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A photograph of two men standing in front of a blue semi-trailer. The trailer has "HIGINBOTHAM BROTHERS" written on it in white and yellow lettering. The man on the left is wearing a blue short-sleeved button-down shirt with a logo, blue jeans, and a black belt. The man on the right is wearing a similar blue short-sleeved button-down shirt with a logo, khaki pants, a brown belt, and a watch. Both shirts have "GG" on the chest. The background shows the side of the blue truck and its wheels.

HIGINBOTHAM HISTORY

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IN DEPTH: SIDING

VIBRANT COLORS AND LOW MAINTENANCE
OPTIONS KEY TO SIDING MARKET GROWTH

OWNER RUFUS DUNCAN (LEFT) AND
PRESIDENT AND COO CORBY BIDDLE
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There was a time when putting your money in Higginbotham Brothers Lumber was better than putting it in a bank, Higginbotham Brothers owner Rufus Duncan says. "The lore is that the farmers used to pay their bills into the negative because it was safer putting it with Higginbotham than in a bank." Smart farmers kept their money with Higginbotham for a reason. The company has now been around for 138 years, has survived world wars, the Great Depression, the Great Recession, and more.

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SOMETHING'S GOTTA GIVE

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EDITOR'S NOTE

To our stakeholders

SINCE LBM JOURNAL is a stand-alone company without shareholders or a board of directors to report to, we answer only to you, our readers and advertisers. That being the case, and with this being the first issue of our 17th year, I'm going to take this opportunity to update you on what we're doing to help you grow your business.

LBM SALES MASTER CLASS. Effective sales training is so important that LBM companies pay thousands of dollars for a day with a top sales trainer. Which got us thinking...how powerful would it be to bring our industry's three premier sales trainers—Rick Davis, Bill Lee, and Bradley Hartmann—together in one room for an intensive and affordable one-day sales training event. Fortunately, Rick, Bill, and Bradley liked our thinking. The result is the first-ever LBM Sales Master Class, to be held this October 15 in Boston, Mass. Thanks to financial support from Epicor, we're able to offer this full day of training for just \$349 per person. Watch for more details and registration info at LBMJournal.com.

CREDIT Q&A, BY THEA DUDLEY. It's always exciting to welcome a new member to the family, but especially so when the new addition is someone you've known and respected for years. I couldn't be more pleased to welcome Thea Dudley to the *LBM Journal* family. Beginning this issue, Thea will deliver (in her signature style, of course) thoughtful answers to credit dilemmas in her new every-issue column, Credit Q&A. If you expect the topic of credit to be dry and boring, then you've likely never read Thea's writing or heard her speak. While packed with insights and wisdom, her refreshing, no-nonsense approach makes her column something you won't want to miss. Not only will she be in every issue, we'll also have even more Thea online at LBMJournal.com.

LBM STRATEGIES CONFERENCE 2019. In three short years, readers and advertisers (as attendees and sponsors) have made LBM Strategies Conference the most talked about event serving our industry. Here's why: The agenda is built to address the genuine business challenges that readers share every month in our Real Issues survey. Then, we find LBM pros to share how they've tackled those challenges...and succeeded. If you're a dealer looking to network with peers from across the U.S., and your goal is to gain strategies and tactics to outperform your competition, we'd love to see you there.

ALL ABOUT YOU. *LBM Journal* is your magazine. What can we do to help your business prosper? Feel free to reach out to me at Rick@LBMJournal.com with your thoughts, suggestions and business challenges. I'd love to hear from you.

Thank you for the opportunity to help you grow your sales, your business, and your brand. ■

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Quote Process

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Step 2: Make Yourself a Sandwich



Step 3: Receive a Quote



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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 DECAREAUX, 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. Plus, learn the 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 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

JEREMY BAKER, MANAGER, R.K. MILES, INC.

JIMMY NEWMAN, V.P. FINANCE, OXFORD LUMBER

SUNNY BOWMAN, OWNER, DAKOTA COUNTY LUMBER

NICK WHITE, SYSTEMS ADMINISTRATOR, GILCREST-JEWETT LUMBER

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. He'll also welcome four 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. So, learn from the experts how to navigate the top deal-makers... and deal-breakers, all backed up with real-world examples.

MORE DETAILS AT LBMSTRATEGIES.COM

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UPDATES

PEOPLE

ODL, Inc., has named **Amy Post** as national marketing manager for ODL Pro Channel.



POST

Cornerstone Building Brands, Inc. has appointed **Jeffrey S. Lee** as executive vice president and chief financial officer.



WHITMORE

Roseburg has announced **Rick Whitmore** as the director of supply chain and logistics.

84 Lumber has announced **John Hay** as its new divisional vice president of the Mid-Atlantic region.



HAY

American Construction Source has introduced **Tom Tolleson** as chief operating officer.

INDUSTRY

WindsorONE is the latest member of the National Lumber and Building Material Dealers Association's Manufacturers and Services Council.

Simpson Strong-Tie has renewed its support of Habitat for Humanity's Habitat Strong program.

MI Windows and Doors raised more than \$1 million for its philanthropic organization, the MI Charitable Foundation, at its 21st annual golf tournament and charity auction.

DISTRIBUTION

Building Products Inc. will soon distribute products from **James Hardie** in the Wisconsin market.

Cameron Ashley Building Products has opened new distribution centers in Phoenix and Las Vegas.

BUYING GROUPS & CO-OPS

Ace Hardware Corporation has announced expansion plans for its Retail Support Center located in Wilmer, Texas, near Dallas.

Send news and updates about your organization to James@LBMJournal.com

CONSTRUCTION INPUT PRICES SEE SLIGHT INCREASE IN MAY

Construction input prices rose slightly by 0.3% in May on a monthly basis and are up 0.6% over the last 12 months, according to an Associated Builders and Contractors analysis of U.S. Bureau of Labor Statistics data. Nonresidential input prices were also up 0.3% compared to the previous month and are 1.1% higher than they were a year ago.

Among the 11 subcategories, six saw prices fall last month, with the largest decreases in natural gas (-15.2%), unprocessed energy materials (-8.2%) and crude petroleum (-6.2%). Of the remaining five subcategories, only two experienced price increases greater than 1%: nonferrous wire and cable (+1.2%) and prepared asphalt, tar roofing and siding products (+1.1%), which also had the largest year-over-year price increase at 6.3%.

"Based on a variety of factors, materials prices should be escalating in the United States, yet nonresidential construction materials prices remain relatively stable," said ABC Chief Economist Anirban Basu. "First, demand for materials remains high in the context of ongoing growth in nonresidential construction spending. This is especially true for a number of construction material intensive segments like highway and street. Indeed, prepared asphalt is the only category of construction materials that this report monitors that experienced a price increase exceeding 6% over the past year.

