appearance of MiraTEC's detailed woodgrain texture as well as its smooth side, and it provides increased durability on the job site because it is easier to keep clean," says Laura Ahrens Brown, Jeld-Wen marketing manager, building products. "The quality of the primer sustains the same high-performance level by providing moisture, rot, and termite resistant product that builders rely on day after day, job after job."

MiraTEC has a 50-year limited warranty to provide long-term coverage for homeowners.

"MiraTEC trim differs from other trim products on the market by providing 'best' level performance at an affordable price point—builders aren't forced to sacrifice quality to meet project budget needs," Brown says.

FINDING THE RIGHT SOLUTION

With all the options on the market, it can be difficult to sell customers on the benefits of a given product.

Palram's King recommends explaining the long-term savings of PVC products as an important selling point.

"What they have to do is sell the benefits," he says. "It is a much more expensive product than wood but it does last with the elements and it's not going to rot or have those effects that wood would have."

It's important to know the customer and what they're trying to achieve with the project. ➤



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"If it's a short-term fix and they're worried just about cost, then wood is probably the way to go," King says. "But if they're looking for something that has a nice finish, that's going to last and not have to put it up again, then PVC is your way to go. So it's about asking questions at the dealer level about what their end goal is and what they're trying to accomplish with the trim products. And if they know that they can work it backwards from there and find the best product."

Listen to the customers and what they need, AZEK's McLoughlin says.

"Don't try to be the financial adviser to your customer," he says. Don't "assume that people want the cheaper stuff as opposed to asking them what is it that they're doing. I guarantee you if someone is building a \$2 million home, they're looking for the best product, not the cheapest product, and sometimes I see a lumberyard, the first thing they assume, 'Oh, I want something cheap.' And they leave money on the table."

In the end, aligning your dealership with a strong company with a long history is the key to continued success.

"You can always go around the world looking for the cheap stuff, but I tell you what ... the brands that endure are the ones that deliver on the brand promise," McLoughlin says. "A good company works hard to make sure that the product endures, and makes sure that their customer service endures. That's how you delight the customer, and that's how you get them to come back."

Woodtone's Pidlisecky agreed, noting the importance of adding value for the contractor or builder.

"2019 is a great year for reviewing the product lines and programs which have typically been identified as 'commodity' or low margin categories," Pidlisecky says. "Some examples of these are raw pine boards of primed exterior siding. In these scenarios the products are installed in the home and a painter is required onsite. Revenue and margin opportunities exist for the retailer when they move to prefinished materials, offering the builder a 'finished' solution."

An educated and informed dealer staff is the most important part of mak-

ing the most of the category, Versatex's Rawlings says.

"Through programs like VERSAT-EXPERT, dealer sales reps can really understand not only the product line, but also the manufacturing methods and unique value propositions that VERSATEX brings and better respond to the needs of their customers," she says. "We also make sure technical bulletins and best practices information is accessible in print and online."

Although training can take time away from the everyday operations of a dealership, it will pay off in the long run.

"When a dealer sales rep is knowledgeable on products and their value propositions, builders and contractors will be more confident in the products as well," Rawlings says. "Plus, the more you know about the product, the easier it will be to identify additional applications and sales opportunities."

Be sure to take advantage of all the marketing support and co-op programs available as well, Rawlings added.

Creating material displays, such as building a wall section or small house can be a good way to demonstrate the quality of the products.

"Our most successful dealers leverage Ply Gem's extensive sample and display offering and encourage contractors and builders to sell the full product offering," Ply Gem's Blais says. "Dealers can be very successful with this approach, creating more satisfied homeowners and beautiful homes while increasing their profits."

It's also a good idea to provide outside sales staff with corresponding ride-along displays and samples, says, Quinn Wright, regional sales manager - MiraTEC.

"Continuing education is critical," Wright says. "Providing educational lunches or dinners for contractors in coordination with vendors and manufacturers allows the opportunity for informed discussion and detailed questions to be answered." ■

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

INTERNET INFORMATION

Companies highlighted participated in this article.

