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STRATEGIES FOR LUMBER/BUILDING MATERIAL DISTRIBUTION PROS

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JUNE 2019 \$10 U.S.



FAMILY NAME

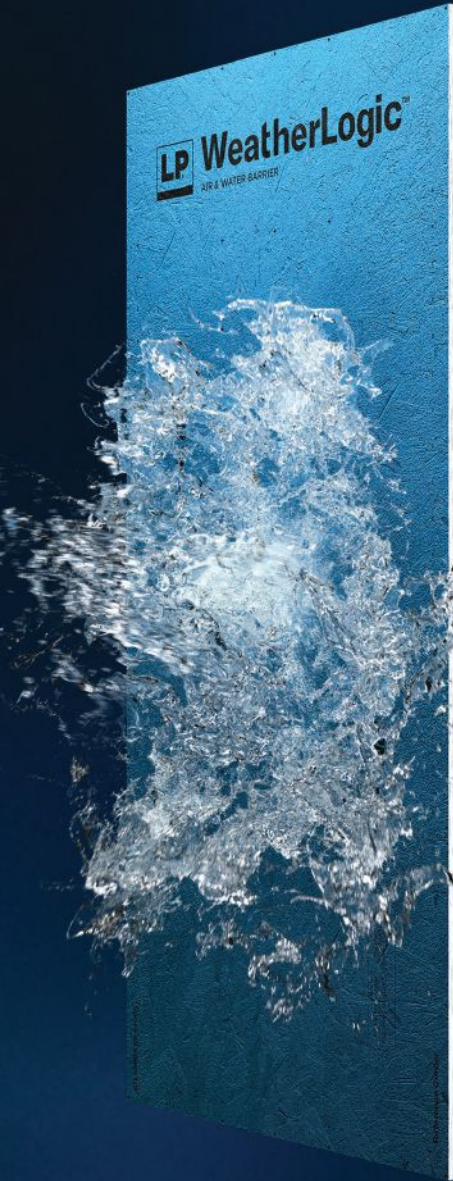
S.W. COLLINS CELEBRATES RICH HISTORY
IN MAINE

REAL ISSUES. REAL ANSWERS.
THE INSTALLED SALES OPTION

IN DEPTH: ROOFING SYSTEMS

GREGG AND SAM COLLINS OF S.W. COLLINS

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IN MAINE

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A lot of lumber dealers may have their names on the sign on the front of the building. Not many, however, share that name with their great, great grandfather, the founder of the company. Founded in 1844, S.W. Collins Lumber Company is celebrating its 175th anniversary this year. Based in Caribou, Maine, the company has remained in the same family's hands since its founding by Sam W. Collins, the great, great grandfather of today's owner, also Sam W. Collins.

BY JAMES ANDERSON

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TOUGH CALL 64

THE CASE OF THE COMPLACENT SALESPeOPLE

As a group, your salespeople have stopped pursuing new business, because the company is already doing well. You need to shake things up. But how?



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EDITOR'S NOTE

The LBM adventure

IF THE LUMBER/BUILDING MATERIAL INDUSTRY is a roller coaster (some would argue convincingly that it is), then keep holding on, because the adventure's not going to stop any time soon. Doubters of that analogy need look no further than NAHB's Housing Market Index, which tracks builder confidence. In just 12 months, from December 2017 to December 2018, the index plunged 16%. As I write this, builder confidence is bouncing back, having added back 10% in just five months.

I get the rollercoaster analogy, because there are so many factors in which we have little control: the volatile tariff situation (leading to material shortages and/or price spikes), mortgage rate hikes, shipping availability, labor shortage, unpredictable weather patterns, and so on.

However, I disagree with it because of one fundamental reality. On a rollercoaster, passengers have few options beyond scream/don't scream, defy the safety instructions and put their arms in the air, etc. In contrast, as members of the LBM community, we can choose how to respond to the curves the market throws at us. The choices we make can lead to a wildly different experience than the people we started out next to. And at the end of the ride that is the business cycle, those who made wise decisions finish miles ahead of those who didn't.

Like every issue of *LBM Journal*, this one was crafted to help you smooth the bumps on the road ahead, and to provide the tactics and strategies that will help you outperform your competition. Here are a few of the can't-miss articles in this month's magazine:

- **Real Issues. Real Answers. The Installed Sales Option** (p.32) While there are strong opinions on both sides of this issue, more than half of *LBM Journal* readers offer some kind of installed sales. For some, it's a way to boost revenues and margins while providing a partial answer to the labor shortage. For others, the bad outweighs the good.
- **Family Name** (p.38) Given the wild economic ride of just the past decade, imagine what the folks at S.W. Collins have been through since the company's launch back in 1844. Better yet, read the profile of this proud, seven-location company that's based in Caribou, Maine. Senior Editor James Anderson talked with owner Sam W. Collins, and shares the story of a company that's survived tough challenges and is positioned to thrive.
- **Unmatched columnists.** Rick Davis. Bill Lee. Russ Kathrein. John Wagner. Rikka Brandon. Bob Heidenreich. They're recognized LBM industry thought leaders, and their every-issue columns include practical, tactical strategies to help you grow your business.

There's no question that the industry we chose (or that chose us?) is every bit an adventure. Thank you for taking *LBM Journal* along for the ride. ■

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UPDATES

PEOPLE

Grant Leavitt, vice president at Marcus, Iowa's **Marcus Lumber**, has been elected chairman of the **Iowa Lumber Association** Board of Trustees.



LEAVITT

Do it Best has announced the promotion of company veteran **Kevin Tindall** to regional sales and business development manager. **Scott Sproul** has been named new director of international sales.



TINDALL

Louisiana Public Broadcasting has named **Roy O. Martin** president, CEO, and CFO **Roy O. Martin III** as a 2019 Louisiana Legend.



SPROUL

ECi Software Solutions has appointed **Jim Holden** to vice president of sales—LBM and hardlines division.



HOLDEN

Sandra Anders and **Amanda Fowler** now have sales responsibilities for **ODL** doorglass and Western Reflections doorglass brands.



ANDERS

United Treating and Distribution, LLC, owner and CEO, **Chad Epperson**, was presented the C12 Hero Award at the C12 Marketplace Leader Conference Current '19 in Atlanta in May.



FOWLER

Grabber has hired **Melanie Bission** as national sales manager.



BISSION

Masonite has announced that **Howard C. Heckes** has been named president and CEO.



HECKES

Brian Keefer has joined **Capital Lumber** as a product manager.



VASUTA

John Vasuta is the new president of **Johns Manville's** engineered products business.

MARCH NEW HOME SALES BOOSTED BY LOWER INTEREST RATES

Sales of newly built, single-family homes rose to a seasonally adjusted annual rate of 692,000 units in March after a slightly revised February report, according to data by the U.S. Department of Housing and Urban Development and the U.S. Census Bureau. This is the highest sales pace since November 2017.

"These numbers indicate that builders who can produce housing at affordable price points will experience sales growth," said Greg Ugalde, chairman of the National Association of Home Builders (NAHB). "However, builders are still dealing with a shortage of construction workers and buildable lots, which limits housing affordability."

A new home sale occurs when a sales contract is signed or a deposit is accepted. The home can be in any stage of construction: not yet started, under construction or completed. In addition to adjusting for seasonal effects, the March reading of 692,000 units is the number of homes that would sell if this pace continued for the next 12 months.

The inventory of new homes for sale was 344,000 in March, representing a 6 months' supply. The median sales price was \$302,700 with strong gains in homes sold at lower price points. The median price of a new home sale a year earlier was \$335,400.

Regionally, and on a year to date basis, new home sales fell 17.6% in the Northeast, 8.1% in Midwest and 5.9% in the West. Sales rose 9.6% in the South, where 58% of new home sales occurred in March.

SINGLE-FAMILY AND MULTIFAMILY STARTS POST APRIL GAINS

Total housing starts rose 5.7% in April to a seasonally adjusted annual rate of 1.24 million units from an upwardly revised reading in March, according to a report from the U.S. Housing and Urban Development and Commerce Department.

The April reading of 1.24 million is the number of housing units builders would begin if they kept this pace for the next 12 months. Within this overall number, single-family starts increased 6.2% to 854,000 units. The multifamily sector, which includes apartment buildings and condos, increased 4.7% to a 381,000 pace.

Regionally, combined single-family and multifamily starts in April rose 84.6% in the Northeast and 42% in the Midwest. Starts declined 5.7% in the South and 5.5% in the West.

Overall permits, which are a harbinger of future housing production, edged up 0.6% to a 1.3 million unit annualized rate in April. Single-family permits fell 4.2% to 782,00, the lowest level since October 2016. Multifamily permits increased 8.9% to 514,000. Looking at regional permit data, permits rose 2.2% in the Midwest and 5.3% in the West. Permits fell 4% in the Northeast and 1.2% in the South.

BUILDING MATERIALS PRICES EDGE HIGHER IN APRIL

Prices paid for goods used in residential construction increased 0.8% in April (not seasonally adjusted) according to the Producer Price Index (PPI) released by the Bureau of Labor Statistics. Prices have risen more quickly thus far in 2019 (+3.2%) than they did during the same period in 2018 (+2.8%) and are at their highest level since last October.

Consistent with weekly data published by Random Lengths, the PPI report shows that softwood lumber prices declined in April. After climbing 0.5% in March, prices paid for softwood lumber decreased 1.4% over the prior month. While the PPI for softwood lumber has fallen 12.6% over the last 12 months, 95% of that decline occurred in 2018. OSB prices fell 3.9% in April, the fourth decrease over the past seven months. During that period, prices have fallen roughly 30%.

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Step 2: Make Yourself a Sandwich



Step 3: Receive a Quote



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UPDATES

DISTRIBUTION

Wholesale distributor **Snively Forest Products** is opening a new division in Houston.

Vista Railing Systems Inc. is expanding its distribution network with the addition of **Capital Lumber's** Tacoma, Wash. branch.

Mid-Am Building Supply has announced an exclusive distribution partnership of **KWP Siding** products in the Central U.S.

Versatex has announced distribution partnerships with **Klumb Lumber** and **Wholesale Millwork**.

INDUSTRY

Oldcastle APG, a CRH company, announced that the company's composite decking business (formerly Advanced Environmental Recycling Technologies) will now operate under the **MoistureShield** name.

AZEK Building Products has opened a new \$25 million **TimberTech** recycling plant in Wilmington, Ohio.

Marvin Windows and Doors is uniting its brands with the **Integrity Windows and Doors** brand to be known simply as **Marvin**, the company has announced.

TAMKO's Ennis, Texas fiberglass mat manufacturing facility recently received the 2018 Asphalt Roofing Manufacturers Association (ARMA) Perfect Safety Award.

Simpson Strong-Tie has sponsored a STEM playhouse build with Habitat for Humanity East Bay/Silicon Valley for the third straight year.

Roseburg Forest Products has reorganized its manufacturing operations oversight structure, moving away from product line divisions and toward a geographic and functional support system of organization.

Versatex has launched a podcast called *The Versatex Way* to reach the construction industry.

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CONSTRUCTION JOB GROWTH STRONG IN APRIL

The construction industry added 33,000 net new jobs in April, according to an Associated Builders and Contractors analysis of data from the U.S. Bureau of Labor Statistics.

Compared to the same time last year, industry employment is up by 256,000 jobs, an increase of 3.5%.

Nonresidential employment added 32,400 net new jobs last month, although the nonresidential building subsegment added just 400 net new jobs. Nonresidential specialty trade contractors led the segment, adding 22,100 net new jobs compared to March and 114,300 net new jobs year over year.

Overall, the construction industry unemployment rate fell to 4.7%, down 2.2% age points from the same time last year, which represents the lowest April rate since the series began in the year 2000. The national unemployment rate for all industries fell to 3.6% in April.

"Many economists are predicting a recession in 2020 or 2021," said ABC Chief Economist Anirban Basu. "While that's possible, the case for an economic downturn over the next 12 to 18 months is fading fast. The nation has added jobs in 103 consecutive months and the unemployment rate is at its lowest level since 1969. With inflation and interest rates low, the cost of capital remains suppressed, helping to induce ongoing spending growth among companies, consumers and governments alike. Corporate earnings remain strong, and today's employment report indicates that many remain firmly in growth mode."

SINGLE-FAMILY BUILDER CONFIDENCE POSTS SOLID GAIN OF THREE POINTS IN MAY

Builder confidence in the market for newly-built single-family homes rose three points to 66 in May, according to the latest National Association of Home Builders/Wells Fargo Housing Market Index (HMI). Builder sentiment is at its highest level since October 2018.

"Builders are busy catching up after a wet winter and many characterize sales as solid, driven by improved demand and ongoing low overall supply," said NAHB Chairman Greg Ugalde. "However, affordability challenges persist and remain a big impediment to stronger sales."

"Mortgage rates are hovering just above 4% following a challenging fourth quarter of 2018 when they peaked near 5%. This lower-interest rate environment, along with ongoing job growth and rising wages, is contributing to a gradual improvement in the marketplace," said NAHB Chief Economist Robert Dietz. "At the same time, builders continue to deal with ongoing labor and lot shortages and rising material costs that are holding back supply and harming affordability."

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 May. The index measuring current sales conditions rose three points to 72, the component gauging expectations in the next six months edged one point higher to 72 and the metric charting buyer traffic moved up two points to 49.

Looking at the three-month moving averages for regional HMI scores, the Northeast posted a six-point gain to 57, the West increased two points to 71, the Midwest gained one point to 54, and the South rose a single point to 68.

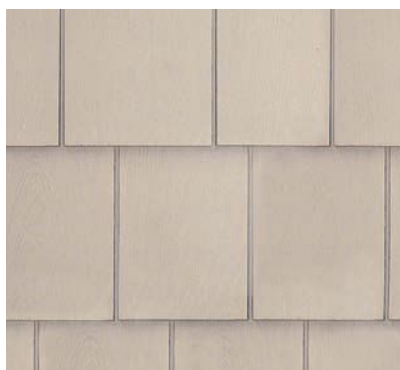


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UPDATES

MERGERS & ACQUISITIONS

Gebr. Knauf KG and **USG Corporation** have announced the completion of Knauf's acquisition of USG. The acquisition is said to create the world's largest gypsum company.

L&W Supply Corporation has acquired the assets of **Metro Building Products Inc.** in Arapahoe County, Colo.

Kyocera Corporation has acquired **SouthernCarlson, Inc.**, a distributor of tools, fasteners, packaging and facility supplies, headquartered in Omaha, Neb.

BUYING GROUPS & CO-OPS

Do it Best execs updated its members on the LBM industry at the annual Spring Market on Friday, May 17 in Indianapolis. Panelists **Todd Hixson, Jean Fahy, Joe Corah** and **Josh Ratcliff** delivered an informative and insightful update into the trends that Do it Best is seeing in the LBM markets—to help members plan and purchase more effectively.