"Second, there is the issue of tariffs, including those that have impacted steel and aluminum prices in recent months," said Basu. "Despite those surcharges on imported goods, no related categories are associated with significant inflationary pressure, though the price of fabricated steel products is up by a somewhat-above-average 2.8% over the past year. Third, there have been active attempts by certain groups of suppliers, including OPEC members, to truncate supply in an effort to raise prices. In large measure, those efforts have failed, with a host of commodity prices, including oil prices, declining recently.

"For contractors, this comes as good news," said Basu. "While U.S. construction firms will continue to wrestle with rising compensation costs, materials prices are likely to remain well behaved over the near term. There is little evidence that the global economy is reaccelerating. Moreover, the Trump administration recently removed tariffs on steel and aluminum with respect to Canada and Mexico. Finally, while public construction spending growth has been robust of late, there is some evidence that spending growth has become less intense in a number of private construction segments, which would have the effect of limiting demand for certain materials, all things being equal."

HOUSING STARTS DECLINE SLIGHTLY

Total housing starts declined 0.9% in May to a seasonally adjusted annual rate of 1.27 million units from an upwardly revised reading in April, according to a report from the U.S. Housing and Urban Development and Commerce Department. The May reading of 1.27 million is the number of housing units builders would begin if they kept this pace for the next 12 months. Within this overall number, single-family starts fell 6.4% to 820,000 units. The multifamily sector, which includes apartment buildings and condos, increased 10.9% to a 449,000 pace.

Regionally, combined single-family and multifamily starts in May rose 11.2% in the South. Starts declined 45.5% in the Northeast, 8.0% in the Midwest and 2.4% in the West.

Overall permits, which are a harbinger of future housing production, edged up 0.3% to a 1.3 million unit annualized rate in May. Single-family permits increased 3.7% to 815,000, the first increase since November 2018. Multifamily permits fell 5.0% to 479,000. Looking at regional permit data, permits rose 6.8% in the South and 1.8% in the West. Permits fell 24.6% in the Northeast and 8.4% in the Midwest.

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HARVARD STUDY: REMODELING GROWTH TO SLOW IN MOST MAJOR METROS

Annual gains in homeowner spending on improvements are expected to moderate across more than half of the nation's largest metropolitan areas in 2019, according to new projections by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University.

While no major metros are projected to see spending levels decline in 2019, the model indicates that the pace of spending by homeowners will slow in 29 of the 49 major metros tracked relative to their estimated 2018 gains. Indeed, annual growth in improvement expenditures is projected to fall to the lowest rate in three years in nearly half (22) of these metros.

"Metros with cooling home prices and sales activity are not able to sustain the same pace of investment in home improvements as in recent years," says Chris Herbert, managing director of the Joint Center for Housing Studies. "Our projections show especially pronounced slowing in markets such as San Antonio, Kansas City, Pittsburgh, Buffalo, and Dallas."

"Despite the broader deceleration, remodeling gains should remain strong and even accelerate through year-end in some areas of the country including Orlando and Las Vegas where remodeling permitting, house prices, and

homebuilding have picked up," says Elizabeth La Jeunesse, senior research analyst in the Center's Remodeling Futures Program. "Regionally, the strongest growth in 2019 is expected to be among metros in the West, paced by projected growth of 8% or more in Sacramento, Denver, Seattle, Tucson, San Jose, and Las Vegas."

SINGLE-FAMILY PERMITS CONTINUE WEAK PACE

Over the first four months of 2019, the total number of single-family permits issued year-to-date nationwide reached 261,119. On a year-over-year basis, this is a 6.5% decline over the April 2018 level of 279,302.

Year-to-date ending in April, single-family permits reported growth only in the Northeast region of the country. The South, Midwest, and the West regions declined by 3.8%, 11.3%, and 12.0% respectively, compared to the same time period in 2018. The Midwest region had the highest growth in multifamily (15.4%) while the West recorded a decline in multifamily permits growth (-9.3%) during the last 12 months.

Between April 2018 YTD and April 2019 YTD, ten states and the District of Columbia saw growth in single-family permits issued while 40 states registered a decline. The District of Columbia recorded the highest growth rate during this time at 111.1% from 45 to 95 while single-family permits in Montana declined by 28.3%, from 782 in 2018 to 561 in 2019. The 10 states issuing the highest number of single-family permits combined accounted for 62.1% of the total single-family permits issued.

BUILDER CONFIDENCE SOLID IN JUNE AMIDST GROWING ECONOMIC UNCERTAINTY

Builder confidence in the market for newly-built single-family homes fell two points to 64 in June, according to the latest National Association of Home Builders/Wells Fargo Housing Market Index (HMI). Sentiment levels have held at a solid range in the low- to mid-60s for the past five months.

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 inched lower in June. The index measuring current sales conditions fell one point to 71, the component gauging expectations in the next six months moved two points lower to 70 and the metric charting buyer traffic dropped one point to 48.

Looking at the three-month moving averages for regional HMI scores, the Northeast posted a three-point gain to 60 and the Midwest was also up three points to 57. The West held steady at 71 and the South fell a single point to 67.

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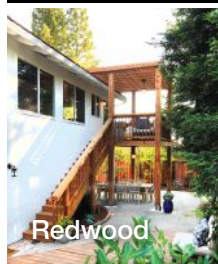
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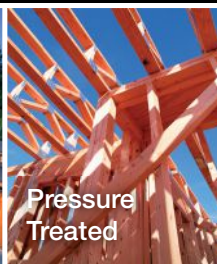
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NEW HOME BUILDING GEOGRAPHY INDEX SHOWS SINGLE-FAMILY GROWTH LIMITED TO EXURBS

In a sign that housing affordability is a growing issue nationwide, as of the first quarter of 2019 exurbs were the only region that registered single-family permit growth on a year-over-year basis, according to the National Association of Home Builders (NAHB).

The HBGI is a quarterly measurement of building conditions across the country and uses county-level information about single- and multifamily permits to gauge housing construction growth in various urban and rural regions.

“The HBGI is another indicator finding that housing affordability is a root cause of soft single-family permit issuance nationwide,” said NAHB Chairman Greg Ugalde. “A shortage of buildable and affordable lots is forcing builders to increasingly look further outside of suburban and metropolitan areas to find cheaper land that provides more building opportunities.”

Exurbs, which the HBGI defines as outlying counties of large metro areas with at least 1 million residents, were the only region to show net single-family permit growth when comparing the first quarter of 2019 data relative to the starting quarter of 2018, with a 1.6% gain. But exurbs only consist of 9% of single-family construction nationally.

Relatively sparsely populated areas that include exurbs, small towns, rural communities and outer suburbs of small metropolitan markets have shown the largest annual single-family growth over the past four quarters while other areas have shown either no change or declines.