Allura:
www.allurausa.com

Arauco:
www.arauco.cl

AZEK:
www.azek.com

BlueLineX:
www.bluelinxco.com

Boral Building Products:
www.boralamerica.com

CertainTeed:
www.certainteed.com/trim

CMPC: Selex:
www.selex.cl

Collins:
www.collinsco.com

EastCoast Mouldings:
www.eastcoastmouldings.com

Fypon:
www.fypon.com

James Hardie:
www.jameshardie.com

KOMA:
www.komabuildingproducts.com

LP Building Products:
www.lpcorp.com

Metrie:
www.metrie.com

MiraTEC:
www.miratectrim.com

Nu-Wood:
www.nu-wood.com

Palram Industries:
www.palram.com

Ply Gem:
www.plygem.com

Royal Building Products:
www.royalbuildingproducts.com

Tamlyn:
www.tamlyn.com

Trex:
www.trex.com

Universal Forest Products:
www.ufpi.com

Versatex:
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Woodgrain Millwork:
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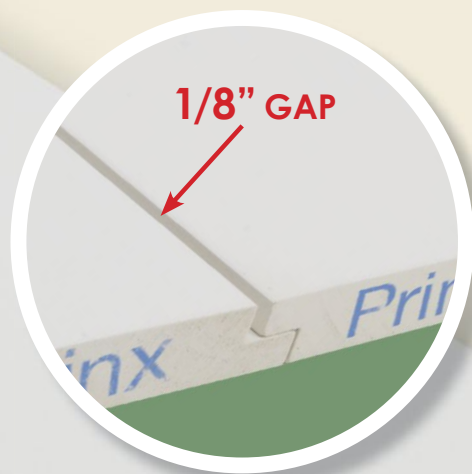
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PRODUCT PICKS

STAFF REPORT

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

Glenview Doors arched entries

Arched entries are new to Glenview Doors' ready-to-ship and in stock program. The distinctive arched designs give a custom-designed look in a standard two-week lead time. Using Glenview's unique Euro Tech layered panel construction and engineered stiles and rails wrapped in solid mahogany, the doors are designed to be durable to withstand the elements. Glenview's in-stock entries feature door slabs measuring 2-3/4" thick, roughly double the thickness of existing solid wood options, the company says. The additional thickness allows for a warranted wood product that doesn't rely on an overhang or expensive multi point hardware to receive a warranty. In-stock entries arrive pre-finished and pre-hung. Glenview's stock program features traditional and modern designs and also offers custom capabilities as part of its custom build program. www.glenviewdoors.com



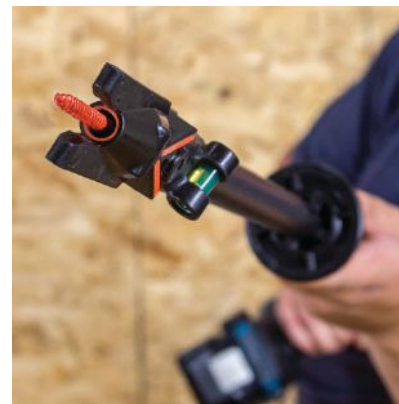
UFP Edge Timeless nickel gap shiplap and trim

Designed for rustic and modern styles, Universal Forest Products' Edge Timeless series shiplap and trim is available in 4", 6", and 8" widths. The product features a 1/8" nickel gap edge, developed to ensure a consistent line for an authentic farmhouse look. An available 1x4 matching trip provides a complementary frame. Each board is made from finger-jointed, knot-free radiata pine, said to resist warping. Available in ready-to-finish primed white or pre-painted in farmhouse white, cavalry blue, or midnight black PPG brand paint. www.ufpedge.com



GPS Insight Vehicle and Asset Tracking Solutions

Lumber distributors with trucks and trailers typically turn to GPS Insight Fleet Tracking Solutions with one of three issues: 1) They don't know where or how their vehicles and equipment are being driven or used. 2) They are concerned with driver and public safety and their company's liability for accidents. 3) They are worried they have inefficient processes that waste valuable time and money. GPS Insight Vehicle and Asset Tracking Solutions are designed to allow a lumber business to manage its mobile assets. The software was developed to enable lumber dealers to view real-time and historical activity, reduce overhead costs, increase overall productivity, enhance customer service, and more. www.gpsinsight.com