EVENTS

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

OCT 18-21 Do it Best Fall Market Indianapolis, IN • www.doitbestcorp.com

NOV 7-8 Mid America Lumbermen's Association (MLA) Annual Fall Conference Kansas City, MO • www.themla.com

NOV 20-22 LMC Expo, Philadelphia, PA
www.lmc.net

NAHB SURVEY SAYS AGE-IN-PLACE REMODELING REMAINS STRONG

According to NAHB's Remodeling Market Index (RMI) survey for the 4th quarter of 2018, over three-fourths of professional remodelers undertake projects designed to allow home owners to Age-in-Place. Their customers are generally familiar with the Aging-in-Place concept, and at least somewhat receptive to it. However, in practice remodelers continue to perform Aging-in-Place work mostly for customers age 55 or older, although there has been a modest uptick in work undertaken for home owners age 35 to 54 in the past couple of years.

The RMI survey has asked questions about Aging-in-Place periodically, beginning in 2004. Initially, about three-fifths of remodelers reported Aging-in-Place home modifications. The % age increased over the years, reaching a peak of 80% in 2016. Although the % age declined slightly in the 2018 survey, 77% of remodelers are still reporting Aging-in-Place work, the second highest Aging-in-Place percentage on record since NAHB began collecting the information.

When asked, a clear majority of remodelers say that some of their customers are familiar with the Aging-in-Place concept. The percentage has fluctuated between 68% and 77%, and stood at 72% in the last two surveys. However, the share of remodelers who say none of their customers are familiar with Aging-in-Place has dwindled from 25% in 2004 down to 11% in the last two surveys. Meanwhile, the share who say most of their customers are familiar with Aging-in-Place has tripled, from only 6% in 2004 to a high of 18% in 2018.

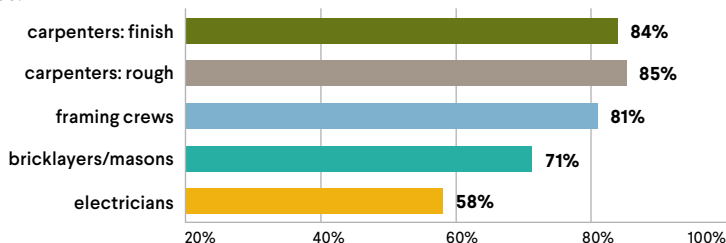
LABOR SHORTAGE CONTINUES AS TOP CONCERN FOR REMODELERS

The labor shortage continues to impact the remodeling industry, according to a recent survey by the National Association of Home Builders (NAHB) Remodelers.

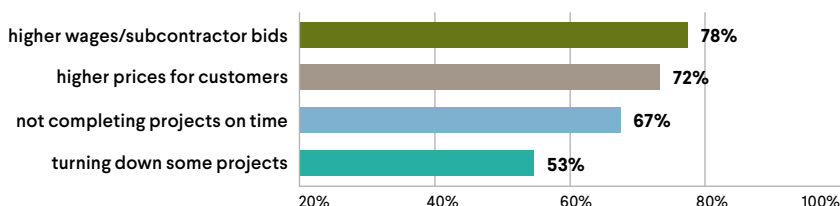
"The labor shortage continues to be one of the top concerns for remodelers across the country," said NAHB Remodelers Chair Tim Ellis, CAPS, CGP, CGR, GMR, Master CGP, a remodeler from Bel Air, Md. "An ongoing challenge for remodelers is keeping their prices competitive while dealing with the increasing costs of labor."

"Working in the remodeling industry provides job security and high wages," said Ellis. "NAHB is attempting to change the stigma of working in the trades by increasing awareness to teens and parents, and providing them with education and the skills they need to succeed."

Remodelers reported a 'serious shortage' or 'some shortage' of labor for the following jobs:



Remodelers reported leading effects the labor shortages have on their businesses:



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HOUSING AFFORDABILITY HOLDS STEADY

Lower home prices, declining mortgage rates and solid income gains contributed to a rise in housing affordability in the first quarter of 2019, according to the National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index (HOI). However, the HOI was little changed on a year-over-year basis, as home buyers continue to face ongoing challenges in terms of limited inventory, especially among starter homes for prospective first-time buyers.

In all, 61.4% of new and existing homes sold between the beginning of January and end of March were affordable to families earning the U.S. median income of \$75,500. This is up from the 56.6% of homes sold in the fourth quarter of 2018 that were affordable to median-income earners and relatively unchanged compared to a first quarter 2018 reading of 61.6.

As home price gains slowed during 2018, the national median home price moved down from \$262,500 in the fourth quarter of 2018 to \$260,000 in the first quarter. At the same time, average mortgage rates fell by 25 basis points in the first quarter to 4.64% from 4.89% in the fourth quarter.

55+ HOUSING MARKET OPENS FIRST QUARTER WITH RECORD HIGH

Builder confidence in the single-family 55+ housing market continued to strengthen in the first quarter of 2019 with a reading of 72, up six points from the previous quarter, according to the National Association of Home Builders' (NAHB) 55+ Housing Market Index (HMI). This is the highest reading since the inception of the index in 2008.

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

TOUGH CALL ANSWERS

ANSWERS TO OUR APRIL TOUGH CALL:

THE UNWELCOME PRICE SETTER

A key vendor is marketing product—and prices—directly to a big builder customer, taking pricing control away from you and killing your margins. What would you do? Here's how readers would handle this Tough Call survey.



YOUR VOTES ONLINE AT LBMJOURNAL.COM

- 45.5%** **PUSH BACK.** Tell Manufacturer X that they can't set prices on the products that you sell, unless they're willing to reduce the price they charge you by 11%.
- 4.0%** **ACCEPT IT.** The last thing you want to do is go to war with a major manufacturer—especially one that's the source of much of your sales. Accept it and make up the margins elsewhere.
- 7.9%** **REASON.** Tell Big Build Homes that you can't sell those products for any less, unless they're willing to accept lower levels of service. You both need to make a living, after all.
- 42.6%** **TRANSITION.** If Manufacturer X won't budge and insists on enforcing the pricing they promise your customer, it might be time to meet with one of their competitors.

READER'S RESPONSES

Actually for me it would be none of the four listed. For my company it would be Termination of Manufacturer X and this is the reason why: At no point would I tolerate one of my vendors meeting with my customer without my knowledge or approval, nor would they ever be allowed to set pricing of materials without my knowledge or approval. A vendor who bypasses those channels has proven themselves unworthy of a partnership with my company and our business relationship would be terminated. Case closed. No exceptions. While I have no problems with vendors setting a pricing structure, it has to be done through proper channels which include working through the dealer and not directly to the end users.

— Jason Taylor, S&H Supply Inc, Hamilton, AL

I'm not a lawyer but I think it applies to anyone that tries to control pricing. Fair trade is fair trade. I use this all the time when suppliers try to set MAP pricing. A retailer can charge whatever they want. If someone offers a lower price, then the consumer can always change suppliers. In your Tough Call case, the retail contract was already sold. The customer can't short pay for the same reason a retailer can't call you up and ask you pay more after you've accepted the product.

— Bob Heidenreich,* The Deck Store, Apple Valley, MN

*Editor's note: Bob Heidenreich is an *LBM Journal* columnist.

THANKS TO EVERYONE WHO VOTED ON THE APRIL SURVEY. SEE PAGE 64 FOR THIS MONTH'S TOUGH CALL.

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09/18 WELCOME NIGHT COCKTAIL RECEPTION

09/19 BUILDING A PURPOSE- AND VALUES-DRIVEN COMPANY

MIKE DYKSTRA, PRESIDENT & CEO, ZEELAND LUMBER

Want to attract and retain top people—especially high-performing young pros—while contributing to your community and positioning your company for a strong future? Learn from an LBM leader who's doing just that. Mike Dykstra will kick off LBM Strategies 2019 by sharing Zeeland Lumber's purpose and values—the company's foundational principles—that have helped guide his leadership team through the challenges of growth and change, all while striving to make a positive difference in society.

HOW TO MAKE YOUR COMPANY A "BEST PLACE TO WORK"

JON VAUGHAN, PRESIDENT, BRAND-VAUGHAN LUMBER

What would you do if you learned that employees were less than enthusiastic about working for your company? When this happened to Jon Vaughan after an employee engagement survey, he and his team took the results to heart. Learn how they approached the problem, and the actionable tactics the company took to improve morale. You'll learn what worked and what didn't on the path to Brand-Vaughan Lumber's re-energized workforce voting the company a "Best Place to Work."

BUILDING THE LABOR FORCE, ONE HOUSE AT A TIME

TY SHANKS, MANAGER, WESTERN BUILDING CENTER

Determined to do something about the labor shortage in his market, Ty Shanks brought together local building pros and the local high school shop class to build a house from the ground up, offer it for sale, then repeat the process. This ground-breaking program has captured the imagination of students (who can earn apprenticeship certificates and full-time employment) and the local home builders association (which can tap an active pipeline of enthusiastic young workers). Ty will share tips on doing this in your market.

PERFORMANCE METRICS FOR SALESPeOPLE...THAT WORK

RICK DAVIS, PRESIDENT, BUILDING LEADERS, INC.

In this thought-provoking presentation, renowned sales trainer and consultant Rick Davis will share the difference between leading and lagging indicators, with evidence that proves correlations between the two. You'll leave this powerful session with a fresh understanding and appreciation for performance metrics for salespeople, along with practical tips for using both Key Performance Indicators (KPIs) and Key Results Indicators (KRIs) to generate positive, lasting change in your company.

PANEL DISCUSSION: WOMEN IN LBM: THE WHY, THE WHAT AND THE HOW

DENA CORDOVA-JACK, EXECUTIVE VP, MOUNTAIN STATES LUMBER & BUILDING MATERIAL DEALERS ASSOCIATION

KITTY DECARAUX, VP CABINET DIVISION, KODIAK BUILDING PARTNERS

TINA CARFARO-BREEN, GENERAL SALES MANAGER, MANUFACTURERS RESERVE SUPPLY

JULIE KORTH, CFO, DREXEL BUILDING SUPPLY

Hear from a panel of top performing LBM pros—who happen to be women—about what attracted them to our industry, their experiences as a female LBM pro, and insights on what it'll take to attract more like them. You'll leave this session with the business case for women in your workforce (the "why"), a nuanced understanding of sexism in our industry (the "what"), plus some practical tactics you can put to work immediately in your company to attract and retain more women (the "how").

THE EXPERIENCE ECONOMY: LEVERAGING YOUR BRICK AND MORTAR ADVANTAGE

GRANT LEAVITT, OWNER, MARCUS LUMBER COMPANY

Learn how an independent lumberyard in a rural Iowa town is leveraging the lessons of Apple Stores, Starbucks and other destination retailers to draw customers—and drive sales—from well beyond its market area. Learn the innovative, cost-effective strategies that make this store a destination for homeowners and builders alike. Plus, learn the practical tactics that this entrepreneurial LBM pro is using to build a healthy company culture and attract new people to join his team.

PANEL DISCUSSION: GROSS MARGIN STRATEGIES THAT BUILD YOUR BOTTOM LINE

BILL LEE, LEE RESOURCES, INC.

LANNY MOORE, JR., SUNCOAST CONTRACTOR'S SUPPLY

JIM SOBECK, CEO, NEW SOUTH CONSTRUCTION SUPPLY

Are you leaving margin on the table? Most dealers are, and many are shocked at what a difference two more points of gross margin can mean to their company's financial health. Bill Lee, author of "Gross Margin: 26 Factors Affecting Your Bottom Line" will moderate a hand-picked panel of owners who have proven that a high gross margin business can successfully compete for volume while earning an enviable bottom line.

COCKTAIL RECEPTION & LBM CENTURY CLUB RECOGNITION

09/20 THE FUTURE OF LBM TRAINING AND TEAM BUILDING

BRADLEY HARTMANN, PRESIDENT, RED ANGLE, INC.

The LBM industry is facing a pair of interrelated generational challenges. First, the Boomer Brain Drain negatively impacts us all when we fail to capture the vast wisdom from the talented Baby Boomers who retire every month. Second, the newest generation to enter our industry, often described as the YouTube Generation, expects that learning content should be available on-demand and easy to find, learn practical and tactical tips to bridge this generational gap.

BUILDING THE NEXT GENERATION OF LBM LEADERS

RUSS KATHREIN, CEO, ALEXANDER LUMBER COMPANY

Russ Kathrein will address some of the important challenges of identifying and coaching next-gen leaders for your organization, with insights on preparing them for success as a leader in the ever-changing LBM industry. For the second half of the session, he'll welcome three young LBM pros to the stage for an open discussion on attracting and motivating others like them, and coaching them on their path as tomorrow's leaders.

M&A UPDATE: INSIDER SECRETS FOR SUCCESSFUL DEALS IN TODAY'S VOLATILE ECONOMY

JOHN WAGNER, MANAGING DIRECTOR, AND TED RIEPLE, MANAGING PARTNER OF 1STWEST MERGERS & ACQUISITIONS

Top housing economists predict an economic slowdown within the next few years, and this session will review how that might impact company valuations in today's red-hot consolidation market. Often, a "fine line" separates a successful deal from one that falls flat, or a skyhigh valuation that thrills sellers vs. a price that's totally unacceptable. So, learn from the experts how to navigate the top deal-makers...and deal-breakers, all backed up with real-world examples.

MORE SESSIONS, PRESENTERS AND PANELISTS TO BE ANNOUNCED AT LBMSTRATEGIES.COM

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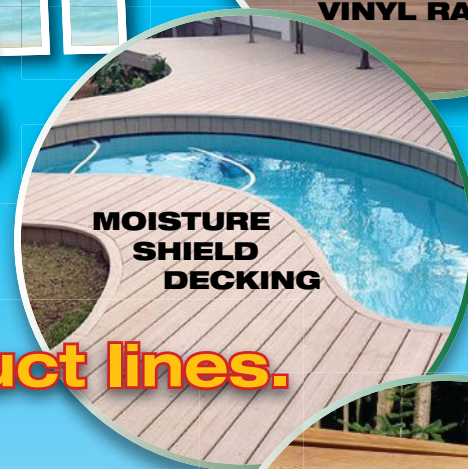




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HOME VALUES FALL FOR THE FIRST TIME IN SEVEN YEARS

U.S. home values fell from March to April, the first month-over-month decline since February 2012, according to the April Zillow Real Estate Market Report. The typical U.S. home is worth \$226,800, down 0.1% from last month. The decline—led primarily by large West Coast markets—comes after 85 straight months of gains that brought

home values to record highs. U.S. home values have experienced declines only twice over the past few decades: during the recession of the early 1990s and the Great Recession and housing crisis in the late 2000s. On an annual basis, home values grew 6.1%. But the pace of year-over-year appreciation has slowed in each of the past four months, falling from 8.1% annual growth as recently as December.

Home values fell in 32 of the 35 largest housing markets over April and remained flat in two others. Riverside, Calif., was the only large market that saw its home values appreciate during the month. This downturn has been a longer-term trend in other large California markets—home values have fallen in at least each of the previous three months in San Jose, San Francisco, San Diego and Los Angeles.