“The HBGI data is consistent with the fact that housing costs are increasing fastest in large metro suburban counties and smaller metro areas with populations under one million where demand for housing is high but supply constraints are tight,” said NAHB Chief Economist Robert Dietz. “Supply-side issues that are hurting affordability and raising costs for builders include excessive regulations, labor shortages, rising material costs and a dearth of buildable lots in mid- to high population centers.”

The market share of apartment construction mirrored the single-family sector. Over the last year, multifamily permits declined in the areas where apartment construction is most concentrated—small and large metropolitan areas. At the same time, multifamily growth occurred in exurbs and other outlying areas. However, these markets represent just more than 10% of multifamily permit issuance.

The next HBGI will be released on August 27 and is tentatively scheduled to include data on housing construction activity in manufacturing areas across the nation.



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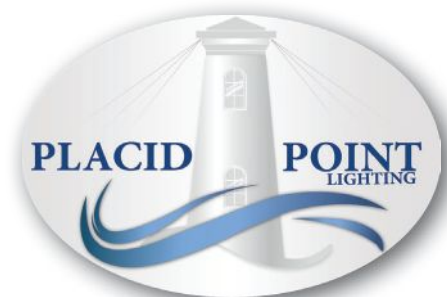
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UPDATES

MERGERS & ACQUISITIONS

Royal Building Products has acquired DaVinci Roofscapes, LLC.

SRS Distribution Inc. has acquired Presta Contractor Supply based in Erie, Pennsylvania.

Homewood Holdings LLC, a portfolio company of the investment firm Building Industry Partners LLC, has acquired the assets of The Door Mill Inc., and Valley View Window and Door LLC, both of the Phoenix area.

Louisiana-Pacific Corporation announced that it has acquired Prefinished Staining Product Incorporated, a prefinished siding company located in Green Bay, Wisconsin.

Mid-State Lumber Corp. will distribute MoistureShield in New England.

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 Lumbermens Association (MLA) Annual Fall Conference Kansas City, MO • www.themla.com

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

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

TOUGH CALL ANSWERS

ANSWERS TO OUR MAY TOUGH CALL:

THE CHALLENGE OF MOVING FORWARD

As a young, motivated college grad, you're frustrated that the LBM dealer you went to work for has no interest in change. What would you do? Here's how readers would handle this Tough Call survey.



YOUR VOTES ONLINE AT LBMJOURNAL.COM

- 20.3% MOVE ON.** You gave it a shot, and frankly, you're tired of being told "no." If they're not open to changing and improving the way they do business, then why did they hire you?
- 42.2% EXPLORE.** Request a few minutes to sit down with the owner and let him know your frustrations. There may be a very good reason that all of your suggestions are met with a "no."
- 14.1% GET BUY-IN.** Talk with some of your colleagues who are enthusiastic supporters of some of your ideas, share your dilemma, and ask for them to back you up.
- 23.4% ONE MORE TRY.** Getting input from co-workers, define one small change that has no downside, and would save the company both time and money. Present it, and if you get a no, it's time to go.

READER'S RESPONSE

So you have asked for permission and that didn't work, so just do the Facebook page on your time and after someone brings it to your bosses attention ask for forgiveness. The worst that can happen is you have to take it down, but hopefully others will tell your boss it is a good thing.

— Harry Fishleigh III, B.R. Knez Construction Inc., Concord TWP, Ohio

THANKS TO EVERYONE WHO VOTED ON THE MAY SURVEY. SEE PAGE 80 FOR THIS MONTH'S TOUGH CALL.



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BOOMERS CITE DURABLE MATERIALS AMONG MOST-WANTED HOME FEATURES

As of 2019, the entire baby boomer generation is now officially at least 55 years old. What do these 75 million consumers in a strong 55+ housing market want in their homes for their 'golden years'?

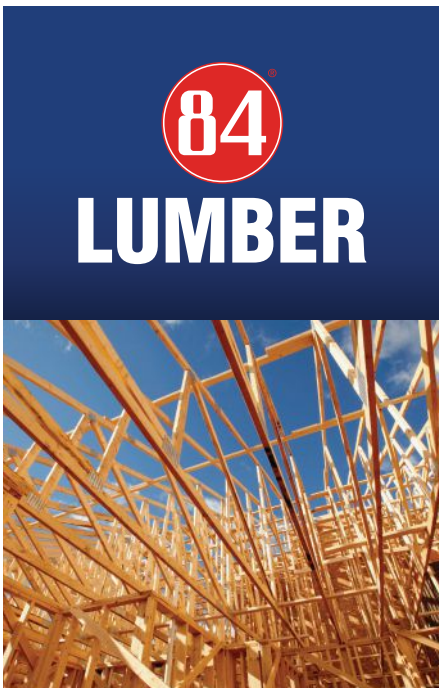
According to NAHB's What Home Buyers Really Want, baby boomers are keenly interested in energy efficiency, but the vast majority (81%) want to invest in durable materials that need to be replaced less frequently as well. Using durable materials in construction can also be a green building strategy, resulting in a lower environmental footprint with less waste and resources needed for upkeep. Their use may qualify for points toward green home certification under the National Green Building Standard (NGBS).

Craig Havenner, president of NAHB member firm The Christopher Companies, is seeing this interest among his buyers at The Crest of Alexandria, a 55+ community in Northern Virginia seeking NGBS certification. As a standard, the company installs durable materials such as hardwood cabinets and flooring, granite countertops and ceramic tile on the interiors, as well as the fiber-cement siding on the exteriors.

HOMEOWNERS CAUTIOUS WITH LINES OF CREDIT DESPITE EQUITY GAINS

The current release of the Federal Reserve's Z.1 Financial Accounts report of the U.S., also known as the flow of funds report, shows a continuing increase in the market value of households in the U.S. Mortgage debt continues to expand as well, albeit at a much slower pace. The aggregate market value of houses represents assets on households' balance sheets, while home mortgages are liabilities. While homeowners' equity increased from the previous quarter, the flow of funds data also show that the increased availability of credit, as of the first quarter of 2019, has not incentivized current homeowners to borrow more. This is reflective of the broader dynamics in the macroeconomy between savings and consumption.

Households' aggregate market value stand at \$26.1 trillion while home mortgages total \$10.4 trillion as of the first quarter of 2019. As the market values of houses grow at a faster rate than home mortgages from the previous quarter, home equity, the difference between houses' market values and home mortgages, has widened. Despite the widening of home equity, home owners have not jumped to finance their expenditures through channels of revolving credit that are viable through it.



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BY THE YARD

NEWS FROM LUMBERYARDS AROUND
THE COUNTRY

National Lumber expands to Connecticut

National Lumber has expanded in New England with the opening of its ninth lumberyard location in East Harford, Connecticut. The new location is operating under the name National Building Products because there is already another company operating under the name National Lumber in southern Connecticut. This location has operated as a lumberyard under various companies over the years, most recently under Builders FirstSource, which left the property in late 2018.