Simpson Strong-Tie Quik Stik fastening tool

Simpson Strong-Tie's Quik Stik rafter and truss fastening system for overhead fastening is designed to provide speedier and more accurate fastening of rafter and truss assemblies. With a reach exceeding 43", the Quik Stik installation tool was developed to eliminate the need for ladders and replace heavy pneumatic power nailers and compressor lines. Attach the Quik Stik to any corded or cordless drill or impact driver, load a Strong-Drive SDWC Truss screw into the Quik Stik head, and drive the screw. Designed specifically for use with the Strong-Drive SDWC Truss screw in rafter and truss connections, the Quik Stik efficiently fastens a variety of these installations via the narrow face of stud through the top plate; via the wide face of the stud through the top plate; and into trusses or rafters offset from the stud. go.strongtie.com/quikstik



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PRODUCT PICKS

Tie-Master and Lag-Master fasteners from Grabber

Grabber's Tie-Master and Lag-Master are code-compliant structural framing fasteners designed to be used for nearly all wood-to-wood framing projects. Tie-Master and Lag-Master are engineered as an all-purpose solution for deck ledgers, stair stringers, LVL beams, cabinet installations, roof trusses, girders, and more. Customers can choose the appropriate fastener length. Tie-Master and Lag-Master both feature a type-17 point which is designed to eliminate the need for pre-drilling. Both Tie-Master and Lag-Master meet ICC-ES 3531 requirements for strength, shear, and pull-out values. Tie-Master is recommended for joining wood to wood when a smooth finish is desired. When attaching structural plates, hinge plates, or when decorative metal pieces are used, Lag-Master is recommended.

www.grabberman.com



Milwaukee Extra Bold Large Capacity Chalk Reels

Milwaukee's 100' and 150' Extra Bold Large Capacity Chalk Reels are designed to provide long gear life and the durability needed to perform larger layout applications. Milwaukee's chalk reels feature a planetary gear system designed to distribute force evenly over three gears, putting less stress on internal components to prolong life. The reels also feature a retraction ratio of 4:1, as well as 18oz and 24oz capacities designed to allow for more lines between refills. An extra-large quick turn opening and a stable refill base is said to make refills quick and easy. The new chalk reels offer a line-tensioning feature, designed to give users more control of the line. Available in Extra Bold, Bold, and Fine lines. www.milwaukeetool.com





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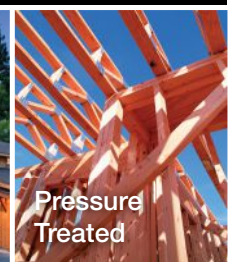
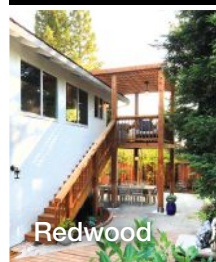
We invite you to learn more about our product lines, operations, and inspirational projects built with our wood. Please visit MendoCo.com.



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➔ THE OLD WAYS ARE STALE

Rick describes the modern "Concierge" sales model and ways top salespeople are embracing change. Sell more products to existing customers; leverage technology; build a team sales concept; onboard new customers successfully; and open new relationships without using price as a weapon. You will learn proven theories to measure the effectiveness of a sales call; organize and evaluate your pipeline; and build long-term relationships of unbreakable loyalty...*on purpose.*



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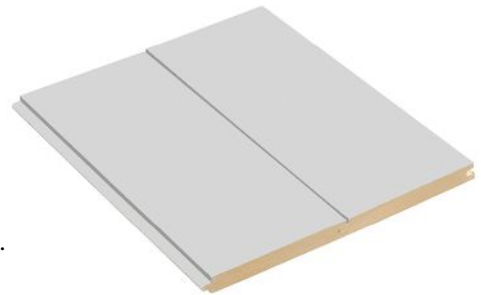
*Rick Davis
CSP, CDT
President*



PRODUCT PICKS

Boral's TruExterior Siding & Trim Nickel Gap profile

TruExterior Siding & Trim's Nickel Gap tongue-and-groove profile is self-gapping, designed to allow installers to achieve this historical look quickly and easily. Made with Boral's proprietary blend of polymers and fly ash, TruExterior siding is built to provide a high level of dimensional stability for reduced expansion and contraction, and durability for resistance to warping, cracking, and splitting. As a result, the siding requires no sealing of ends or cuts in the field, it can be used in ground-contact applications, and it can be painted any color, including dark hues. www.truexterior.com