BY THE YARD

NEWS FROM LUMBERYARDS AROUND THE COUNTRY

Marcus Lumber adds electrical division

Marcus Lumber, of Marcus, Iowa, has expanded into the full service electrical contracting business. The company's electrical division will serve customers through new residential and commercial wiring, new equipment and fixture installation, and full-service electrical repairs. Co-owner Grant Leavitt said that Marcus Lumber thinks the new division compliments the lumberyard's existing full-service plumbing and HVAC business and fills a local community need for these services.

Kodiak acquires Christensen Lumber Co. of Nebraska and Kansas

Kodiak Building Partners has acquired Christensen Lumber Company. Christensen Lumber was founded in 1923 and was one of the first businesses to establish itself in Fremont, Neb. Tom Christensen will continue as president of Christensen Lumber. Additionally, he will be part of the ownership group of Kodiak. Christensen Lumber will join the Building Materials Group at Kodiak Building Partners and will be under the direction of Mark Garboski.

Jason Miller named general manager at Higginbotham's Snyder location

Jason Miller has been named general manager of Higginbotham Brothers at the company's Snyder, Texas location. Higginbotham Brothers & Company owns and operates 38 lumberyards and hardware stores throughout the state of Texas. The company's roots date back to 1881 when Higginbotham Brothers opened its first location, a general mercantile store.

CNRG to reopen seven former Orchard Supply stores in California

Central Network Retail Group (CNRG), a multi-format, multi-brand retailer currently operating 104 hardware stores, home centers and lumberyards throughout 14 states, announced plans to open seven stores in California, all in locations formerly operated by Orchard Supply Hardware. For these stores, CNRG will create a new brand called Outdoor Supply Hardware. This will mark the 16th brand operated by CNRG. The stores are scheduled to begin opening as early as September.

Mans Lumber and Millwork adds Ann Arbor showroom

Mans Lumber and Millwork has announced the opening of its new Ann Arbor, Mich. location. The 3,500 square-foot showroom will feature a range of home improvement products, including windows, doors, decking, interior trim, exterior doors, kitchen and bath.

Busy Beaver busy in Ohio

Pittsburgh-based Busy Beaver, a home improvement retailer, has opened a new location in Calcutta, Ohio. The company also has announced that it has assumed ownership of Three Sons' True Value Hardware in Minerva, Ohio. The move makes 24 locations for Busy Beaver throughout Pennsylvania, Ohio and West Virginia, and the company's third True Value branded store.

Professional Builders Supply named among North Carolina's Best Employers

Professional Builders Supply was recently named a 2019 Best Employer in the state of North Carolina. The award, from *Business NC Magazine*, is based on employee surveys that address areas ranging from recruiting practices to recognition programs. Founded in 2003 in Raleigh, N.C., Professional Builders Supply also has locations in Charlotte, Wilmington, Charleston, and Greenville-Spartanburg in the Carolinas.

McCoy's Building Supply names Raul Avalos as store manager in Roswell

McCoy's Building Supply has announced the appointment of Raul Avalos as store manager of its Roswell, NM, location. Avalos started his career with McCoy's five years ago at the company's Harlingen, Texas, store working in the lumberyard before taking on roles as a delivery driver and delivery coordinator. McCoy's employs 2,500 people and operates 87 stores and three distribution facilities and two millwork facilities in Texas, Oklahoma, Arkansas, Mississippi and New Mexico.

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.

If your business fails, what will be the likely reason?

BASED ON MY EXPERIENCE, when a business fails, the reason can almost always be traced to lackluster earnings or too many lackluster personnel on the payroll.

CAPITAL

Financial resources give both the business and the business owners the luxury of living to fight another day when periodic recessions rear their ugly heads. Recessions are events that seem to repeatedly occur immediately following the business putting two or three healthy earning years back-to-back. It's almost as if we simply cannot stand prosperity.

In the building supply industry, the great majority of companies earn only modest profits; so modest in fact that the owners never have the opportunity to bank enough capital to take full advantage of those economic periods when the housing market seems to be exploding.

I put building supply industry profits into three categories: Top dollar in our industry is between 7.0% and 10% before income taxes. Good earnings, but not what you'd call top dollar fall in the 4.0% to 6.9% range and the majority of building supply businesses will remain in the lowest earning category of 2.0% to 3.9% of sales, which is sufficient to enable a business to do little more than survive.

When it comes to budgeting and planning, the owners of the businesses in the lowest earnings category do the most outstanding job at expense control. To their credit, by basically saying no to any expenditures other than those that are essential to survival, they are able to eke out a modest profit most years.

Cash is king! With enough cash in the bank and a business located in a trade area large enough to generate strong sales, all kinds of exciting opportunities await us. Cash, however, is generated from managing the income statement so well that the business achieves a nice spread between gross margin and operating expenses as a percentage of sales.

Gross margin control is more times than not the missing ingredient. If you want to sock away enough capital to give your company a legitimate edge in the market, you must get serious about gross margin. It takes an entire team to optimize gross margin.

PERSONNEL

You can't hire the equivalent of a \$90,000 employee by hiring two earning \$45,000. Don't misunderstand me. It has nothing to do with the \$90,000, it's the talent you're investing in and the talent to sell several million dollars worth of building materials can command the higher level of pay.

Yes, there are people available in all price ranges, but those who can first build and then lead a team loaded with talent don't come cheap. You can hire product knowledge at several different wage levels, but you cannot hire persuasion, you can't hire leadership and you cannot hire fire in the belly.

When it comes to hiring, the biggest mistake I observe managers making is rushing the process. Hire slowly, fire quickly. Five star hires are difficult to find, the smaller the population the more difficult it is to find a world-class salesperson or manager, so expand your search. The more important the hire, the odds are the longer it will generally take to find Mr. or Ms. Perfect.

Track record is the best predictor. If a salesperson can sell \$5 million for XYZ Building Supply, he or she can sell \$5 million for you, assuming you can match XYZ's service and product mix.

The Atlanta Braves signed 18-year-old Ronald Acuña, Jr. right out of high school in Venezuela. In 2018, Acuña's first year in the majors, he was voted Rookie of the Year in the National League. In Acuña's second year in the majors, the Atlanta Braves awarded him a \$100 million contract.

Not always, but usually you get what you pay for. ■



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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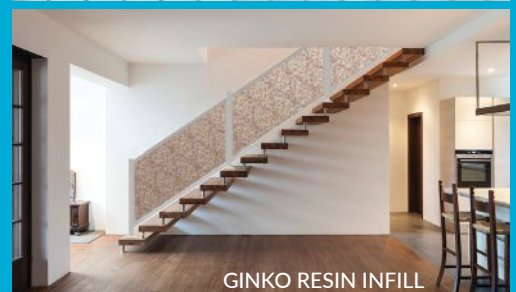
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Get to give

GET TO GIVE. That is the answer to the price objection and, yet, many salespeople have never learned this fundamental lesson in Sales Negotiations 101. If the buyer asks you to lower your price, it should not be a surprise and the last response to offer is, “Let me see what I can do.”

I call this the “Victim’s Lament.” The salesperson, instead of working to protect the profitability of the seller, quickly jumps on the buyer’s side of the negotiating table. Instead of operating as a Sales Leader for profitability, the salesperson turns into the buyer’s negotiating champion by explaining to others how he is being victimized by market conditions. There is a better way.

In my article last month, I cited modern work on the subject of behavioral economics and mentioned that buyers who receive price discounts wonder if money was left on the table. If they got a point or two, it is natural to purchase with that gnawing feeling they could have gained more. In other words, part of a successful sales experience is helping the buyer recognize they got the best price possible.

All behavioral economics mumbo jumbo aside, it would be naïve of me to presume that a salesperson should never provide a price concession. There are moments when competitive pressure might justify a lower price to earn the business. If this happens, it should not be a surprise and your negotiation playbook should have a list of concessions you might receive in order to justify the price reduction.

1. Delivery Concessions. The easiest way to justify the lower price is by asking for a delivery concession. Instead of guaranteeing the first-out delivery in the morning, you might ask for flexible delivery schedule. Perhaps you could ask the buyer to reduce the number of deliveries on a job. These are reasonable requests that show the buyer you can work together to manage costs and therefore a lower price.

2. Service Concessions. You give your buyer a lot. This could mean holding screens on a window shipment, keying and delivering hardware, take-offs, after-sale inspection, and more. If your buyer asks for a lower price, simply ask which of your value-added services could be removed to justify the request. It’s only fair for them to have to give up something that is considered an added value service in exchange for you agreeing to a price concession.

3. Volume Promises. If your buyer asks for a lower price on the next house, this is your chance to honor the request if the buyer guarantees you the next five. It’s simple math; it is the first rule of negotiating. More volume justifies a slightly better price.

4. More Product. If your buyer tells you the price on mill-work and interior doors is a little high, ask if he will also buy windows from you...or lumber...or decking...or another product that allows you to justify a lower price. It’s a fair tradeoff.

The key to negotiation success is not to “see what you can do” by passing the buck along to a manager or vendor and giving the appearance that pricing is out of your control. Successful sales negotiators seek concessions and ask for conditional agreement before offering a lower price. In other words, this is the moment for the “If I could..., would you...?” question.

You let the buyer know you’re not sure you can get a lower price, but offer them the opportunity to help you justify it with the right phrasing, “I’m not sure I can do better. We’re tight on the margin here. If I could, would you be willing to offer [*one of the concessions above*]?”

Before you give a concession, get something in return. It’s the right solution for everyone in the negotiation. ■



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. buildingleaders.com.

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Eight things to look for when hiring a sales manager

HAVING AN AMAZING SALES FORCE is one of the most important aspects of an LBM company. With the amount of competition out there, it's crucial to set yourself apart as the leading supplier in your markets. And one of the best ways to achieve this is by having a sales team that is second-to-none.

Great sales representatives are a part of creating a crack sales team, but even more important is having a proven leader—a great sales manager.

Hiring a top-notch sales manager isn't straightforward; an effective candidate doesn't simply display any one set of skills and talents. To be a true rock star in this position, the person must be someone who encompasses a wide variety of skills and qualifications. If you're using a recruiter for the position, discuss this with them to ensure they understand the position and what is required to fill it.

Here are eight key requirements to look for in an effective sales manager:

- 1. Are they open to feedback?** As a sales manager, they are going to have to be open to both positive and negative feedback about how their team is doing and what needs to be done to correct any shortcomings.
- 2. Are they able to recognize the effort put forward by their team?** A good sales manager will be willing and able to appreciate the work their team is doing.
- 3. Are they willing to implement new systems?** Sales is an ever-changing industry, and there are always new and innovative technologies being developed to help streamline the process. Finding someone who isn't resistant to change and who is willing to work with these new systems as they become available is important.
- 4. Are they detail oriented?** Sales is a process—it's not just always about the results. It's paramount to find someone who is willing to conform (and hold their team) to the process that you have established.

5. Are they good at communicating goals and expectations? Simply put: Your new sales manager needs to be comfortable with leading their team. Do they have a history of leadership? Are they able to convey what's expected and support those team members in need of constructive feedback? Are they willing to hold underperforming reps accountable?

6. Are they willing to admit when they make a mistake? This is incredibly important. If the person is not willing to admit when an error has been made (both to you and to their team), they will most likely not be willing to grow themselves or their team.

7. Are they organized? Leading a sales team is a lot of work, with a lot of moving parts to juggle. An effective manager is able to remain organized and focused on leading.

8. Are they willing to make hard decisions? This is the final requirement. Unfortunately, as a team leader there may come a time when someone needs to be cut from that team. Your new sales manager must be willing to give their team time to grow, but they also must be willing to let go of underperformers if the need arises.

Hiring a new sales manager can be an exciting and rewarding experience. It is important, though, that you make sure that you are hiring the best possible candidate. This will ensure that you (as well as your new employee) are both satisfied with the work and results the sales team produces.

FINAL NOTE

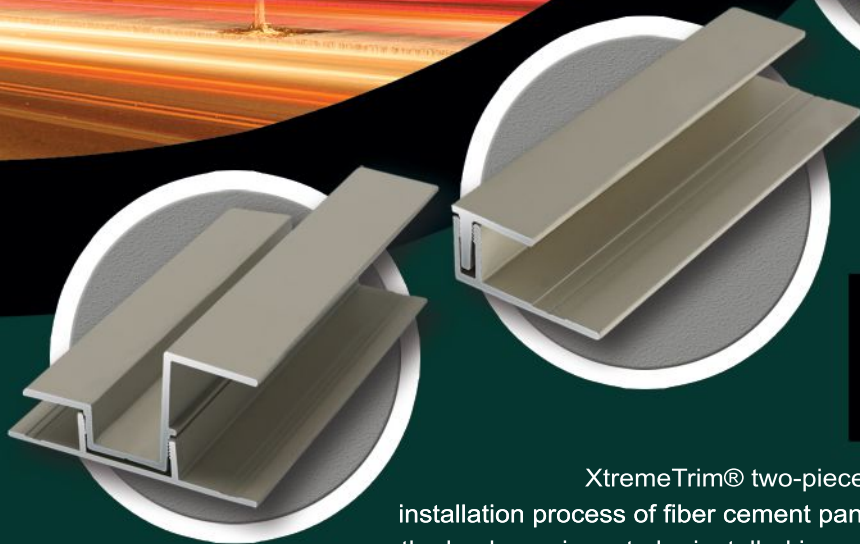
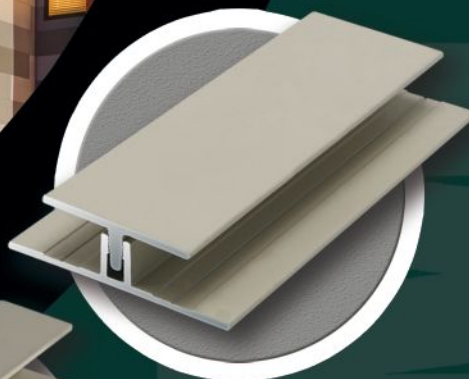
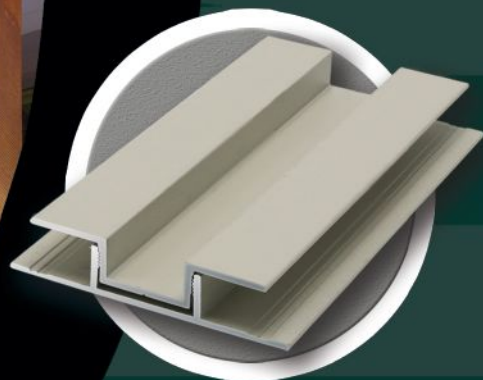
Once you've selected and hired a manager for your sales team, it's just as important that you let them lead it. There must be accountability, of course, but you need to be willing to step back a little and let them take the reins without too much micromanagement. ■

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. To learn more tips for crushing networking events, download the free course at www.buildinggurus.com/network.





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Get creative when faced with inventory shortages

I THINK A LOT of decking materials dealers saw it coming, at least here in the upper Midwest. The economic outlook, the housing and remodeling projections, the long winter leading into a short spring with homeowners hopeful for summer. Then a major decking manufacturer introduced a quality product line priced so competitively that it was hard to keep on the shelves.