Parr Lumber Company acquires Trus-Way

Parr Lumber Company, of Hillsboro, Oregon, has acquired Trus-Way, Inc. and Trus-Way Tri-Cities, Inc. manufacturing locations in Washington. Trus-Way was established in 1992 by Mark S. Turner, Ken Carty and Mark Smith. These two manufacturing facilities located in Vancouver and Sunnyside, Washington, serve professional contractors and DIY customers in Washington, Oregon, Idaho and Northern California.

ACS acquires Freeborn Lumber

American Construction Source has acquired Freeborn Lumber Company located in Albert Lea, Minnesota.

Griffin Lumber & Hardware acquires Dodd Builders Supply

Griffin Lumber & Hardware has acquired Dodd Builders Supply, a lumber, building materials, and hardware retailer in Forsyth, Georgia.

Pease River Supply opens second location

Justin and Kristin Meeks opened their second Pease River Supply location in Quanah, Texas.

Higginbothams adds 39th location

Higginbotham Brothers & Company has expanded to 39 locations with the acquisition of Cade's Building Materials in Mineola, Texas.

Spahn & Rose receives Affiliated Distributors Giving Back Award

Affiliated Distributors has honored Spahn & Rose Lumber Company with its Giving Back Award. The award was presented during the Affiliated Spring Meeting this past April in San Diego. During the ceremony, Dan Maroni, president of Affiliated Distributors' Building Materials Division, presented Spahn & Rose CEO Dave Davis with the Giving Back Award, now on display in the lobby of the Spahn & Rose General Office in Dubuque, Iowa.

Cassity Jones opens new Louisiana location

Cassity Jones recently opened a new facility in Bossier City, Louisiana. The approximately 8-acre facility consists of a 5-acre outdoor lumberyard, approximately 50,000 square feet of covered storage space and a 9,000 square feet custom showroom. The 65-year-old family-owned company operates facilities in the Northeast Texas communities of Longview, Tyler, Henderson, Marshall and Terrell; and now in Bossier City, Louisiana.

84 Lumber named to Forbes list

84 Lumber has been named to *Forbes* Magazine's list of America's Best Large Employers of 2019.

DEALERS, GOT NEWS?

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5 QUESTIONS

WITH JIM MILLER, PRESIDENT AND CEO,
SCREW PRODUCTS, INC.

1

Q: What do you see as the biggest challenge facing LBM dealers?

A: One of the biggest challenges for LBM dealers is finding enough knowledgeable personnel with industry experience. The labor pool has shrunk to the point where it has been difficult to hire quality, educated, building material personnel. At the same time, as we struggle to find staff with industry experience, regulations continue to evolve. In heavily-regulated states like California, more and more time is spent complying with multiple state agencies, and small businesses are hit the hardest by this.

2

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

A: The flip side of this challenge is, if you can develop a team that understands the opportunity the LBM industry has to offer, the sky's the limit. In this industry, the customer is not always looking for the lowest price. They demand quality, available building materials when they need them, and the service to come along with it. If you have those three things, I don't think there is any barrier where you can take your company.

3

Q: What advice do you have for dealers as they navigate disruptions like unpredictable weather and uncertainty with trade and tariffs?

A: I have three pieces of advice: 1) Choose your suppliers wisely. How flexible/reliable are they, and how does that affect your business? 2) Accept that the world changes much faster than ever before and act immediately to changes whenever they occur, keeping in mind that every day counts. 3) With good quality, availability of products, and excellent service, you will do well, even during foul weather times. Look at Florida. Weather has always been a factor there, and lumberyards and the builders they serve have long been adapting during constant and unpredictable disruptions. This approach would apply to uncertain tariff and trade laws as well. The approach is simple: Calculate what you sold in a year and use that information to forecast and anticipate the next year. This information allows you to make your yearly purchases at once or over a shorter period of time. This way you could possibly guarantee your price and, in many cases, get a better price, and you have materials when needed. This also helps your supplier to be prepared for your coming volumes.

4

Q: Today's construction fasteners are far more specialized and sophisticated than ever before. What do you see as the next innovation?

A: Companies that were once leaders in the market have lost their place, and this has occurred mostly because they haven't paid attention to what today's contractors need. These companies are now following or even copying companies that are on top of trends and innovations in the market. Innovations may not always be drastic, but subtle changes like quality of steel, deeper recessed drive heads, longer lasting exterior coatings, and a deeper understanding and connection with the contractor will ultimately make the difference for a stronger product and company. Knowing the contractor's needs will lead to necessary innovations.

5

Q: Your company has built a reputation for a wide range of quality fasteners and distinctive packaging. What should our readers watch for from Screw Products, Inc.?

A: Screw Products, Inc. has reengineered our line of fasteners. What comes with the new design is not only improved fasteners from the inside out, but branding. We have put our offering into product groups. The structural countersinking style screws are branded AXIS. Our finish head screws are branded PICO, Trim heads are branded EPIC, modified truss head, pocket screws, and cabinet screws are branded AURA. Structural Lag screws with a Star drive are branded NOVA, and structural hex head drive screws are branded Yukon. This branding helps the LBM dealers and their customers navigate our Plan-O-Grams much easier, and has a greater impact on contractors purchasing our products. Everyone's a winner with our new program. ■

Jim Miller is president and CEO, and self-proclaimed "Screwru" of Screw Products, Inc.. Based in Gig Harbor, Wash., Miller started the company 20 years ago as a way to stay home and help raise his two young daughters. Screw Products, Inc., is deeply ingrained in the building materials industry and Miller is excited to be launching the company's second generation of screws.



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- Rick Davis, CEO of Building Leaders



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BUILDING AN OUTDOOR LIFESTYLE FOR YOUR CUSTOMERS

The outdoor decking market hasn't seen a lull in more than 15 years, which has boded well for many dealers, builders and contractors, and homeowners. If anything, the decking market has experienced a growing demand from homeowners to expand their homes footprints with outdoor living space.

Outdoor decks and patios offer a complement to homeowners' indoor space with similar uses like a family gathering place, guest entertaining areas, and cooking and dining space. Zillow's design expert Kerrie Kelly notes that the lines have been blurred between what's indoor-only and what you can do outside.

The Freedonia Group predicts the demand for decking is to increase 1.8 percent through 2020 reaching 3.55 billion linear feet, a value of \$7.1 billion. And while wood continues to make up the majority of the market, growth is predicted to slow while wood-alternatives pick up the pace — 1.3 percent vs 4.5 percent annually through 2020.

DECKING OPTIONS

Alternative decking options like PVC and composite decking have grown up significantly in the last 20 years largely due to its lower maintenance compared to wood, and technological advancements that mimic the appearance of real wood along with varied color options and accessories.