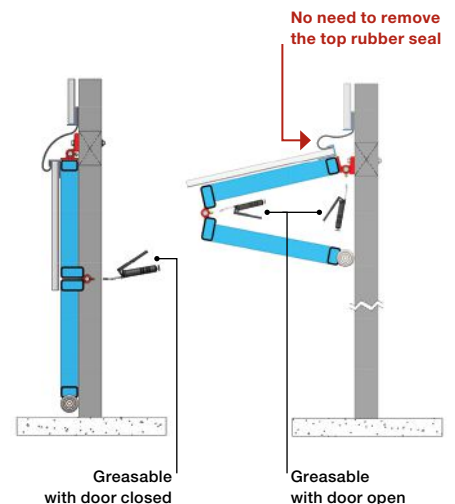
Trex Signature Railing

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



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Schweiss Doors greaseable door hinges

Schweiss Doors has engineered a greaseable hinge with a removable hinge pin. The new hinge design, with grease zerks on every hinge, was developed to let bifold door users grease hinges from the underside of the doorframe without having to go through the process of removing the top rubber weather seal. Schweiss Doors greaseable door hinges are for bifold and hydraulic doors. www.schweissdoors.com

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Princeton Forest Products

www.princetonforestproducts.com

PRODUCT PICKS

Woodtone RealTrim Treated

A two-step treated sealant process used in creating RealTrim Treated has been engineered by Sherwin Williams, the largest coating expert in North America. This treatment has been made specifically for Woodtone RealTrim Treated. The product is warranted against mold and mildew growth as tested by ASTM standards, and is available with a 25-year warranty. Applications include interior and exterior trim and fascia boards; window door and trim; bellyband trim; garage door liner; and rake and frieze boards.

www.woodtone.com/treated



SPAX Powerlags

Powerlags, SPAX's structural wood-to-wood connection fasteners feature a patented thread technology developed to allow the screw to be driven faster, be easier to install, and reduce wood splitting. The High Corrosive Resistant (HCR) coating is said to make the screws ideal for use in treated lumber and exterior applications. Powerlags require no pre-drilling and feature built-in washer head designs (T-star and hex type). www.spax.us



ProVia glazed finishes for entry doors

ProVia's glazed finishes (available for Embarq and Signet fiberglass entry doors) are designed to provide a distinctive weathered, rustic look. To create this finish, the stain on each entry door is hand-applied by ProVia's craftsmen, who apply brush-stroke variations in the depth of stain color on the fiberglass. ProVia's glazed finishes are said to work well with Craftsman-style homes, Victorians, European, French-style architectures as well as Cape Cods and Dutch farmhouses. ProVia's glazed finishes are covered by a 10-year finish warranty.

www.provia.com



X-Lock Interface from Bosch

Bosch metal-cutting and grinding abrasive wheels with the X-Lock mount feature a wheel change that's three times faster than conventional interfaces, the company says. X-Lock wheels are ejected with a lever pull and firmly connected without the need for a spanner wrench or flange nuts. An audible snap tells the user that the wheel is installed securely on the tool. The X-Lock accessories are designed to provide faster change-out for grinders with X-Lock mounts, and most are backward compatible with standard 7/8" mounts. High-quality wheels are designed to cover core grinding applications including but not limited to bonded discs, flap discs, wire wheels, and diamond blades. www.boschtools.com



Fypon Craftsman Crosshead

The Fypon Craftsman Crosshead design was introduced to enhance curb appeal and draw more attention to a home. Long linear lengths are said to eliminate the need for multiple jobsite visits, since the product can be measured and cut to exact requirements. The product is designed for easy installation, just measure and cut, then glue and screw. Multiple molding build-up is not necessary. The Craftsman Cove end caps overlap the breast board to conceal installation screws and eliminate the need for patching. Installation over large openings is said to be simplified as the long length reduces the requirement of placing two pieces together, then patching to cover the cut. Can be ordered to the exact measurement required for any project. www.fypon.com