This particular decking company offered me stocking dealer rights over the winter. I took them up on the offer, and because I did, our store's inventory takes priority in our area. It's a shift from how I've worked with manufacturers in the past, but I'm sure glad I went this direction.

However, even though I've got plenty of inventory of this product, I know many lumber dealer friends who can't get it in stock through their distributors. I was asked recently to offer some advice, so I shared with them ways in which I've obtained products before when it seemed everyone in my region—including distributors—were sold out.

First of all, consider what I call "vertical growth." In this situation, I've learned that I don't need to rely on traditional suppliers for certain products. A good example of this is aluminum railing. In this product category I was once so frustrated with product availability, that I decided to make my own. Now we source materials and manufacture our own railing. We assemble it and install it with many of our deck packages. Here's the thing: We're just like any other lumberyard. Any other dealer could do what we have done with railing. We saw a need and we figured out how to fill orders, then we made the space to do it.

I also advise dealers that if they're having a hard time finding a product through their regular two-step or manufacturer-direct distribution, to consider non-traditional suppliers. I'm about to say a bad word to many in our industry, so please bear with me...that word is Amazon. We learned early on as brick-and-mortar retailers to despise Amazon, and there's often good reason for it. The main reason I got involved in online sales is because of Amazon and people "showrooming" items from my store only to go home and buy them on Amazon. However, for as much as

we see Amazon sometimes as the enemy on the retail side, you can make their distribution work to your advantage.

I'm not saying to go behind your distributor's back on something, but ask them to consider your position. You need to get a product on your shelves for your customers to purchase, and if Amazon can make it happen, then you shouldn't feel bad for using their services to your benefit.

I've used Amazon in the past for power supplies, wiring, and even railing components. Amazon is a good place to look for products that are really hot in one part of the country, but not selling equally well in other regions. Online retailers know this and sell on Amazon because they have a wider reach and can sell around the country. Products on Amazon are usually also available without a minimum quantity requirement, and with a business account, these items are tax exempt for retail. So, while it is true that Amazon is seen by many as a growing competitor, it can also be a supplier.

Also, I encourage dealers to reach outside their typical supplier relationships. We keep good lines of communication open with all suppliers in our area and for that reason we're able to keep our inventory full. Sometimes, it may take a little coaching to get your distributor to reciprocate. While some guys will tell you there's nothing more annoying than a distributor who calls or stops by all the time, I've got to say that we seek out distributor reps and sales reps who aren't afraid of keeping us in the loop. Let's face it, as retailers, we have to deal with a lot of contractors' and homeowners' lack of planning. One way we can anticipate their needs is if we're in tune with our distributor and manufacturer inventory levels.

Perhaps the easiest way to avoid inventory shortages is to stock up ahead of time. Here in Minnesota, my offseason is the winter months. It's then that I place orders to be prepared for my regular season in the spring. I've got to have materials on hand. I didn't go to college for business or anything, but I do drive past a water tower every day. I look at my inventory the way the city views its water supply. You don't want to get caught without it, so you stock it up and store it up for when you need it. ■



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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Being a leader for our industry

IN APRIL, I attended the National Lumber and Building Material Dealers Association (NLBMDA) Legislative Conference in Washington, D.C., for the first time. All I knew was that on the first day we would learn about legislative and regulatory issues facing our industry, and on the second day, we would “storm the hill” to meet individually with our senators and representatives. Deep down, I did not know what to expect, so I was a little apprehensive.

The first day went as billed. We learned what NLBMDA was doing to inform Congress about legislative issues that affect our industry. At the Lumber Dealers Political Action Committee (LudPAC) fundraising lunch, Jake Sherman from Politico gave us a fascinating insider’s look into what was happening in D.C. and what he thinks the 2020 elections will look like. On the regulatory front, NLBMDA is actively working with OSHA on clarifying the new regulations affecting boom trucks. Even though the regulations are in effect, there still is confusion as to what constitutes a boom truck delivery that would fall under the regulation. The NLBMDA is actively working with OSHA to get the bar lowered, so that merely delivering material is no longer considered part of the actual construction process and therefore would fall outside the regulations and expensive training.

The second day was lobbying day. We all dressed up and attended an early-morning meeting where Jerry Howard, president of the National Association of Home Builders (NAHB), spoke and got us all fired up. He was emphatic about the importance of people from our industry talking to their members of Congress to inform them about the issues affecting us. Many of the issues that the NLBMDA is pressing, like the Canadian Softwood Agreement, are also important to the NAHB, so it was great getting their support before we headed off to our meetings.

Being on the hill was somewhat surreal. Once you get through security, you can walk right into any senator’s or representative’s office. You will be told that you need to call and make an appointment, which is very easy to do, but gaining access to the congressional staff was surprisingly easy. Sometimes I met with an actual congressperson, but more often, it was with a staff member who meticulously

wrote down notes to share with the rest of the staff and their boss. In the case of my own representative, Rep. Lauren Underwood, she was not available to meet at the time I had scheduled. But she knew the NLBMDA was sponsoring a reception at the end of the day, so she personally came down to find me and go through our industry issues with me in private.

Why do I feel it is important to share this with everyone, and what does it have to do with leadership? When I went into Sen. Dick Durbin’s office, the number two ranking Democratic senator, I was greeted by a staffer who was less than excited about the meeting. I brought up our first issue, the Canadian Softwood Agreement, and he suddenly perked up. He told me that it was an issue he was personally interested in—so much so that he had taken a trip to Canada to research the issue. Unfortunately, there had been no feedback from our industry coming out of Illinois, so they had deemed it unimportant to our state. The reason there had been no feedback from our industry is that our state organization, the ILMDA, has chosen not to belong to our national group, the NLBMDA, thus leaving Illinois as the only state not represented in Washington for the past 10 years. I assured the staffer that it was an important issue in Illinois.

In leadership, there are two kinds of leaders: those who make things happen, and those who stand around wondering what just happened. With our government, it is critical that our industry be involved to make things happen, otherwise, we will be wondering how we will handle the next well-intentioned law or regulation that was passed without our input. Every member of our industry can make a difference, if just by showing up at next year’s NLBMDA Legislative Conference and going out to meet your members of Congress. And you won’t have to do it alone. There usually are other members from each state who go together, so you can just add weight to the message by being there, or you can present an issue to your senator or representative. As for visits to our Illinois congresspeople next year, I sincerely hope more of my fellow industry members from Illinois will attend. ■



Russ Kathrein is the president and CEO of Aurora, Ill.-based Alexander Lumber, which operates 20 locations throughout Illinois, Wisconsin and Iowa.



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Are you trying to sell too soon?

EVERY DAY, investment bankers like us get two or three email requests from funds and strategic investors looking to acquire successful companies. Ironically, with all this capital, and a clear bias for acquisition to put money to work, some LBM business owners grow frustrated when they can't interest an investor, or even sell their company outright. Now, with talk of an economic slowdown as soon as 2021, owners who don't want to wait out another business cycle are eyeing the exits.

The thing is, acquirers didn't get to be in charge of millions through imprudence. Their risk tolerance is very low. They aren't in the market for just any company. They are in the market for the *right* company, which they define for themselves. Accordingly, they have strict investment parameters and minimum performance thresholds.

What are those thresholds? They vary. The "floor" for the smallest deals are usually \$2 million in EBITDA, yet it's often two or three times that figure. That floor seems to be the consensus that puts investors at ease that a company is putting decent money on the bottom line. (And remember that's in addition to strong growth, solid margins, a great brand, leadership succession plans, etc.) Knowing that most of today's LBM businesses are acquired for around 5X EBITDA (or a premium above that for strategic purchases, and even higher multiples for larger businesses), we can estimate the deal values would start around \$10 million and range upward from there. (These multiples change when a public company is involved.)

We can already hear the screaming: *You mean I have to be profitable by a \$2 million margin to get someone interested?*

Yes, that's largely true. Companies that are not profitable or only marginally profitable yet show promise and are in high-growth regions may achieve a good value in an acquisition. But in those cases, the buyer and seller would have to agree to base the value of the company on a multiple of

future EBITDA, with an earnout in place for the buyer's protection. The risky part of earnouts? They sound great, and everyone is thrilled at the closing. But then the acquirer may restrict marketing dollars, or cut the sales force, or change commissions structure, impeding the seller's ability to hit the very EBITDA targets they just agreed to.

That said, the go-go days of 2005 and 2006 are long gone, and sky-high values are rarely paid for companies that are under \$2 million EBITDA. Investors now stick to basics: Target companies are valued on a multiple of an averaged, historical EBITDA or a multiple of trailing twelve-month (TTM) EBITDA.

The reason for this explanation of risk and value is that many company owners simply want to sell too soon, often long before an acquirer would recognize the value that the company owner is convinced is staring everyone in the face.

We understand the emotions here: Businesses take a great deal of personal energy and sacrifice to run. Cash flow is often a challenge, and company owners can get exhausted with so many people dependent on him to "pull a rabbit out of the hat" every time payroll gets run or a supplier has to be paid. So, when they start to put up some decent numbers, e.g. \$1 million in profit, or \$1.5 million in profit, an owner will call us and say: "I want to sell. I know I might be leaving some money on the table..." yet they cite a target value that is probably beyond what can be reasonably attained, say, 8X \$1 million, when a more realistic multiple for a company that size is around just over half that. The founder sees value and little risk, whereas the investor sees a great deal of risk. So, as painful as it may be, we urge company owners to plan their exit strategy around targets of at least \$2 million adjusted EBITDA as a starting point, if they want to attain solid values. Anything sooner is perceived as rushing for the door...and resulting valuations will indeed suffer, if a deal can get done at all. ■

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.





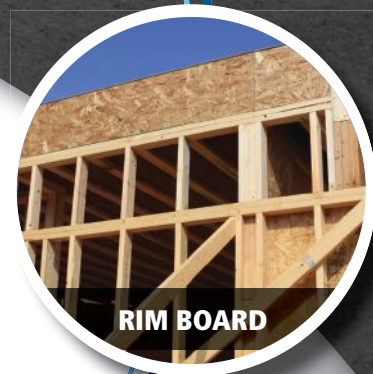
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SUCCESSION PLANNING

KEEPING THE FAMILY BUSINESS GOING WHEN FAMILY IS NO LONGER INVOLVED

Family businesses, which overwhelmingly comprise the vast majority of privately held businesses in the United States, are the economic backbone of the American economy. The goal for many of these companies is to continue to perpetuate for multiple generations.

An often-challenging issue for family business owners is when there are no family members interested in taking the enterprise to the next generation. How do business owners in situations like this assure the business can still continue and their employees remain employed?

It's generally not easy. More often than not, non-family employees don't have the financial means to buy a business or even part of a business. Additionally, it is common for an employee who is excellent at his or her job yet be not willing or capable of actually *running* the business. Even discussing the possibility with an employee can be delicate, as once the topic is broached there is a possibility that a valuable employee could become concerned that the business may soon be sold and start looking elsewhere for employment.

When the right situation presents itself, there can be solutions. The owner probably has a good approximation of the value of the business going forward; if not a formal

valuation can be acquired. A promissory note could be set that includes language protecting the owner by giving the owner the ability to re-take the business due to lack of payments by the employee(s)/buyer(s). If everything goes smoothly, the original owner will receive ongoing financial reports and profits to help complete the buyout. Conversely, if the company struggles, the owner would have the ability to right the ship and once again take over the business.

When a family business isn't being passed to family members, but rather transitioning to employee ownership it is critical that proper training and leadership is in place for the new owners.

An agreement can be implemented that states that during the process the pre-sales and sales process that the employee will be given more important roles but with the written promise that ownership will be transferred as they prove themselves with their growth and development. This proving period can have different levels of achievement such as maintaining profit levels and production quotas, maintaining morale with key employees or simply showing leadership skills with good decisions when the owner steps back a bit from operations.

It may also be helpful to name the potential employee(s)/buyer(s) as an officer of the company or possibly adding them to the board. The original owner will still control the process and help position the potential new owner(s) by providing some 'trial runs' to make sure they are capable.

Once their abilities are proven, then the transferring of ownership can begin (with strings attached—also known as a vesting phase or vesting schedule.) At these points, real ownership and voting rights will transfer to the employee(s) under specific circumstances over a scheduled period of time. The purchases can be executed as stock transfers to the employees to start the payoff.

Another school of thought is the transferring of a majority of equity ownership through non-voting stock which will allow the owner to maintain control by owning the majority of the voting interest while selling the equity or profit interest that's funding the buyout. It's prudent for the business owner to protect themselves during transition.

Lastly, it takes discipline as the owner to have a 'hands off' mindset. It may not be easy to not step in and fix something during the transition. You'll maybe bristle at the way certain decisions are being made by the 'new' owners but the process has to run the course. This may be accepting a new style but as long as the company is profitable and humming along, step back. Remember that you started this transition to keep the company going while acquiring financial freedom and flexibility during retirement. ■



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

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REAL ISSUES. REAL ANSWERS.

Selling products is one thing. Selling them *and* installing them is another thing altogether. Whether you're installing for homeowners, or providing installation services for builders or remodelers, the additional revenues and higher margins are attractive, but are they worth the increased liability and potential conflicts with pro customers? That's the question...here are some answers.

THE INSTALLED SALES OPTION

BY LBM JOURNAL READERS

THIS MONTH'S TIMELESS QUESTION came from a dealer in West Virginia who wrote: "We are seriously considering installed sales. We looked at it many years ago, then backed off for a variety of reasons. The main reason we are looking at it now is since the recession, many of our contractor customers either retired or moved away. Our homeowner customers are searching for qualified remodeling crews. What are the pitfalls to learn about and avoid? Any advice?"

As we do each month, we built a brief survey around that question, and sent it to readers who've opted in to receive our email communications. A big thank you to the nearly 200 readers who took time to weigh in and share their insights. If you'd like to participate in future Real Issues surveys, just drop me a note and we'll add you to our opt-in email list.

QUESTION 1

First, we wanted to get a feel for how many of our readers offer installed sales, so we asked, "Does your company currently sell any products installed?" As **Graph A** shows, a majority of readers do sell installed—with 59% saying yes, compared with 41% who don't.

QUESTION 2

Second, of those who do offer installed sales, we wanted to learn to which customers they offer this service. As **Graph B** shows, builders are the most common customer type, at 78%, followed closely by homeowners at 73%, with

remodelers trailing at 55%. The high builder number, and relatively high remodeler number, speak to the shortage of labor that plagues the residential construction industry.

QUESTION 3

Next, we asked what products these respondents sell installed. As **Graph C** shows, cabinets and countertops for kitchens and baths, doors, and windows are the top three categories that readers sell installed, with insulation, flooring and trusses/roof systems rounding out the top six.

Several readers commented, “We install everything we sell,” making clear that installed sales is a service category that dealers can take as far as they choose (and as far as their market will support).