"The composite decking brands offer low maintenance and excellent warranties that offset the upfront cost," said Stacey Baker, dealer sales representative for Weyerhaeuser. "It allows the homeowner to install a deck system and not have to treat or paint their deck every other year."

Along with offering capstock product, composite brands also offer family lines of decking — good, better, best — with more choices like surface textures, exotic colors and accessories. This allows dealers to meet the needs and desires of a broader audience.

"The composite deck brands are technologically advanced to the point where they have shrunk the gap between a capstock composite deck versus a wood deck," said business development manager for Weyerhaeuser, Roger Gilley.

Composite and capstock decking boards offer tremendous design options with a plethora of colors. These alternative decking and railing products have created unlimited design options for industry professionals. Composite and capstock products are being heated by the professional deck builders allowing the decking boards to be shaped into incredible designed outdoor living spaces.

DESIGNING FOR UPSELLING

While the outdoor living footprint has grown, so too have the design and add-on sales opportunities. From hidden fasteners and shaded areas, to lighting and railings, design features play a significant role in outdoor living. Here are six design tips to increase your decking sales when talking with your customers outside living projects.

RAILINGS

Deck railings are top of mind for homeowners for a complete look and, in some cases, safety. Many homeowners seeking products that provide both design distinction and low maintenance. The biggest trends are mixed materials, like metal railings — steel or aluminum with glass and wire — are very popular.

"When you look at the total cost of the project, consider the labor, warranty and callbacks for a particular product," said Mark Williams, territory manager for Fortress Railing Products. "Panelized railing systems made with cable, steel, aluminum and glass are real time savers along with being code compliant, which offers peace of mind for builders and contractors."

SHADING AND COOLING

Shaded areas like pergolas and arbors are growing in popularity, particularly in warmer areas where shade provides temporary relief. Shade designs typically make up a third to a half of the decking area.

BELOW DECK

Decks built above ground or on a second story offer another patio area or additional space below. In this case, products for under the deck system, to keep the area below dry allows another selling opportunity. An opportunity to sell fully finished decking boards so the underside looks like the topside is a nice way for upselling decking products.

HIDDEN FASTENERS

Composite, PVC and wood decking materials can be installed with hidden fasteners showcasing a clean and aesthetically pleasing appearance that is smooth and comfortable on bare feet. Many manufacturers offer hidden fasteners, as well as traditional face-fastening screws, for their decking systems.

LIGHTING

More energy-efficient and attractive than ever, post, railing and stair lighting extends a homeowner's day and the time spent outdoors. There are many options on the market, some are integrated in the railings and posts while other offer easy to install around the outdoor space.

HEATING

Just as parts of the country seek shading and cooling treatments, other parts of the country would like to extend their outdoor season with portable heating systems or a fire pit.

Understanding the homeowners' vision of outdoor living — small functional deck to large entertainment deck — will help steer them to the product that best meets those needs. It offers dealers a way to sell a homeowner inspiration and offer them products that brings that vision to life.



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Everything is negotiable

WHEN I WAS ASSIGNED responsibility for managing sales and marketing for my old company's computer division, I spent about as much time selling as I spent managing. Our company had recently developed the first building supply industry-specific point of sale computer system.

We knew a lot about selling, but we quickly learned that we were novices at negotiating. Some of my personal shortcomings were revealed when I made a sales call on a dealer who had told me he was ready to install a \$200,000 computer system. The way the owner of the business talked to me over the telephone, I thought getting his signature was going to be nothing more than a formality.

When I arrived, the owner greeted me warmly and invited me to join him in his office. After spending a few minutes passing the time of day, the owner asked permission to leave the room to take a personal telephone call. Not five minutes after he left, in walked an older man who didn't ask, but demanded to see my contract, so I pulled out the contract and handed it to him.

The old man (who turned out to be the owner's father) took one look at the price, banged his finger on the desk, looked me right in the eye and said: "You can do better than that!" Well, I did have pricing authority and I did want to get a signature, so I took the easy way out and offered him a small concession, to which he responded in a booming voice, "You're getting real close!"

Inspired by the older man's comment, I assumed I was going to have to make another concession, so I lowered the price again, to which he responded, "You're almost there." Using this technique, I had been persuaded to reduce our price three times.

It was at this stage in my career that I realized I needed some more training in the art of negotiating. Here are some of the lessons I learned:

1. When dealing with buyers who you know from experience flatly refuse to pay your asking price, consider inflating the asking price to give yourself room to reduce your asking price without sacrificing gross margin.
2. Do your homework. Spend the time necessary to prepare for the negotiation. Gut feelings are no match for information.
3. Never ever give up anything without at least attempting to get something in return. If I do this for you, would you be willing to do that for me?
4. Always ask your negotiating partner the question: Who in addition to you will participate in the buying decision? It's best to learn upfront who all of the decision-makers are.
5. Don't agree to individual concessions until you know everything your opponent is going to ask for. When your opponent asks for a concession, say, "I've made a note of that point, what else is important to you?"
6. Never allow a buyer to sucker you into negotiating the price unless the buyer at least *conditionally* agrees to buy.
7. Let the other side make their offer before you make your offer. You may be surprised at what your opponent puts on the table.
8. Remember that negotiating is a game. Off the top of my head I can think of at least four best-selling negotiating books that have Negotiating Is a Game in their title. Make sure you know the rules of the negotiating game.
9. Remember the power of the IF word. This word is invaluable in learning the *real* reason for a no answer. Ask the following question before agreeing to meet a competitor's price: "If our price were item-for-item and line-for-line identical to our competitor's price, are you telling me we could do business?"

Training in the basic rules of the negotiating game is essential if management allows the sales force to have pricing authority. ■



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The problem with negotiation

YOU HAVE HEARD, probably more times than you can count, the pricing riddle of the LBM industry: “Why do people negotiate constantly with us, but would never expect to negotiate on the price of milk or a stick of butter at a grocery store?” The answer is easy: You tell them to!

This became clear during a dialogue with the VP of IT and customer services at a client company. The story began when we studied the company pricing structure and discovered the inconsistency of pricing policies, a trait characteristic to most LBM dealers. One branch was earning eight margin points more on a product category over a sister branch located less than 40 miles away. At another branch, the average margin one salesperson was getting on special orders was 12% higher than another salesperson sitting at a desk 15 feet away.

The difference is not due to the “market” or competitors “low-balling.” The problem was created internally when my client instituted “suggested pricing levels.” Suggested? “Yes,” he said. “We put suggested pricing levels in the system that we want salespeople to get.” This is a recipe for pricing disaster. The reason the clerk at the grocery store doesn’t negotiate on the gallon of milk or the price of eggs is that nobody told her to. She didn’t ask for the “last look” before ringing you up. She didn’t insecurely ask if the pricing “looked okay.”