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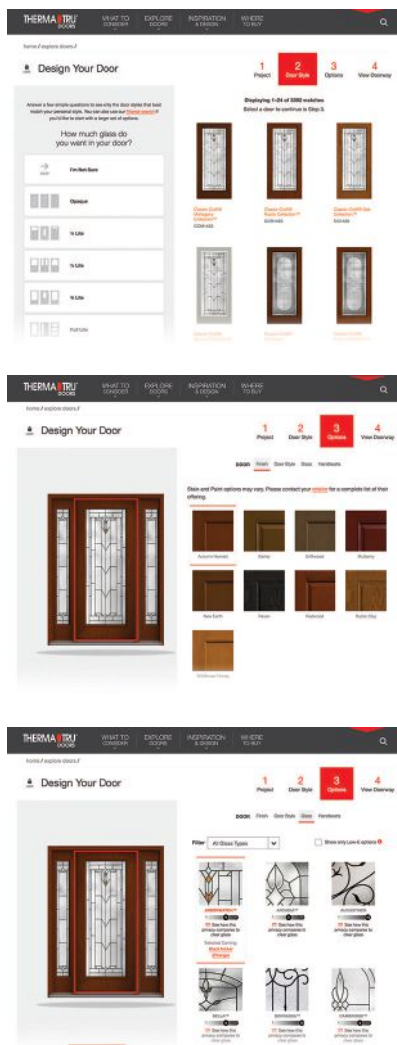
Components:

- Rough Sawn Rails: 2" x 4" - 8'
- Rough Sawn Posts: 4" x 4" - 8' & 10'



Home visualization from Therma-Tru and Renoworks

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



Quik Drive PRODW drywall system

Simpson Strong-Tie's lightweight, auto-feed screw driving system for drywall applications is an 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



Conceal Column Wraps from Royal Building Products

Royal Building Products's Conceal Column Wraps are available in Traditional, Craftsman and Builder styles. The 100% cellular PVC column wraps feature a "clam shell" design with three pre-assembled sides that surround the existing post, designed for a seamless appearance. The fourth side is applied to enclose the entire column. Royal's Column Wraps are said to be resistant to moisture, preventing issues found in traditional wood columns, such as warping, rotting and insect damage. Royal's new column wraps, capitals and bases are available in the three unique styles. They're said to be virtually maintenance-free and easy to install using typical tools. Backed by a limited 25-year warranty. www.royalbuildingproducts.com



DAP Kwik Seal Ultra

Kwik Seal Ultra from DAP is a siliconized bath and kitchen sealant formulated with ultra hydrophobic technology designed to repel water, soap scum, stains and dirt so mildew can't grow, stains won't stick and dirt rinses off. It's also backed by a lifetime mold and mildew guarantee for the sealant to stay looking clean, fresh and new. Kwik Seal Ultra is designed to be easy to use. It applies smoothly, is low in odor, cleans up with water and is water ready in four hours. The product is said to provide a durable, waterproof seal around sinks, showers, tubs, backsplashes, countertops and fixtures. www.dap.com





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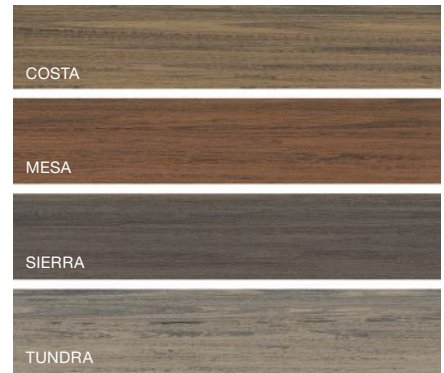
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PRODUCT PICKS

Deckorators' Voyage composite decking

Voyage, the new composite decking from Deckorators, features the company's patented Eovations technology, designed to deliver what is said to be the industry's best strength-to-weight ratio. Eovations also absorbs virtually no moisture, which virtually eliminates thermal expansion or contraction. Deckorators says Voyage decking provides 34% or greater surface traction than other leading brands of composite decking. Vertical grain variegation is featured to give Voyage a trend-forward appearance. Voyage comes in four colors: Costa (golden brown), Mesa (red brown), Sierra (dark gray), and Tundra (gray). Voyage will be available for 2019 in 12', 16' and 20' solid and slotted-edge profiles, as well as 12' fascia. It is backed by a 25-year structural, 25-year stain-and-fade, and 25-year removal-and-replacement limited warranty that covers water and ground contact. www.deckorators.com