QUESTION 4

“We are seriously considering installed sales. We looked at it many years ago, then backed off for a variety of reasons. The main reason we are looking at it now is since the recession, many of our contractor customers either retired or moved away. Our homeowner customers are searching for qualified remodeling crews. What are the pitfalls to learn about and avoid? Any advice?”

READERS' RESPONSES

“Utilizing your remaining contractors to provide the installs is a good way to maintain relationships and keep your remaining contractors in business. However, be sure to have a good understanding with them as to who is the lead on the job, insurance requirements, and when and how they will be paid. Be sure they know you expect to make money on the deal as well.”

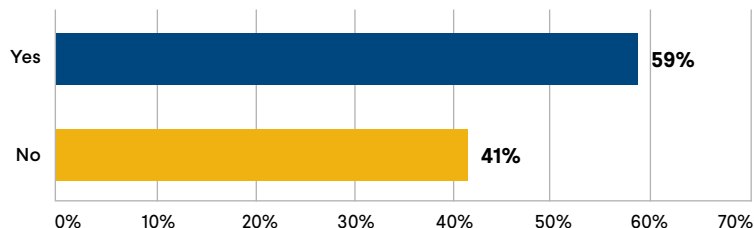
“We are not doing installed now, but I would look at offering installed sales with a good management and oversight fee. Remember, it is a business within itself. Charge accordingly.”

“Exactly what I am thinking.”



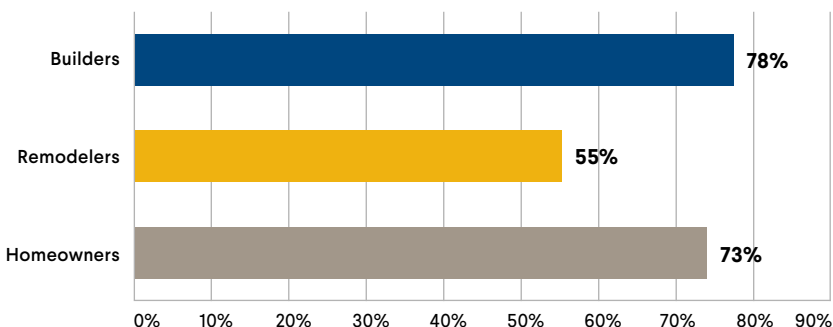
GRAPH A

Does your company currently sell any products installed?



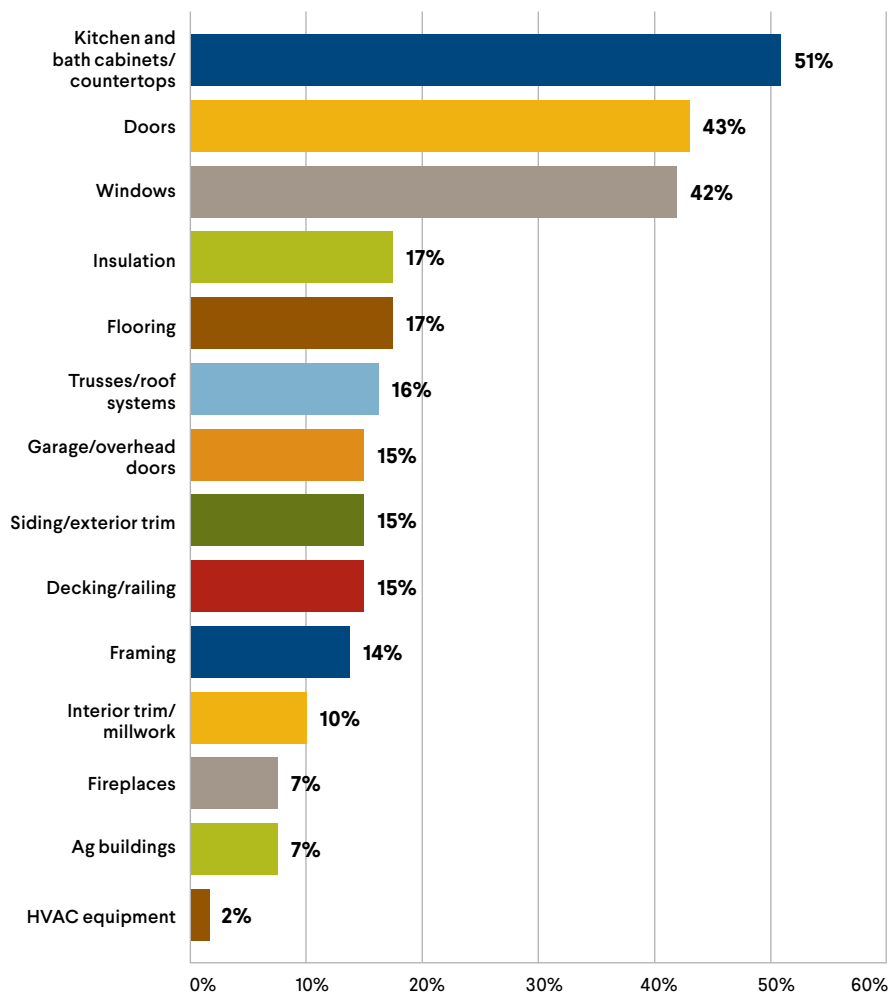
GRAPH B

Which customer types do you sell installed products to?



GRAPH C

What product categories do you sell installed?



REAL ISSUES. REAL ANSWERS.

"Do a thorough market analysis. Some installed products have low barriers to entry and it is easy for Chuck and a Truck to start installing with very low overhead, which will affect your ability to get the margins needed."

"Depending on your market, keeping a crew, and keeping them busy can be difficult and expensive. We outsource our counter top installation (granite, quartz, etc.). We've tried framing, insulation, and finish carpentry, but the top installers are often offered more money, and during down times, it's hard to keep them busy. In your case, you might want to see if any of your retired contractors want to pick up an occasional side job. It's really all about people. Find the right guy(s) and you can have a successful program."

"Too much risk. Stay clear of installed sales."

"Don't bite the hand that feeds you."

"Always attempt to keep your builders happy and be upfront. If they're your biggest customers, they need to take priority. No elephants in the room."

"When doing installed sales for homeowners, the keys are safety first, be neat and courteous, and show up on time!"

"Installed sales is a big question. The answer depends on your market. There are different categories and scopes of work. It will take extensive research or hiring an expert."

"The biggest pitfall may be alienating your remaining contractor accounts. They may view your decision to get into installed sales as direct competition. You could lose some of your loyal accounts."

"One lesson we've learned is to pay your installation staff piece rate, not an hourly wage, when they are installing the products."

"Either get in it or get out. It is a separate business. We typically act as a subcontractor to our builder customers. For us, commercial is our sweet spot. Make sure you have a dedicated person to run this business. Be in it to make money, not sell more material."

"Homeowners have typically presented huge challenges for us in the past. Some include: limited hours and access to the worksite, little knowledge of construction techniques and schedules, significant change orders due to changing requirements, etc. The home-fix-it television shows have made it worse by editing out the 'real' work and making repair and remodel look easy."

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"Almost exactly why we returned to the service/sales opportunity, and we've been glad we've taken the plunge again."

"Getting and keeping good employees. Recruit your existing customers as your subs."

"If subcontractors are used, finding those with workers comp and liability insurance is difficult. This resulted in increased liability to my company and more accounting. I've done it, no thanks."

"We have had good success with installed cabinet sales by partnering with some of our good contractor customers. It allows us to offer simplicity of a project as a value differential for homeowners. With builder customers, it allows us to have control over the install process. With that said, we have not offered framing/siding/windows installed due to liability issues."

"Installed sales to homeowners can be very profitable, but it can also be challenging to get started effectively. If your market has a sufficient need for it, I would recommend hiring an installation manager with a proven track record with remodeling and installation of the products you wish to sell, and a full-time installation support person to aid in coordination with the sales staff and the manager in the field. I would also suggest having several installation subcontractors, to allow greater flexibility in your scheduling. It is also wise to invest in them to be trained and certified by the product manufacturers, to ensure that the installs are being done correctly, to ensure that there are no questions about warranty coverage in case of product failure. After all, as dealers, we know that improper installation is the cause of most product failures. Also keep in mind that getting the install through a dealer can be a big selling point, in that contractor businesses have a much shorter lifespan on average than that of a retail business. Will Joe's Construction still be in business 5-10 years from now?"

"Don't compete with your customers!"

"You have to run it as a separate division of the company. You will likely have some of your customers stop doing business with you. We have always been framing contractors who also own a lumberyard. We try to sub out some of our work to our customers when they are slow. We also try to stay away from our lumberyard customers' customers. There is a fine-line in making it work, but it can work."

"Better to work with contracting partners and not employ your own installation staff."

"We are in the middle of a lawsuit where we did the framing installation. We are being sued for \$1.7 million."

"My previous company had the same issue, we purchased a management software package, met with many of our customers, and offered them an opportunity to get paid for labor without needing to bid jobs and pay for material up front. We paid them once the job was complete, and after determining that there were no issues or punch list. The margins were great. The pitfall is that anything that goes wrong can hurt your reputation. Also, you need to be vigilant with installers regarding proper insurance. Had a couple of instances of contractor customers not being happy doing installs but were able to iron out the problems."

"Provide it as an add-on to customers, but make sure to not compete with your core customer group."

"Make sure you have tight reign on the manager and the crew. Both scheduling and quality of install."

"From our experience, the three key issues are: insurance of workers; workers compensation liability; and completion of work satisfaction."

"We went through the same thing a few years ago. Best advice is to make sure each of your customers knows you will hire them 'right now' to install for you. That seemed to take the 'you're taking work from me' off the table."

"I ran an install program for windows and doors for an independent lumberyard in upstate N.Y. The concept seems like a natural fit for building suppliers. To keep this short, my advice is if you are going to get involved in an installation program and make it work, go all in or not at all. We worked with several of our contractor clients and used them for installations and most did very well for us. However, they have their own schedules to keep and scheduling directly with a subcontractor may very well not work for the end-user. I have talked with a few retailers that have successful install programs, and the key seems to be keeping it in-house, maintaining total control of your installation teams. Most of these companies form a separate division for installed sales and run it as its own entity. Our problem in the Northeast is keeping guys working for 12 months a year. Many customers are very skeptical about having their windows replaced in the winter months. So to keep these guys busy, you may need to diversify the services you offer, thus becoming competition for your own remodeling contractors. It can be very touchy depending on your demographics. Do your research and see who you are competing with. Some of the larger window manufacturers have great programs in place, and they spend a ton of money on advertising which they tend to flood the market with."

"It's a great opportunity to get better margins. To avoid competition with our customers, we've targeted areas that our local labor force either can't do, or does not want to do."

"It will take some growing pains. Hire the best installers you can and train them on your method of installing. Have clear contracts on what work is being done."

"Team up with one of the almost retired contractors to be an install team leader and find a hungry crew."

"When we started small after and during the recession, we had customers getting mad because we used them as trades and finally went big and went after hotels and nursing homes." ➤

REAL ISSUES. REAL ANSWERS.

"We are running into the same deal. The issue is that we tried installed sales in the recession and it seemed like our customers who we hired to do the installs often worked against us. It wasn't an easy partnership and it should have been. Our processes were very good. It seemed like a structure issue for our subs. We did windows and doors in the recession for roughly six months. We did cabinet design and install for seven or eight years. We got out of that at the end of 2017 due to lack of qualified candidates for design. Installed sales worked great for that product category."

"Lots of competition. Manpower shortage."

"Just because you are successful selling building materials doesn't mean that you can install them successfully. They are two different businesses. Hire people who know the construction business."

"We had our foot in the door with a few local installers in town (windows and doors mostly). After a few successful installs, an issue arose with an unsatisfied homeowner. Make sure you've got a binding contract between you and your installer to protect your business should you experience a similar situation."

"It is much easier to provide installation services through new construction. You never know what you're going to run into with a remodel. If you happen to have flooring specialists as well as plumbers and electricians on staff to handle the incidentals that crop up in a remodel, then pursue the homeowner business and try to structure the sale to be able to cover these incidentals as they occur."

"Set up a program with just a few qualified contractor/installers that you know and trust to do the right work."

"In addition to the fine-line of taking builders' work away from them, the insurance and liability would be an expense. However, it would be a surefire way to move product. I would vote 'yes' if you are having trouble finding a good contractor base."

"Any service you can provide your customer base will help boost sales and you can control how products are installed. You do have to walk a thin line with contractors you sell to, as you don't want to compete with them."

"You need a good, reliable group of installers to pull from to avoid long backlogs."

"Homeowners require considerable 'hand-holding' during the install process, so you must price your jobs accordingly. Installing directly for builders tends to be a much smoother process for us."

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"The hardest part is finding qualified, reliable installers. Weekly pay and competitive rates can help secure better ones. Service calls after installs are also an issue. Getting installers to go back to correct errors is always a hassle (since they'd rather be installing and earning money). Insurance can be an issue, too."

"It has to be a production-incentive pay scheme for it to work. More installs means more money for the installers. For this scenario, they need to be your employees."

"I would be careful about alienating your builders if you are a pro dealer-type yard. If you do start the program, the first key is your leader of the program. Then identifying the proper installers or subs would be your second key. After this, proper job costing and cost-analysis is paramount."

"You need clear, detailed contracts with a complete scope of work. If you are concerned about contractor customers seeing you as a competitor, you can invite them to work as subs. Change orders are critical to maintaining profitability."

"We don't do installation for homeowners, as that is a whole different arena than doing it for builders." ■

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

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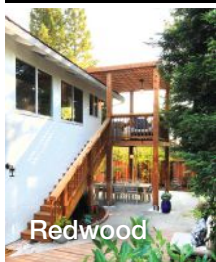
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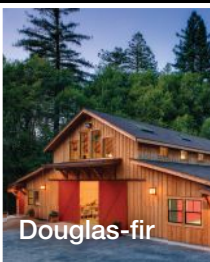
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BY JAMES ANDERSON

FAMILY NAME

S.W. COLLINS CELEBRATES RICH HISTORY IN MAINE

A lot of lumber dealers may have their names on the sign on the front of the building. Not many, however, share that name with their great, great grandfather, the founder of the company.

Founded in 1844, S.W. Collins Lumber Company is celebrating its 175th anniversary this year. Based in Caribou, Maine, the company has remained in the same family's hands since it was founded by Sam W. Collins, great, great grandfather of today's owner, also Sam W. Collins.

Every-other generation has seen a Sam W. Collins as head of the company, starting when the original Sam W. Collins, along with partner Washington A. Vaughan, first built a mill on the banks of the Caribou Stream in an area recently established as the state of Maine. Since Collins bought out his partner later in life and brought his son and son-in-law into the business, the company has carried the same family name.

And for as long as it has been in the family, the business has been a part of the community, a fact not lost on current owner Sam W. Collins.

"We are stewards of a company for a period of time and we are committed to our customers and our employees. Our mission statement directs our action, 'To continue to offer excellent products and legendary service as we strive to be

an active, positive influence in the communities in which we live and work.'" Sam says. "There's a commitment to grow and improve the business to pass on to the next generation of leaders."