My May article shared insights into negotiation strategies because, after all, sometimes we *do* have to negotiate. But what if we couldn’t? What if salespeople were not permitted to negotiate?

If salespeople were not allowed to negotiate...*prospecting skills would improve*. If the buyer in front of the salesperson won’t pay the fair margin, the salesperson would need to prospect to find someone who will.

If salespeople were not allowed to negotiate...*pricing would stabilize and provide a competitive market advantage*. It seems counterintuitive, but a stable pricing structure gives your clients confidence in your offer and, not insignificantly,

reduces the risk that customers will discover they are getting worse deals than other customers of yours—i.e. your customers’ competitors.

If salespeople were not allowed to negotiate...*customers would be confident and satisfied*. A customer who believes she has negotiated the best possible price is a satisfied customer. As noted in my April column, the only way a customer really knows your best price was offered is when you say so. We buy the gallon of milk at the price advertised because the checkout clerk is not expected or permitted to negotiate. Salespeople will get the asking price for your goods if not expected or permitted to negotiate.

There are clearly situations in which a salesperson should negotiate and be equipped with the skills to do so successfully. The question raised here is truly a theoretical construct designed, as economists like me are prone to do, as a means of considering implications, outcomes, and raising new questions. So what if salespeople, like a grocery store clerk, were not allowed to negotiate?

If not allowed to negotiate...*salespeople would become more confident in their pricing, achieve a more professional mindset, and develop other selling skills to justify fair pricing margins*. They would have situations, albeit not all, when they get the sale at the original asking price. They would discover ways to slow the process, deliver better presentations, design better proposals, and manage conflict professionally. In short, they would become truly professional salespeople.

The reason we give up a point on the widget, but the grocery store clerk doesn’t, is because we were told to. Stop suggesting pricing and consider fixing your profits. ■

This article is taken from Rick Davis’ next book to be published this fall, “Sales Economics,” and presented to all attendees at the LBM Strategies Conference 2019 this September 18-20 in Austin, Texas. It is an event you should not miss.



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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- The ability to maintain our independence



Click the video link to find out how Orgill's offerings help Higginbotham be successful!

The problem with product release schedules

Manufacturers, distributors, and their vendors' schedules don't align with the schedules of dealers, and it's a problem our industry needs to address. While dealers are on the front lines selling products, the manufacturers and distributors are not in the same season as we are.

In the decking industry, when a sales rep visits in late February, March, or even April, and they want me to buy into a line of decking, they've already missed an opportunity. I've made those buying decisions already back in October, November, and December. But because I already have a relationship with the manufacturer or distributor, I might still buy some of the products. So I buy their decking, but I already know that it's not going to be a successful line because everybody else has already made their buying decision, and the manufacturer or distributor isn't going to provide enough support behind it.

Another thing I'm seeing more often now are companies coming in during the summer months and saying they're going to drop a product line. They'll say it was a bad decision to take a line on. Maybe they don't know it, but their timing couldn't be worse for us dealers. Too many times, decisions made at a manufacturer's corporate office don't take into account the bind that decision puts retailers in.

If a vendor is visiting our stores in the summer months, it should be just to make sure that the commitments that they've made to us are actually being handled. They should be coming in and making sure that they're keeping us supplied and keeping promises that they've made. As we go into our vendor review periods later in the year, the attentiveness of the vendor reps during the summer months will be taken into account when we make decisions that could ultimately lead to switching distributors.

They shouldn't be coming in talking about a new line of products for this season; they should be making sure they're keeping us up to date on their current products that we're selling. If they do want to talk about new products, it should be a forward-looking conversation about how that product will sell for me next year. Under no circumstances am I going to shift gears and sell a new product mid-season for this current year. It just doesn't work like that. There is so much planning that goes into what decking we're going to sell:

Displays have to be put up, employee education, literature and samples in place, advertising, and so on. There are a lot of good decking companies out there, but some of them work with distribution systems that are not doing their dealers any favors. I once had a company discontinue a line of decking for which I had purchased and stocked special fasteners. I had worked ahead and built displays featuring these products and then they were pulled from the market. It affects my planning and my ability to meet the expectations of my customers, which are the end-user of the manufacturers' products.

A lot of vendors, when they come in, are not prepared to talk about next year. The salesman likely doesn't even know if he'll have the same job next year. Management keeps new products a secret, so the salesman won't even know what will be carried. I really hope that manufacturers will see that by the time summer comes around, most retailers are already looking forward to the fall when they will start placing orders for next year. Manufacturers and dealers should be working together right now discussing next year's product lines.

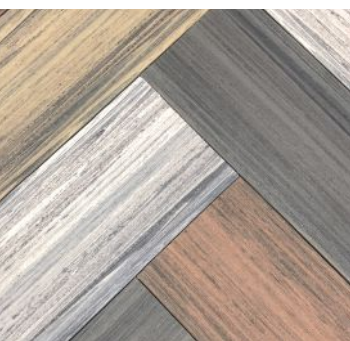
Don't get me wrong, there are a very select few larger companies that are doing this, but it's not being relayed down to the dealer level very well.

I know that this creates problems for the manufacturers and distributors as well. Without properly educated retailers, these manufacturers are forced to drop lines altogether because they introduced them to the market too late and then don't understand why they're not selling. Discontinuing lines only adds to the stress level of the dealer, who is left with inventory on a line that won't be stocked the coming year. The worst case is when a company that doesn't want to be left holding inventory stops manufacturing a product line and doesn't tell the dealer. Then the dealer gets stuck with either obsolete inventory, or out-of-stock inventory, both of which lead to unhappy customers.

By adjusting their product release schedules (even if they still need to be somewhat secretive within the distribution channel for competitive purposes) manufacturers and their distributors can better utilize the boots-on-the-ground knowledge that retailers provide, and together the entire distribution process can be more efficient and successful. ■



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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When is it time to bring in a hiring pro?

A lot of lumber dealers shy away from the idea of hiring a professional recruiter, namely because of the cost involved (see below). But a recruiter can offer a number of advantages, including a vast network of potential candidates to pull from, that can ease the burden of a tough hire and get you back to your regular job. If you find yourself with a position that's tough to fill or that has had high turnover due to poor hires, it might be time to call in the pros.

A FEW INDICATORS:

1. **You need to get it right, right now.** Crucial positions always seem to open up at the worst times—a management position mid-acquisition; an unexpected resignation of a core team leader; a sales rep's departure in April. With a database of go-to recruits, a recruiter can help you pinpoint potential qualified candidates faster as well as help ensure you've crafted a package that will make them want to say yes quickly.
2. **Confidentiality.** If you need to replace someone who is underperforming but want to keep them in place while you search, placing a want ad or LinkedIn post is less than ideal. Professionals can recruit quietly, and discreetly, in the background using their network.
3. **You don't have time.** You have more important things to be doing than searching the country for the perfect CFO or weeding through potential sales reps. A recruiter costs money—but they'll save you wasted time and resources performing a task that's not in your own job description.
4. **You've tried everything else.** You've placed ads. You've networked. You've exhausted your contacts list. You've hired less-than-stellar candidates who didn't last. A recruiter can bring relief via a fresh perspective, a new database of potential candidates, an outside eye on your benefits packages, and much more to help ensure you're positioned well and attracting the right people.