DEWALT TOOL CONNECT Mid-Range Impact Wrench

DEWALT has added to its growing line of 20V MAX tools with the XR 1/2" Mid-Range Impact Wrench featuring the TOOL CONNECT system (DCF896). The TOOL CONNECT system allows for tool control through its PRECISION WRENCH and PRECISION TAP control features, as well as a variety of additional customizable settings within the TOOL CONNECT app. The impact wrench achieves 0-2000 RPM, 3100 impacts per minute, and a maximum torque of 330 ft.-lbs. in forward and 600 ft.-lbs. in reverse. At 6.95" in length and 3.48 lbs. (tool only), it's available in both Hog Ring and Detent Pin configurations. This wrench also features a brushless motor, variable speed trigger, and LED light. www.dewalt.com



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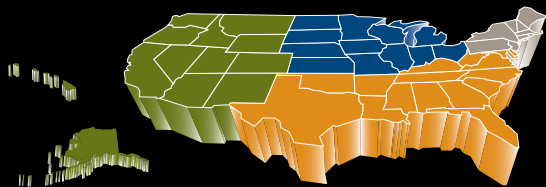
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NLBMDA releases 2019 National Policy Agenda

NLBMDA has released its National Policy Agenda for 2019 as Capitol Hill returns to a divided government. Democrats now have the majority in the House of Representatives after winning a net of 40 seats in the midterm elections. Meanwhile, Republicans expanded their Senate majority and now have a 53 to 47 majority. The change will present a new challenge for the White House that operated with Republican-control of the House and Senate during President Trump's first two years in office.

New policies have been adopted for several issues as part of NLBMDA's 2019 agenda. One of those issues is the growing "skills gap" in the nation's workforce and the negative effects it is having on residential construction. As of December 2018, the nation's unemployment rate stood at 3.9%.

NLBMDA supports the Carl D. Perkins Career and Technical Education Act that provides federal support to state and local career technical education (CTE) programs. In July 2018, President Trump signed the *Strengthening Career and Technical Education for the 21st Century Act* (Public Law No: 115-224), which reauthorizes the Perkins Act.

In addition, NLBMDA has expressed its support for laws that provide vocational training for prisoners in an effort to fill in-demand jobs and reduce recidivism rates. In December 2018, President Trump signed the *First Step Act* (Public Law No: 115-265) that includes vocational training for non-violent prisoners as part of reforms to the criminal justice system.

Immigration reform and its role in helping employers fill positions has grown in importance for NLBMDA. Any immigration reform proposal should protect U.S. borders and allow qualified, law-abiding individuals to work in the country. Moreover, a robust temporary guest worker program is needed to recruit legal, foreign-born individuals when there is a shortage of domestic workers to fill available positions.

Trade has become an increasingly important issue for lumber dealers during the Trump Administration. NLBMDA has taken a position against the steel and aluminum tariffs that began in March 2018, and impose 10% tariffs on aluminum imports and 25% tariff on steel imports. These tariffs increase construction costs, decrease housing affordability, and sparked a trade war that harms consumers.

NLBMDA has also expressed opposition to the latest round of tariffs on Chinese goods that took effect in September 2018. The tariffs apply to 5,745 products and

includes Chinese building materials such as oriented strand board, wood siding, plywood, and roofing slate. Analysis from the National Association of Home Builders estimates that the latest round of tariffs on Chinese products affects \$10 billion of goods used by the residential construction sector.

The softwood lumber dispute between the U.S. and Canada continues to affect the building supply industry as well. NLBMDA has taken a position opposing the softwood lumber tariffs on cedar shakes and shingles imported from Canada into the U.S. It is the first time since 1991 that the U.S. has placed tariffs on cedar shakes and shingles from Canada.

In June 2018, 171 members of the House of Representatives sent a letter to Commerce Secretary Wilbur Ross and Ambassador Robert Lighthizer, the U.S. Trade Representative, asking that the U.S. return to the negotiating table with Canada and redouble efforts to reach a new softwood lumber agreement. NLBMDA spearheaded the effort that was the largest trade letter in 2018.