Over a 175-year span, S.W. Collins has served as a solid part of the Caribou, Maine community, and has seen the area through both good and bad times economically, all the while evolving with the times to best serve the market.

"In the 1800s we were the general store for the growing community, providing dry goods as well as lumber and building materials," Sam says. "The ledgers with the stylish calligraphy noting the sales of the day recorded oats, molasses, nails, shingles clothing, tea, tobacco, flour and herring! We've diversified and changed with the times as the company witnessed a Civil War, two world wars and the Great Depression. After World War II, there was a great need for housing for the many returning veterans, so S.W. Collins formed a construction company to employ veterans and to fulfill the housing demand in the 1950s."

Today, Sam along with his brother Gregg are the fifth-generation to lead the hardware and building material retailer that now has five retail locations, a millwork shop and a stand-alone kitchen and bath center. ➤





"WE ARE STEWARDS OF A COMPANY FOR A PERIOD OF TIME AND WE ARE COMMITTED TO OUR CUSTOMERS AND OUR EMPLOYEES. THERE'S A COMMITMENT TO GROW AND IMPROVE THE BUSINESS TO PASS ON TO THE NEXT GENERATION OF LEADERS."

— SAM W. COLLINS

SERVING NORTHERN MAINE

Like many companies in rural areas, S.W. Collins is seeing a declining population. Aroostook County, at the Canadian border, has a population of about 70,000 people, down from around 100,000 as recently as the early 1990s. The closing of a nearby U.S. Air Force base meant 10,000 fewer residents, followed by the loss of those whose livelihoods existed from serving the base.

At the same time, Sam says, S.W. Collins was in the midst of an expansion project, opening a store in Presque Isle, Maine, about 20 minutes from Caribou.

"It enabled us to diversify a bit into another market 13 miles down the road, but timing-wise, it came with trials for sure. Certainly, as we geared up the new store, it was lean times."

Still, with a population aging and the loss of the Air Force base, S.W. Collins has continued to serve Northern Maine. The company has expanded to seven locations, including a

design center and millwork shop. In the past six years, S.W. Collins has added two locations, most recently in Fort Kent and prior to that in Lincoln, Maine.

The Caribou location outgrew its footprint, so the company demolished some old warehouses and relocated the millwork shop to a building on the former Air Force base, and constructed a new drive-through warehouse, which became the blueprint for future stores. At the same time the kitchen and bath showroom was moved to a building on land next to the lumberyard in the late 1980s.

Serving a customer base that is a near even split between retail and contractor, S.W. Collins features an outside sales team of three, led by an outside sales manager. An additional 100 employees work among the stores and millwork shop. Sam runs the company along with his younger brother, Gregg, who is vice president.

Strong service to pro customers as well as DIY, Sam says, has kept the company growing. Sales have increased by 23% over the past few years with the additional stores.

"We continue to look for opportunities for growth in markets where our model will be successful. Our growth is a reflection of our very capable and dedicated management team and the many wonderful employees that are customer-centric," Sam says. "We are most proud of the people that we employ that understand our mission statement and are extremely hard working and dedicated. Our model revolves around partnering with our customers and providing some of the extra services such as home and addition designs, material takeoffs, construction methods consultation and referral to contractors for their building projects.

"WE CONTINUE TO LOOK FOR OPPORTUNITIES FOR GROWTH IN MARKETS WHERE OUR MODEL WILL BE SUCCESSFUL. OUR GROWTH IS A REFLECTION OF OUR VERY CAPABLE AND DEDICATED MANAGEMENT TEAM AND THE MANY WONDERFUL EMPLOYEES THAT ARE CUSTOMER-CENTRIC."

— SAM W. COLLINS



The company is now in its fifth generation of ownership in the Collins family, with brothers Gregg, vice president (left) and Sam, president, leading the way. Today, S.W. Collins has 100 employees across all locations.





With a customer base almost evenly split between retail and contractor, S.W. Collins features a millwork shop, design center, and job-site delivery, plus custom installation for kitchen and bath, windows and doors, flooring and millwork.



We advise customers on building material alternatives depending on their building goals.”

Essentially, Sam says, S.W. Collins will help guide the homeowner through the process and make it easier, helping them work with the builder and subcontractors. “Our role is one of consultation and direction for what can be an overwhelming process for the homeowner. We are in a position to answer the contractor’s and subcontractor’s questions when we have designed the new home or addition for the homeowner. We hold the customer’s hand through the entire process. Homeowners and contractors appreciate the service”

CHALLENGES

Like many lumber dealers across the U.S., Sam can sum up his company’s biggest challenge in one word: Labor. The shortage of employees has led S.W. Collins to reevaluate how it recruits and retains staff members. Gone are the days of advertising in the local papers only, or just putting up a sign in the store.

“We’re focused on Indeed and Facebook,” he says. “We’re using social media not only to find people who are looking for a job, but also those who might be a good fit here. We’re crafting how we advertise our open positions to give more color and richness to the jobs that are available in the lumber and building materials business.”

The company is also working to attract more women to the industry, Sam says, recognizing a largely untapped talent pool.

Along with labor, high on the list of challenges is the population and demographic changes in the S.W. Collins market area.

“The demographics are changing. It’s difficult for the entire county,” Sam says. Because of the aging population and fewer young people staying in the area, there are also shortages of tradesman such as builders, plumbers, electricians, and concrete workers.

Local economic development groups have formed to work together to draw younger people—including those in the trades—back to the area. An unemployment rate of less than 3.6% throughout the state makes it difficult for all employers, and many companies share the same challenge.

FUTURE

At a 175-year-old company, you can’t help but focus on future generations, Sam says. As of now, neither he nor his brother have children involved in the business, but Sam’s daughter is about to graduate college and Gregg has a son, both of whom Sam hopes enter the company.

S.W. Collins management continues to guide the company through recent changes in an ERP system to continue to modernize practices. As with anything, Sam says, training on the new system is critical and will determine how the company is best able to leverage the software.

Whether a homeowner needs a storm door, a new faucet, a new kitchen, windows replaced, an entry door, a design for a new home or a new roof, S.W. Collins Company sees its role as one of consulting with the customer on what is the best product for their project, and if needed, lining the customer up with a contractor best suited for their building needs. ■

GET TO KNOW S.W. COLLINS

FOUNDED:	1844
OWNERSHIP:	FAMILY-OWNED
LOCATIONS:	SEVEN
SALES SOFTWARE:	ECI SPRUCE
PURCHASING GROUP/CO-OP:	DO IT BEST, LBM ADVANTAGE
TOP THREE BRANDS:	CERTAINTED ROOFING MAKITA TOOLS PARADIGM WINDOWS

IN DEPTH

This spring, Ply Gem introduced new color offerings for its engineered cedar shake product line, expanding its offerings to five colors. Shown in Weathered Brown.

ROOFING SYSTEMS

PRODUCT PERFORMANCE AND ENERGY EFFICIENCY
DOMINATE IN TODAY'S ROOFING WORLD.

THERE WAS A TIME WHEN ROOFING MATERIALS weren't paid that much attention to. Most homeowners opted for asphalt options, and they considered themselves well-served as long as those shingles delivered decent protection during the predicted product lifespan. Oh, how the times have changed.

More and more, roofing materials play an integrated part in the overall aesthetics of a home, and both homeowner and builder alike are constantly searching for a roofing solution that delivers a combination of good looks, energy efficiency and durability in the face of extreme harsh weather. It's no longer acceptable to slap on shingles that merely dispel rain. Today's roofing materials need to pay long-term dividends like never before, especially in light of predicted category growth.

According to the Freedonia Group's Roof Trends and Opportunities Report, demand for roofing is predicted to increase by 4.9% per year to \$19.9 billion in 2021. As well, U.S. demand for roofing is projected to reach 267.9 million squares in 2021, driven in part by the number of older residences that will need roof replacement. As well, the National Association of Home Builders (NAHB) predicts single-family housing starts will continue to rise in 2019, reaching close to a million starts—a 4.7% increase from 2018, and according to the recently released 2019 Dodge Construction Outlook, total overall construction starts for 2019 are predicted to hold steady at \$808 billion. "We have seen steady growth in roofing across our product categories and anticipate that trend to continue over the coming 12 months," says Peter Chalmers, product manager with Boral Roofing.

Growth, however, is not always even, and some roofing products may see more growth than others, either because of the material they are made from or due to the product's specific performance characteristics. "The metal roofing category has demonstrated consistent growth for over a decade now and we do not anticipate this changing any time in the near future," says Chris Doucet, vice president of sales and marketing for EDCO Products, a Minnesota manufacturer of metal roofing. "The growth of metal roofing is primarily being driven by increased consumer awareness around the significant benefits metal roofing provides," he says. "Whether it's the improved look and quality, reduced energy costs, reduced maintenance, reduced cost of ownership, or the fact that most metal roofing products are 100% recyclable, it is clear there is a growing movement towards metal roofing."

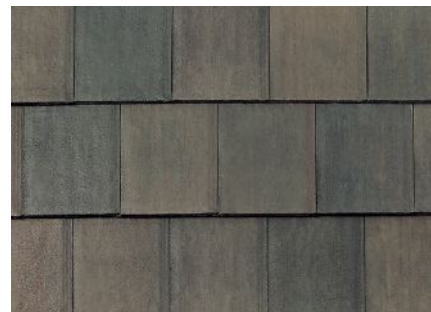
So, too, will the performance characteristics of roofing products drive sales. Significant growth in the coming months and years may come as a result of weather patterns and sustainability goals. "As energy conservation continues to be an important consideration for homeowners," says Brian St. Germain, director of OSB/quality and technical for LP Building Solutions,

"expect to see increased adoption of radiant barriers in warmer climates. Conversely, more northern climates will see growth in thicker panels that continue to be used to support heavier loads due to snowfall."

Let's not forget that Mother Nature herself is also playing a leading role in driving the growth of the roofing industry. According to National Oceanic and Atmospheric Administration (NOAA) Storm Prediction Center, there were 1,169 preliminary reports of tornadoes in the United States in 2018, of which at least 1,123 were confirmed. NOAA goes on to report that during 2018, the U.S. experienced a very active year of weather and climate disasters. In total, the U.S. was impacted by 14 separate billion-dollar disaster events: two tropical cyclones, eight severe storms, two winter storms, drought, and wildfires. The past three years (2016-2018) have been historic, with the annual average number of billion-dollar disasters being more than double the long-term average. Considering these numbers, it should come as no surprise that weather is having a significant impact on both sales numbers and type of product sold.

"Major storms are growing in frequency and strength all across the country," says Alex Pecora, director of product management for CertainTeed. "If we have another major storm season, it could spur an uptick in roofing sales. We're finding that with the

increasing number of storms, homeowners are more likely to invest in impact-resistant roofing materials. This includes heavier asphalt shingles and SBS (styrene-butadiene-styrene)-modified shingles, as well as metal roofing products, which are impact-resistant and weigh much less per panel than a typical square of asphalt shingles." ➤



ABOVE: As part of its concrete roofing line, Boral recently introduced a collection of five new concrete roofing tile colors inspired by the natural beauty of California. These new neutral shades include Graphite, Sepia, Shadow Black, Oceana, and Saddleback Blend (shown). According to Boral, each carries a Class A fire rating and has an anticipated life span of 75 years.

BELOW: Boral's new MetalSeal Underlayment, which is a high temperature self-adhered waterproofing solution, provides protection against wind, rain, snow and ice dams. According to the manufacturer, it is designed specifically for metal roofing but is also suitable for use with any roofing material in any climate.



IN DEPTH

Michael Cobb, president and chief marketing officer for DaVinci Roofscapes, also sees severe weather as a major disruptive player. "Due to severe weather conditions (including hail storms and wildfires), composite roofing materials are definitely on an upward trajectory for growth in the marketplace," he says.

SIMPLICITY AND EFFICIENCY ARE WHERE IT'S AT

When it comes to visual trends in roofing, simplification and authenticity seem to be the driving forces. Manufacturers are reducing the overall number of color choices while simultaneously focusing on natural appearances, something that Boral's Chalmers calls 'sensorial relief.' "Recent research indicates that our continuous use of technology, as well as the constant bombardment of information from devices, ads, etc., is directly influencing our desire for sensorial relief in, and on the exterior of, our living spaces," he says. "With this trend, we are witnessing reduced home ornamentation and a reduction in the number of colors featured on, and in, the home."

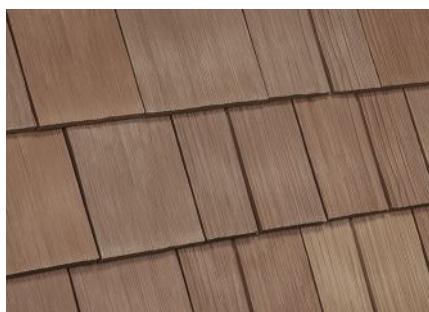
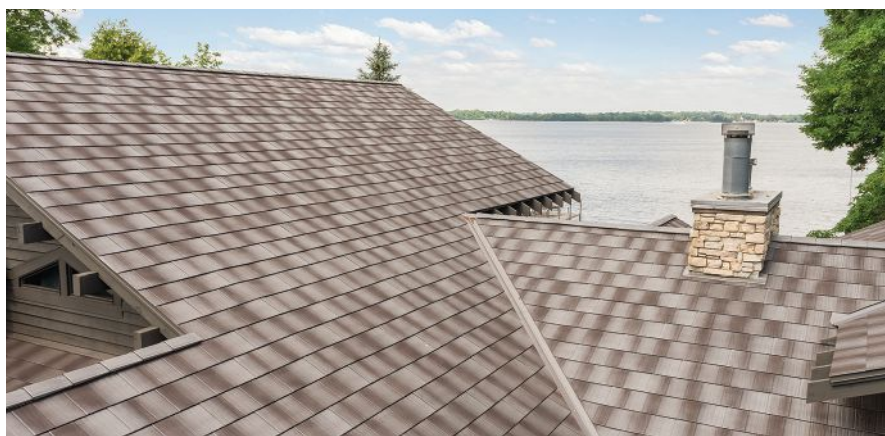
Part of this embracing of cleaner, simpler design can be found in the rise of the modern gabled home. A blend of modern and traditional, this style of architecture features a gabled roof combined with modern design accents to create a clean, simple silhouette where the roof plays more of an aesthetic role rather than simply one of function. Says Chalmers, "Boral Roofing just introduced a CEU course on this topic, which is available to architects who want to learn more."

As well, more manufacturers are offering product lines that replicate natural materials but perform better over time. For example, Ply Gem's engineered roofing utilizes a process that digitizes the look of natural slate and cedar and then engraves that image into forms to produce a hyper-realistic roofing product that requires little to no maintenance. Likewise, DaVinci Roofscapes' composite slate and shake roofing features the look of natural materials but is resistant to hail, strong winds, fire, insects and algae.



LEFT: This spring, Ply Gem introduced new color offerings for its engineered slate product line, expanding its offerings to eleven colors. As well, Ply Gem will be adding 5", 7", and 9" widths to its multi-width engineered slate offering.