WHERE TO LOOK:

The type of recruitment professional you need depends on the position.

- **Yard/hourly workers:** Seek out a local temp staffing agency with a strong focus on light industrial roles.
- **Customer service:** Look to a local temp staffing agency with strong admin experience (and candidate database).
- **Sales and management:** Use an industry-specific recruiter or generalist firm with strong experience in the LBM or construction industries.

Sure, using outside help costs money. But a bad hire can cost a company 30% of that hire's annual salary. Consider this: If we're talking about a GM of a \$15 million company, and you hire someone who will earn \$200,000 with bonuses, your direct hire fee is likely to be about \$50,000. But if that same GM increases net profitability by 1%, it will result in a three-times return on the search investment, \$150,000, by hiring a better person.

You might experience similar sticker shock using a temp agency; but there are reasons many companies decide to pay the mark-up. A 50%-60% mark-up from pay rate to bill rate is not uncommon for an agency. For example: \$15 pay rate + 50% mark-up = \$22.50 bill rate per hour.

That extra \$7.50 an hour covers what the agency of record, the temp agency, has to pay, including workers' compensation, unemployment, social security/FICA, payroll management, and benefits. (This is similar to your own true cost per employee, which multiplies their pay rate by 1.3 to account for taxes, benefits, etc.) The fee also accounts for the costs of recruiting, hiring, and managing employees, screening applicants, interview time, skills testing, and termination and discipline headaches (a huge benefit to you if it's a position with high turnover). It also allows you to "try before you buy," a smaller commitment versus an immediate hire.

In most cases, the time and cost savings brought by using a professional will net you a bit of ROI—and a lot of peace of mind. ■

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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Beware of the ladder shakers

WHETHER YOU HAVE HAD THE CHANCE to lead in business or in your community, everyone gets an opportunity to test their leadership skills when they start a family. Once your children get old enough, you often find yourself leading them in the role of coach as they learn how to act and succeed in their social settings. One of my children was stepping out of his comfort zone and thinking about trying a new sport. All he could talk about was how much he wanted to succeed at this new sport. A couple days later when I came home from work, he informed me that after talking with his best buddies he had changed his mind, or in reality, they had changed his mind for him. This was where I needed to sit him down and talk about peer pressure and setting his own course, but he was still rather young, so I made up a story that I thought he might understand better. As it turns out, it is a story that we all can relate to.

I sat him down and said, "Pretend that you walk into a room and it is filled with nothing but ladders that go as far up as the eye can see. There is nothing else in the room and you have all the time in the world. What do you think you might do?" Without hesitating he said, "I think I would start climbing one of the ladders." I asked him why, and he told me, "Because I would be curious about where the ladders went to and I would want to find out." I smiled because I really liked his answer, and then said, "Okay, now let's pretend some other people, maybe your friends, walk into the room. They see the ladders, but they think it looks too hard to climb up the ladders. So, they decide to just stay put in the room at the bottom of all those ladders. Would that be okay?" "Sure," he said, "They can do whatever they want."

Now I got a little more serious and said, "Here's the problem. Sometimes people, even our friends, will be sitting at the bottom of the ladders and look up to see you climbing the ladder. They may yell up and ask what you are doing. Maybe they will change their mind and join you in climbing, but more often than not, they will feel bad that you were climbing the ladder and they are not. Instead of climbing the ladder, do you know what they sometimes do? They will shake the ladder to try and get you to come down. Sometimes it might be gently to get you to change your mind, other times it will be violently to get you to fall off. Either

way, they know that they will feel better if you are sitting next to them at the bottom of the ladder. You have to be ready for people who want to shake you off of a ladder that you have set your mind to climb." This seemed to make an impression on him, and the story stuck in our future coaching conversations. Eventually, it just became shortened down to "Look out for the ladder shakers."

In our careers, we all have come in contact with ladder shakers. Whether it was the classmate who talked you out of applying to a school, a friend who changed your mind about asking someone out, or a co-worker who told you to stop working so hard because you were making everyone else look bad. As leaders, we have to be on the lookout for the perpetual ladder shakers because they are toxic to your company's culture. A ladder shaker does not speak up and voice objections to an idea or go after a new opportunity. Instead, they seem to agree with what is happening, but then they work subversively, often unintentionally, for the idea to fail or for the effort of chasing an opportunity to stop. Sometimes they present themselves as "looking after everyone's own good" or as a keeper of the company's culture. Often they'll say, "But that's not how we do things here." That's what makes these employees so toxic because they are people who operate in the shadows of the company or whisper in people's ears, while you are at the front of the line trying to motivate and lead your troops. Michael Houseman and Dylan Minor published a paper for Harvard Business School on toxic workers. They analyzed the economic benefit of removing a toxic worker versus adding a competent employee. They found it was four times more advantageous to fire the toxic worker than it was to add a good employee. This is probably because a toxic worker will often "shake the ladder" of a good employee and make them perform at a diminished level, or even quit.

So, while it is important to be on the lookout for good employees and new ideas that can help grow and shape your business, it is just as important to be on the lookout for the toxic employees within your organization who will subtly work against new ideas, or shake the ladder of those new people you hire who want to start climbing at your company. ■



Russ Kathrein is the president and CEO of Aurora, Ill.-based Alexander Lumber, which operates 12 locations throughout Illinois, Wisconsin and Iowa.



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Acquiring new leadership can ding your valuation

MANY EXECUTIVE LEADERS of private companies are often owners or significant shareholders, and an acquisition is a natural time for them to cash out, or even to take their feet off the gas under new ownership once a deal is closed (and their financial security is assured). Without proper planning, those leaders who are departing, or who wish to remain but whose waning enthusiasm may be detected by an acquirer, can be quite pricey for you as a seller, and this situation should be yet another reason to engage in leadership continuity planning long in advance of a sale.

Here's why: If you are the seller, and you wait too long to replace executive leaders who will leave just after the deal closes, you might very well get docked for the replacement cost (salaries and benefits) of departing key team members, and potentially even the costs of replacement talent acquisition through a head hunter.

Given that these costs can have a negative valuation multiplier effect, the financial punishment can be quite severe. Zapping \$200,000 off your EBITDA to replace a departing CFO's compensation package too close to a sale can lower a company's valuation by \$1.2 million if the company is being valued at 6X EBITDA.