NLBMDA plans on advancing its public policy agenda as it holds its annual Spring Meeting and Legislative Conference at The Wink hotel in Washington, D.C., from April 1 through 3. There are 99 new members of Congress (90 in the House and 9 in the Senate), so it is a great opportunity for dealers to connect with new and established lawmakers.

NLBMDA members plan to focus on three issues in meetings with lawmakers on Capitol Hill. First, NLBMDA continues to advocate for a long-term resolution to the softwood lumber dispute between the U.S. and Canada. Second, affordable housing has emerged as an issue as limited supply and increasing prices have limited prospective buyers. Third, NLBMDA supports passage of an infrastructure bill that includes funding for affordable housing.

To learn more about NLBMDA's National Policy Agenda on a wide range of public policy issues, please visit www.dealer.org.

Further, dealers and building supply industry stakeholders are encouraged to travel to Washington, D.C. and meet with their lawmakers concerning industry issues at the 2019 NLBMDA Spring Meeting and Legislative Conference. For more information about the meeting or to register, please visit www.leg-con.org. ■

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Attack of the Low-Cost Competitor

A supplier from another market has moved into your territory and is using low pricing to capture business from your long-time customers. What would you do?

AS THE OWNER of a generations-old lumberyard that's been serving your market for nearly a century, your company is on pretty solid ground. Over the decades, your lumberyard has earned a stellar reputation with builders of both single- and multi-family homes. You're not known for having the lowest prices in your market. In fact, Benjamin Franklin's famous quote, "The bitterness of poor quality remains long after the sweetness of low price is forgotten," is printed at the bottom of all of your invoices. It's not just about the products, though you do carry quality products from manufacturer partners who support you and your team when there are warranty or other issues. No, the reason builders buy from you is that they know exactly what they're getting.

Lately, you've noticed that some of your loyal, longtime customers have changed their buying habits. They're still buying the framing packages, insulation, sheathing, house-wrap and trusses, but their orders of windows, doors and cabinets have dropped off significantly. Since those are among your highest-margin items, this change is having a measurable impact on your bottom line. Naturally, you wanted to learn why, so you had conversations with several of your biggest long-time customers.

When you broached the subject with Nathan, whose company's niche is apartment complexes, he explained, "We were approached by a supplier from another market who promised to save us 20% on all of our cabinets. With the number of units we build, and how much we spend on cabinets, that was too good to pass up. When they did a good job on an initial project, delivering on time, in full and for 20% less, we decided to stick with them for our cabinet business—but still buy everything else from you." Unfortunately, the profit on the "everything else" doesn't add up to much.

Another builder, a regional powerhouse known for building developments of semi-custom homes, put it this way: "This other company said that they could sell us the exact same doors we've been buying from you, but at a sizable discount. We tried them out, and we're saving nearly 15% on all of our doors. We still buy all the rest from you, because you've been such a good supplier for so long. But with the doors, the savings are just too big to pass up."

You've battled low-cost competitors before. Typically it's a matter of waiting until they drop the ball—either with poor service, late deliveries, rising prices, etc. But this time, the supplier seems to have done their homework, has a sizable warehouse close enough to service your market, and doesn't appear to be going anywhere.



Unfortunately, your argument about "getting what you pay for" doesn't seem to apply. Which puts you in a tough spot, because your company relies on healthy sales from those higher margin categories to balance out the rest of your offerings. What would you do?

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- 1 HOLD STEADY.** The prices you charge are fair, and the low-cost competitor's strategy isn't sustainable long-term. In no time, they'll raise their prices and you'll be able to earn that business back.
- 2 SLASH PRICES.** Like it or not, you've been drawn into a price war. Your only choice is to cut your prices to match the low-cost competitor. Once they see you're serious about keeping your customers, they'll back off.
- 3 DRILL DOWN.** You know the cost on these products, and you know that the margins the competition is earning are razor thin. Talk to the manufacturer and see if they're buying better.
- 4 NEGOTIATE.** Tell your customers that you value their business but can't match the competition's prices and still deliver excellent service. Ask what you can do to recapture their business.

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 an LBM JOURNAL mug.

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LOOKS LIKE WOOD.**

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