BELOW: One of EDCO's recent product launches is its Infiniti Roadhouse Roofing Panel. It provides the look of a rusted metal panel without any actual rust, and it includes 40-year fade protection and a lifetime warranty against chipping, peeling or cracking.



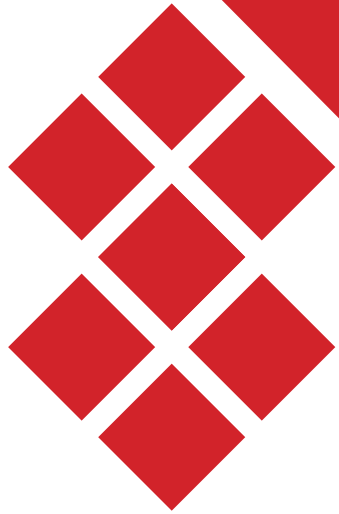
LEFT: New for 2019, DaVinci Roofscapes has added Select Shake roofing tiles to its roofing product offerings. It features an authentic cedar look and is available in eight new colors (Autumn is shown here). The roofing tiles come in 8" and 10" widths, each 22" long with a thickness of 5/8". The 10" wide pieces have a simulated keyway to give the appearance of 4" and 6" width shakes placed together.

"Home and business owners are looking for roofing products that look great, last longer, reduce costs, require less maintenance and have a reduced impact on the environment," says EDCO's Doucet. "In addition, home and business owners are asking for unique profiles and/or designs that match the character of not only their home or business, but also their neighborhood. We are even seeing metal roofing products being used in sidewall applications on buildings as accents alongside other substrates."

Just as the weather is having a major influence on the sales growth of the roof material category, so, too, is it driving trends in manufacturing and homeowner purchase decisions. Energy efficiency and product resiliency to combat

hotter summer and colder winter temperature, and durability to withstand the severe storms that appear to go hand in hand with these temperature extremes are trends that show signs of only increasing. "Over the past several years, much greater emphasis has been placed on energy performance in roofing products," says Boral's Chalmers. "Another common concern is the durability of roofing products, specifically in the face of storms and severely inclement weather. Roofing products are increasingly being marketed for their resiliency benefits. Those benefits matter more to both residential and commercial owners as climate change and its negative effects—hurricanes, droughts, fire—are increasingly spotlighted in the news." ▶

**HIGH TEMP
SELF ADHERING**



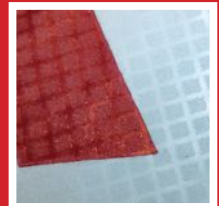
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IN DEPTH

CertainTeed's Pecora sees similar trends, noting that product choice is more often being based on the frequency of high winds and storms all across the country. "Homeowners in some parts of the country where hail is frequent have to repair or replace their roof shingles multiple times a year," he explains, "so homeowners are investing more in heavier, impact resistant shingles that stand up to the elements better."

VALUE AND PERFORMANCE DRIVE PRODUCT CHOICE

Because a roofing purchase is often a one-in-a-home-ownership decision, contractors and homeowners alike want to know they have made the best decision. Aesthetics, product performance, product durability, and overall value all play a part in the decision-

making process, and the successful distributor will know how to address each of these concerns. "Choosing to invest in roof replacement is a big decision because the roof is one of the most important features of a home," explains Jerry Blais, general manager of Ply Gem Roofing and Trim. "It protects a house from Mother Nature and represents a large surface delivering on curb appeal, so a roof needs to be beautiful, make a statement and perform. Whether a homeowner is building a new home or replacing a roof because it has met its existing life expectancy or been damaged by a major storm, they are seeking a solution that provides the best aesthetic and performance for a good value."

While it can be tempting to always gravitate to the least expensive option, manufacturers warn that path often

leads to being penny-wise and pound-foolish (as the old adage goes). Less expensive options often do not deliver on aesthetics, performance or overall durability, meaning that the roof will need to be replaced multiple times during the average ownership period. While a higher quality product may be more expensive initially, it delivers by potentially lasting much longer and providing better energy performance. "If you purchase a roof that will need to be replaced multiple times instead of the higher quality option that will last a lifetime and will enhance energysavings," explains Boral's Chalmers, "you aren't actually saving money in the long run."

EDCO's Doucet echoes Chalmers thoughts on the true nature of value. "While it's ultimately the homeowner's decision in working with their contractor, the final choice comes down to which product is going to provide the most value. It sounds simple enough, but in the end, the roofing material selected is going to protect your most valuable asset and you want to make the right decision. Some of the things to consider include what look you want, how long you will be staying in your home, what climate you live in, how often you are willing to replace the roof, how important the environment is, and the warranty offered by the manufacturer."

But how, exactly, do roofing products deliver on increased performance? Oftentimes, it comes from contractors utilizing a unified roofing system, and distributors should be prepared to stock complete solutions for their customers and be able to tout their benefits. "First and foremost, homeowners should look for a unified roofing system with starter shingles, underlayments, hip, ridges and shingles from the same manufacturer," explains CertainTeed's Pecora. "This ensures all parts of the roofing system will work as intended according to the manufacturer. Having underlayments from one manufacturer and shingles from another may create a situation that leads to moisture intrusion, susceptibility to ice dams and accelerated roof system failure." ➤



ABOVE: The NorthGate MaxDef shingle from CertainTeed is an SBS modified asphalt product that carries a Class 4 impact rating and, according to the manufacturer, has increased flexibility to resist cracking in extreme cold weather.

RIGHT: CertainTeed's Matterhorn metal roofing products—shown here are its Slate and Tile options—are manufactured from DDS high-performance G90 steel with multiple layers of polymer coating applied over the metal substrate. According to the manufacturer, these coatings create a self-healing surface that is harder than steel itself.





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IN DEPTH

As LP's St. Germain says, "Homeowners and contractors both need to do their homework before choosing a product for a new roof in order to invest in a product that will deliver long-term value."

CUSTOMERS CRAVE PERFORMANCE

While roofing products possess many individual characteristics that deserve to be touted, there are a few key qualities that, according to manufacturers, take precedent for the distributor. Manufacturers agree that product performance, durability, and energy efficiency are at the top of the list, and distributors need to be prepared to address these product characteristics with their builder and contractor customers. "We believe that energy efficiency, durability and resiliency are three of the most important roofing features that should be emphasized," says Boral's Chalmers. "If a builder or contractor is accounting for all three of these in the roof they ultimately provide to their customers, then those

customers are going to get a roofing solution that endures over many years or decades and that renders lasting energy savings and provides the best protection possible from inclement weather events."

Performance isn't limited to the shingle; it extends throughout the entire category of roofing materials. LP's Brian St. Germain recommends dealers pay particular attention to how specific products deliver savings over their lifetimes. "Dealers should really emphasize the value that LP TechShield Radiant Barrier delivers to builders and contractors by upselling to a value-added product rather than a commodity one," he says. "They, in turn, can bring the long-term cost benefits to the attention of the homeowners in terms of reduced cooling costs and overall energy consumption."

David Delcoma, product marketing manager for MFM Building Products Corp., echoes the comments from St. Germain. "Dealers should emphasize the protection levels offered by the various brands of underlayments on the

market," he says. "How long will it be between installing the underlayment and the finished roof system? Underlayment manufactures can provide UV exposure ratings (30 days, 60 days, 90 days, etc.) which means that the underlayment will not lose any performance characteristics during that time. And for metal roofing systems, the choice also includes the installation temperature range. Metal and tile roofing systems generate a large amount of heat, which can break down an underlayment, which can lead to potential problems. Overall, high-temperature rated underlayments offer a 230°F or higher temperature rating. The contractor must use a high-temperature rated product when installing these types of roofing systems."

Of equal importance to builders and contractors is ease and speed of installation, especially in light of the fact that there still remains a big shortage in skilled tradespeople. According to the Associated General Contractors of America's 2019 Construction Survey and Business Outlook, 73% of polled construction firms reported a need to add tradespeople to their payroll, yet 66% said they were having a difficult time finding people to fill those openings. The best way to fight against that labor shortage is to offer contractors a product lineup that speeds the installation process. "Product features that improve speed and accuracy are very important to builders and contractors," says CertainTeed's Pecora. "The more time a contractor spends at the job site is money that's not being made somewhere else. It's a big advantage to have a product that is consistently accurate and easy to install."

TAKE ADVANTAGE OF TRAINING

It should come as no surprise that product education and training is of vital importance to the successful distributor, and most manufacturers offer an array of methods and materials to meet those needs. Traditional tools such as samples, brochures and installation training remain mainstays of distributor and contractor education, as do online resources such as videos and downloadable materials.



ABOVE: In 2019, MFM introduced Premium HT Tile & Metal Underlayment for use under tile and metal roofing systems. According to MFM, the new product features a polyester top surface to hold stacked tiles in place, offers great traction for the roofing contractor, and is rated to 250°F to withstand the extreme temperatures generated by metal roofing systems.

RIGHT: LP TechShield Radiant Barrier Sheathing is designed to lower a home's attic temperature. According to the manufacturer, these panels block up to 97% of the radiant heat in the roof panel from emitting into a home's attic, reducing an attic's temperature by up to 30° F. They install like convention sheathing, carry a 20-year transferrable limited warranty, and may help builders qualify for Green Building credits, energy rebates and lower HERS scores.



"We have a number of continuing education programs for sellers, architects, contractors, and homeowners," says CertainTeed's Pecora. "Our website includes access to continuing education courses, helpful videos and print resources, as well as a business resources catalog which is filled with selling aids, sales training guides, brochures, financing resources and other information to help dealers close the sale and know as much about the product as possible."

In the case of Boral, it offers a wealth of online training materials, educational sessions, product displays and samples to help its sales channel, along with trained field reps who are there to educate both distributor and contractor. Likewise, MFM offers its distributors a wide variety of product literature, sample packs, and POP materials, along with training for its salespeople at the company's headquarters

that includes classroom education and hands-on installation demonstrations. Similarly, EDCO offers to its distributors a variety of sales tools that includes a state-of-the-art website, in-store product displays, product samples, color brochures, print and video installation guides, and certified CEU training courses for both architects and contractors.

Many manufacturers, though, also put their unique spin on training, and the successful distributor will take advantage of as many of these opportunities as possible. For example, LP routinely takes its training on the road through an event it dubs the LP House Party. "It's a unique way to train and educate dealers on LP building products," says LP's Brian St. Germain. "By meeting dealers where they are, we have revolutionized product demonstrations and educational opportunities. This approach allows dealers to

learn about the portfolio of structural solutions like LP TechShield Radiant Barrier so they feel informed and empowered to sell higher grade products to builders and contractors."

For the spring of 2019, EDCO is launching what it calls the EDCO ELITE Certified Installer Program which will offer contractors/installers the opportunity to receive hands-on metal siding and roofing installation training at the company's campus located just outside of Minneapolis. "Installers who complete the course will be acknowledged as an 'EDCO ELITE Installer' and will receive additional benefits from EDCO," explains Chris Doucet. "We believe metal siding and roofing provides a significant opportunity for installers looking for a way to differentiate themselves from their competitors and we are confident our ELITE Installer Program will do just that." ➤

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IN DEPTH

LOOKING FORWARD

So in the end, what spells success? Everyone agrees that training and product knowledge are key to a distributor's success. Being able to educate the purchaser—be that a homeowner or contractor—will ensure that the customer is getting a roofing product that best meets their needs. "If you go into a store to buy a laptop or a camera and the sales person isn't knowledgeable about how the item works, they're less likely to get the sale," says CertainTeed's Pecora. "The same goes for roofing products. Making sales people aware of the latest product improvements, recent case studies and best practices for using the product will

make them stronger brand advocates. It also contributes to customer satisfaction and brand loyalty over time."

After all, today's consumer is a much more educated shopper. In this world of web-based readily-accessed information, both contractor and homeowner are much more aware of product choices, benefits and performance. It's the duty of the distributor to be able to respond to that knowledge and answer authoritatively. As EDCO's Doucet says, "As manufacturers, distributors, architects, builders and contractors, we all share in the responsibility of communicating the significant benefits of roofing products to home and business owners alike." ■

Michael Berger is the former managing editor for HANDY Magazine and has been writing about home improvement and construction for the past sixteen years.

INTERNET INFORMATION

Companies highlighted participated in this article.

American Building Components Inc.:
www.abcmetalroofing.com

Atlas Roofing:
www.atlasroofing.com

Benjamin Obdyke:
www.benjaminobdyke.com

Boral Building Solutions:
www.boralamerica.com

Cedar Shake & Shingle Bureau:
www.cedarbureau.org

CertainTeed:
www.certainteed.com

DaVinci Roofscapes:
www.davinciroofscapes.com

DuPont Tyvek:
www.dupont.com

EDCO:
www.edcoproducts.com

Enviroshake:
www.enviroshake.com

GAF:
www.gaf.com

Georgia-Pacific:
www.buildgp.com

Huber:
www.zipsystem.com

Huttig Building Products:
www.huttig.com

IKO:
www.iko.com

LP Building Products:
www.lpcorp.com

Metal Sales Manufacturing Corp.:
www.metalsales.us.com

MFM Building Products Corp:
www.mfmbp.com

Owens Corning:
www.owenscorning.com/roofing

Perma-Boot:
www.permaboot.co

Ply Gem:
www.plygem.com

PrimeSource:
www.primesourcebp.com

RoyOMartin:
www.royomartin.com

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

Simpson Strong-Tie's BVLZ brick veneer ledger

Simpson Strong-Tie has released the BVLZ brick veneer ledger connector kit, a code-compliant, tested solution for attaching decks to wood-framed homes that have a brick or masonry veneer exterior covering. While brick veneer is an exterior covering used on buildings in many parts of the country, it lacks the load-bearing properties of structural masonry and cannot support the weight of exterior structures like decks. By connecting a wood ledger to the framing through the brick veneer, the BVLZ is designed to enable decks to be safely attached to the home without the need to remove or replace large sections of the veneer. The BVLZ brick veneer ledger connector kit includes a steel ledger connector plate, a compression strut, two 14" Strong-Drive SDWH Timber-Hex HDG tension screws and six Strong-Drive SD Connector shear screws. The BVLZ is designed so tension screws pass through the mortar into the structural framing, allowing the compression strut to transfer forces from the ledger plate to the rim joist without bearing on the brick veneer. Fabricated from 12-gauge steel, the BVLZ connector also features a ZMAX galvanized coating. www.strongtie.com/bvlz



STINGER CN100B Cap Nailer

National Nail has introduced the newly-enhanced STINGER CN100B Cap Nailer with a design that is said to improve performance with an updated cap magazine for added durability. Weighing in at 4.9 lbs., STINGER's CN100B is designed for near-effortless loading, upgraded tool life, and utilizes full, 1" collated plastic caps; it is capable of firing 200 caps/200 nails before reloading. The Electro Galvanized ring shank nails are 1" X .083" full round head. The STINGER CN100B also includes an installed belt hook, trigger with bumpfire and sequential modes, and carrying case. www.stingerworld.com



Alsides's new Explorer Collection

Alsides, a manufacturer of vinyl windows, patio doors, and siding, has launched seven new siding, soffit, trim and accessory colors as part of the Explorer Collection. The new colors include grays, blue, red, green, and browns. The Explorer Collection is available in full or in part on the following lines: Prodigy, Charter Oak, Odyssey Plus, Coventry, Conquest, Board & Batten and Williamsport. Alsides Explorer Collection comes with a lifetime limited warranty. www.alsides.com

Noon collection from Mirage Porcelain Veneers

Oldcastle has debuted a new color/texture of Mirage Porcelain Veneers called Noon, which the company says combines the rustic look of distressed wood and the elegance of clean lines with contemporary advancements. Mirage's Noon Porcelain Veneers are offered in four colors: Daylight, Ember, Honey, and Charcoal. Mirage Porcelain Veneers, including the Noon collection, allow the designer to specify products from a moderate color pattern variation to a substantial color variation. Mirage Porcelain Veneers are designed with an ultra-low water absorption rate to create a highly impenetrable surface. This allows the veneers to fend off surface mold, moss, dirt and other types of stains found in exterior environments, the company says. The product does not require any treatments (sealers) and is designed to not be affected by efflorescence or discoloration. The units are 4" wide by 18" long and with a thickness ranging from .30" to .60". At less than 9 lbs. per square foot, they are offered as an option for vertical wall coverings for both interior and exterior applications. www.echelonmasonry.com



CertainTeed Apollo II solar roofing system

The Apollo II solar roofing system from CertainTeed is a low-profile solar roofing system that can be installed with either a new or existing asphalt shingle roof. According to CertainTeed, the Apollo II system offers clean energy without the bulky look of racks and panels. 14 high-efficiency monocrystalline silicon solar cells provide a power rating of 63 watts per solar shingle, and there's no need to find rafters or flash penetrations in the roofing system for installation; the solar shingles are installed directly into the roof sheathing using standard deck screws. Fastening points are then covered by subsequent solar shingles, the same way that asphalt shingles are installed. www.certainteed.com



Haute two-tone mouldings from Ornamental Mouldings & Millwork

Ornamental Mouldings & Millwork has introduced a new line, Haute 2-in-1 Mouldings. Two-tone crown, baseboard and chair railing mouldings are available with an accent insert of either a gold rope or silver pyramid removable wood piece. The all whitewood mouldings come primed and ready to paint. To install the Haute 2-in-1 Moulding, start by removing the gold or silver insert that comes with the moulding. Users paint the primed moulding profile in whatever color desired. Once the moulding is dry, it can be installed. Finally, a construction adhesive is used to fasten the prefinished trim insert into the moulding cavity. The two-toned mouldings are designed to be added as a ceiling accent in a bedroom, a custom wall design in a dining room, or an attention-grabbing baseboard in a living room. www.ornamental.com



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PRODUCT PICKS

UltraPro wood screw from Grabber

Grabber's UltraPro wood screws feature a proprietary Grabber LOX recess, providing UltraPro screws with eight points of contact with the drill bit (star recess has only six). LOX recess precision fit is designed to not only help prevent cam-outs, but keep a user from fumbling with wobbling screws, enabling one-handed driving in tight spaces. The QuickGrab type 17 point helps the UltraPro fastener start immediately into wood with no pre-drilling. Then, the lower UltraCut threads clean out wood material. The manufacturer says this reduces the pressure needed to keep the screw engaged and complete the drive faster and more cleanly. The Scavenger II head features a spiral underhead design that is said to self-countersink. The UltraPro wood screw can also be placed as close as 3/8" from an edge without the wood splitting, Grabber says, resulting in a flat, professional-looking finish. www.grabberpro.com/ultrapro



Long Ranch panel design from Safe-Way Door

Safe-Way Door, celebrating its 60th year, announced the launch of a new Long Ranch panel design to its Deluxe Series of doors. The product was rolled out to Safe-Way's dealer network to offer their customers a 24 gauge steel ranch panel with a wood-like design. Deluxe Series doors are available in both insulated or non-insulated vinyl backed, in 7 colors and 23 window options. Available with flush or raised panels, the garage doors feature wood grain embossing. Insulated and non-insulated models along with window options are available. The new Long Ranch model is available for immediate shipment. www.safewaydoor.com/door/deluxe



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PRODUCT PICKS

New Bosch Bulldog Rotary Hammer

The GBH18V-26D 18V EC Brushless Bulldog Rotary Hammer from Bosch features a CORE18V battery, which combines corded-like performance with next-generation Lithium-ion 21700 cell technology. The Bosch GBH18V-26D rotary hammer weighs 5.8 lbs. (tool only, not including battery) and delivers 1.9 ft.-lbs. of impact energy (EPTA). In addition to providing horizontal power transmission for optimized overhead, horizontal and downward drilling applications, the rotary hammer offers a soft-grip handle. The Bosch cordless Bulldog rotary hammer is compatible with Bosch PRO+GUARD dust solutions, options that provide end-to-end dust collection that helps users move toward OSHA silica dust compliance. The GBH18V-26D is compatible with an optional GDE18V-26D 18V cordless dust-extraction unit, which offers a self-contained HEPA dust solution. www.boschtools.com



Sherwin-Williams ColorsSnap Match

The new portable matching tool from Sherwin-Williams was developed to connect to an app that allows quick and confident color matching. The new device connects to Sherwin-Williams free ColorSnap Match app via Bluetooth and is said to make it nearly effortless to scan any surface or fabric to find corresponding Sherwin-Williams colors. The device enables users to scan colors from any item or texture, including paint, textiles, carpet, tile, apparel, and more. The ColorSnap Match paint-scanning device is available in Sherwin-Williams stores nationwide for \$69.99, and the ColorSnap Match app is available for both iOS and Android devices. <https://www.colorsnap.com>



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The latest addition to the TYPAR Weather Protection System, TYPAR Drainable Wrap features a layer of multi-directional polypropylene fibers designed to divert bulk water from exterior wall cavities, creating a highly-efficient drainage gap that the company says sheds more bulk water than traditional house wraps. TYPAR Drainable Wrap comes with a lifetime limited warranty and meets code requirements for drainage efficiency. www.typar.com



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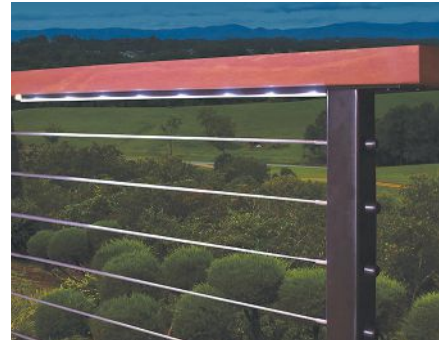
*Rick Davis
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President*



PRODUCT PICKS

Micro Star LED Light Bar from Atlantis Rail

Atlantis Rail has expanded its line of Micro Star LED lights to include an LED light bar. The product is designed to fit neatly under a flat handrail and is compatible with Atlantis Rail's railing systems, including the Spectrum and NOVA II cable railing systems. The Micro Star LED Light Bar features a flexible LED light strip of natural white LED lights set into a powder-coated aluminum channel with a clear plastic lens. The light bar is available in lengths of 18", 30", and 42" and with channel color options of black, bronze, metallic silver and white. Each kit comes with the lens, LED strip, aluminum channel and fasteners. Male/female screw connectors are designed to make installation quick and easy. The LED light bar is compatible with Atlantis Rail's Micro Star wiring harnesses and transformers. www.atlantisrail.com



Milwaukee PACKOUT Cooler

Sized to accommodate ice, frozen water bottles, and/or cooling packs, the PACKOUT Cooler features a leak-proof liner and 2X the insulation of other coolers on the market to keep these items cold for 24 hours, the company says. The cooler is constructed with all-metal hardware and an impact-resistant base that locks into place on Milwaukee's PACKOUT System. The cooler is designed with multiple pockets to hold personal items and medical supplies, separate from the main compartment, including a tech pocket on the front that is ideal for tablets, cell phones, timesheets, and more. Within the cooler, a dry storage compartment (or sandwich pocket) is designed to be an ideal location for food that needs to remain cool yet dry. www.milwaukeeetool.com



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Tariffs, USMCA and lumber: Trade policy heats up 2019

BY KEVIN MCKENNEY

THERE HAS BEEN A LOT OF ACTIVITY over the past few months on trade and tariff issues with Congress and business groups weighing in more actively as 2019 rolls on. The Trump Administration made these issues central to their agenda, specifically the approval of the U.S.-Mexico-Canada Agreement (USMCA) and the series of tariffs both on steel and aluminum and on Chinese products, commonly referred to as “Section 301” tariffs. While these get a lot of attention, the softwood lumber dispute remains an outstanding issue that NLBMDA is working to resolve.

During his 2016 campaign, President Trump promised to renegotiate the North American Free Trade Agreement (NAFTA), which was seen as outdated and unfair to U.S. interests. Last year, the U.S., Canada, and Mexico signed a new agreement, the USMCA, intended to replace NAFTA. One of the important provisions contained in NAFTA that was preserved by the USMCA is the dispute resolution panels, which allow one of those three countries to appeal penalties levied for perceived unfair trading practices. A good example of this is the softwood lumber dispute. While the softwood lumber agreement was not part of NAFTA, the dispute panels in that agreement allowed appeals to be made when the U.S. Department of Commerce levied countervailing and anti-dumping duties on the Canada. These panels are intact within the USMCA, which will be an important tool as the dispute continues.

While signing the agreement was a significant step, each country must have the agreement approved by their legislatures before it can be officially enacted. In the U.S., House Democrats have expressed a desire for the agreement to contain stronger labor provisions and that some of them would not vote to approve the agreement. The floor debate on this will be an indicator for how many Democrats will align with Republicans to approve the new agreement. Recent news regarding tariff alleviation should help to expedite the agreement’s approval.

Those tariffs, the 25% on steel and 10% on aluminum, were recently lifted by the Trump Administration for Canada and Mexico in exchange for their assistance with various regional issues involving China. The news was welcomed by many in the residential and commercial construction markets, citing the decrease in market volatility for these materials. The Trump Administration likely felt this was an appropriate step considering the main target of trade remedy

actions are China and the Administration’s perspective that they are an unfair trading partner. As a result, President Trump has been imposing a series of tariffs on China, commonly known as the “301 tariffs.” These are focused on specific products from China, identified by their HTSUS codes, and are intended to pressure Chinese officials to concede terms to the U.S. in a long-term deal. The tariffs are currently at 25% and apply to thousands of products ranging from frozen fish to wood doors. The U.S. Trade Representative (USTR) recently released a fourth list of products that would be covered, signaling that the President is still trying to make things uncomfortable for China.

In the meantime, the Trump Administration has provided a mechanism for companies to request that specific products covered by the tariffs be removed. While this is a welcome development for many companies, the Administration only grants these requests when shown that those products are not available in sufficient quantities outside of China. As a result, only a small number of requests have been issued. We expect these tariffs to remain in effect as long as the Administration considers China to be acting unfairly towards U.S. interests.

The other issue that remains a question mark is the softwood lumber agreement, which still does not have a deal on the horizon. The Trump Administration views the supply of Canadian softwood as “dumping” and views countervailing and antidumping duties to be an appropriate remedy. Canada is currently appealing the duties levied by the Department of Commerce, but litigation is a long process.

NLBMDA has been consistently working with both the Commerce Department and the Canadian government, including meetings at the Canadian Embassy in Washington, on how to reach a long-term solution. In addition, NLBMDA members went to Capitol Hill and urged Congress to help reach a deal and provide stability for the market and the good news is that many in Congress understand what the absence of an agreement means. We will be continuing our work with coalition partners and those in government to highlight the importance of a renewed agreement, particularly for construction.

This year is expected to be a busy one for trade policy and NLBMDA will bring the latest news to members as it happens. ■

Kevin McKenney is director of government affairs for NLBMDA in Washington, D.C. For more information, visit www.dealer.org.

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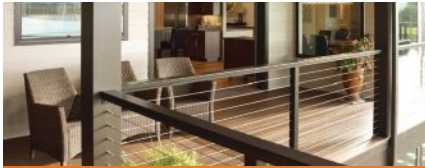
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THE CASE OF THE COMPLACENT SALESPEOPLE

AS A GROUP, YOUR SALESPEOPLE HAVE STOPPED PURSUING NEW BUSINESS, BECAUSE THE COMPANY IS ALREADY DOING WELL. YOU NEED TO SHAKE THINGS UP. BUT HOW?

As the owner of an independent LBM dealer that very nearly went out of business following the Great Recession, you couldn't possibly be more pleased at where your business is today. You and your team have made all the right moves over the past few years and, as a result, you're the undisputed leader in your market. Getting rid of slow-moving products (and whole categories, in some cases), and adding the right mix of line extensions from brands you already carry, as well as rolling the dice on some new items that have proven extremely strong. Sales are strong to all segments you serve—new construction, remodelers and homeowners. Yes, there's word of a coming economic slowdown...but you'll cross that bridge when you come to it.

While most things are good, there's been one unexpected (and unwelcome) side effect of business being so strong: complacent salespeople. It's understandable, you suppose. After years of scouring the market and scrounging for sales, now that sales are strong, it's only human for your hardworking salespeople to take a breather. For a while, it was fine. But it's now been four months and counting since anyone has signed up a new builder or remodeler, so you're getting concerned.

When you broached this fact in a recent sales meeting, you were surprised and disappointed at the response. "Who cares about signing up new customers when we're busy serving our existing customers?" The problem with that thinking, of course, is that there's no guarantee that current customers will be buying as much as they are forever. They may sell, downsize, go out of business, or switch to a different supplier. When you pointed out that reality to your reps, the message was met with indifference. They made clear that they're doing all that they're going to do.

You're fortunate to have low turnover. In fact, most of your sales team has been with you for more than a decade. You've been through a lot together, and you wouldn't be where you are today without their efforts.

However, as the owner of a business that you intend to build until it's time to retire, you know you've got to do something to light a fire under your sales team and get them re-engaged. Otherwise, the competition is going to eat up all the new business and possibly take over the leadership position that you currently enjoy. You know that you need to take action before the situation gets any worse. The question is, what should you do?



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1 FIRE ONE

Relieve the least productive salesperson of their employment with your firm, then gather the rest and let them know that others will follow if performance doesn't improve.

2 CONTEST

Offer bonuses for each new account that salespeople bring in over the next six months, with prizes for the most new accounts, and the highest sales by new accounts.

3 REVIEW PAY

Maybe their complacency can be fixed by tweaking your compensation and bonus plan. Take a fresh look at how you pay, and modify that to accomplish your goals.

4 NEGOTIATE

Meet with them individually, explain your concerns—for the company and their future—and see if you can win them over, one by one.

SOMETHING ELSE?

If you'd take a different plan of attack, email your suggested solution to James@LBMJournal.com. If we publish your reply, we'll send you an LBM Journal mug.

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