In the absence of leadership continuity or well-planned succession planning, acquirers will consider devaluing (sometimes severely devaluing) a leaderless or thinly-led company. It should come as no surprise that acquirers want as little churn or disruption as possible when a deal closes. Their aim is an operational steady-state that doesn't suffer in ownership transition. So, this devaluation can potentially knock multiple turns off the valuation calculation, driving down the multiple from 6X EBITDA to 5X or 4X. In fact, if the acquirer realizes they are going to end up with the husk of a company, they might even consider entirely walking away.

The product lineup, the customer base, and that nifty website...sure, those things are necessary, but they can be decidedly secondary in a valuation equation to solid leadership. Acquirers surely want those branded assets, and a great employee culture besides, but that's just a baseline; moreover, you're naïve to think these company features can be delivered by just anyone.

In every deal we're involved in, prudent sellers and shrewd acquirers make it a priority to ensure that the leadership (and often the middle management) which made the company attractive enough to acquire are retained after the deal closes to provide leadership to take the company forward.

That means far more than just keeping a few name plates on C-suite doors. It demands that able leaders remain in place to retain the workplace culture, customer relationships, vendor relationships (and a myriad list of other intangibles) to ensure the continued success of an operation.

Some acquirers even want to see the trailing financials during which the future leaders of the company had significant authority. Naturally, if an acquirer likes those financials, they'll want to keep the leadership that put up those numbers. If not, all bets may be off.

Keep in mind that putting a solid team in place can be a long process. As a seller, if you've made the wrong hire, you need enough time to determine if a particular hire was ill-advised. (*Harvard Business Review* reports that Fortune 500 leaders run about 50% success rate on hiring decisions!)

Communicate the acquisition: When an acquisition is about to take place or is taking place, news of the deal should not come as a surprise to the seller company's leadership, although it may be prudent to keep the news from rank-and-file employees until a well-planned, sequential announcement strategy is put in place. Follow this timeline: Ownership → Leadership → Employees → Customers → Vendors → the Public/Press. If this is not done properly, you can only imagine the damage control you'd have to do if you suddenly broke the news to the management team that the company has been sold. Some might even walk off resentful they weren't kept in the loop; others will wonder if they had not been told because the ink is still drying on their pink slips.

Bottom line: Acquirers look for a solid and well-articulated succession plan to be in place even before they start drafting the paperwork to make an acquisition; moreover, the absence of a plan should raise general concerns that the target company is truly prepared for an ownership transition. ■

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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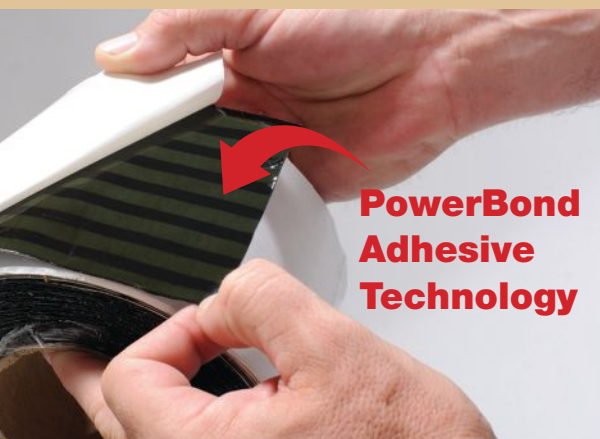
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We're excited to introduce Thea Dudley as the newest member of *LBM Journal's* editorial team. With more than 30 years of relevant experience, Thea is a widely known and respected credit expert for the LBM industry. Those who have read her writing or heard her speak know that Thea's personality shines through, making this potentially dull topic both entertaining and informative. Watch for her column online at LBMJournal.com and in every issue.

— THE EDITORS

Get to know LBM Journal's "Credit Overlord"

Q: How did you get your start as a credit expert in the LBM industry?

A: Happy accident. I answered an ad that I thought I was completely under qualified for. The credit manager liked my personality and hired me on the spot. She gave me one week of training, her favorite coffee mug, and I never looked back.

Q: We've heard you referred to as a "Credit Overlord." While that's not an official title, what exactly do you do?

A: Oh, it's an official title. I have signed paperwork using that title and have it on a business card. Overlords wield great power, just like your credit department holds great power (positive or negative) over your company. I can make or break the company with the decisions made in that department. So, I coach, counsel, train, educate, and breakdown the processes to improve them. Your basic day in the life of an overlord.

Q: Credit is an important part of any business, but especially a lumber dealer selling major building projects. What are some things a dealer can do to make sure their credit departments are running on all cylinders?

A: Be aware of who you have leading the team. What is their leadership style? What is their focus? Do they support, encourage and educate the team? Is there a credit philosophy and goal that is assessed every year? Are they challenging the thinking and the processes? Are they engaged?

Q: While most dealers in our industry are seeing success in their current markets, they also know that the sunny economic outlook won't last forever. In fact, many predict clouds on the horizon sooner than later. What do you think, and how can our readers be positioned to make the most of their credit departments in leaner times?

A: If you wait until the economy starts to dip, you have waited too long. 2019 is a "get your house in order" year. If you have not been reviewing your customer files, now is the time to start. If you have been letting your

customers stretch out a little time-wise in paying, it's time to retrain them to pay within terms. Those are two examples of "tidying up" your department. Leveraging technology is another. Push the transactional work into automation, and maximize your team to build and grow relationships and truly know the customer to effectively watch your cash flow. Credit management isn't just granting credit lines, putting customers on hold, or dialing for dollars. It is working with your customers and sales reps to solve problems and find a "way to yes." If we don't move product, we don't make money, but we have to get paid for it, on time.

Q: Finding good people is a challenge for many of our readers. Where and how can they find good credit managers?

A: Literally anywhere. It depends on what you want to put into it. I can take a talented amateur and turn them into a great credit professional if they have the desire and basic customer service skills. Your best credit people are a mixture of the mechanics of the role, soft skills, and a little bit of sales. I have stolen credit people from customer service roles, administration, the warehouse, other companies...pretty much anywhere. If you don't have a strong credit leader to find and train people, then network. Ask around, reach out to a credit professional you know for recommendations. Building material and construction credit is a small industry. Most of us have a pretty good network and can help you find someone just by inquiring. The National Association of Credit Mangers is a great resource as well. If you are not familiar with the organization, email me and I'll hook you up.

Q: LBM dealers are great at continuing education for their sales staff, but maybe not so much for their front office personnel. How can an owner or manager ensure that their credit staff is up to date on the latest regulations and best practices?

A: It all starts with communication. Most companies make the same mistake. They focus on growing the business through sales, but do not grow the office processes. Credit really encompasses the entire order-to-cash process. Support (and that may mean giving them some funding)

education, attending conferences, and exploring support systems streamline processes. Don't allow your credit department to be stagnant. It has to adapt, adjust and revise. It has to evolve with your business.

Q: Aside from having a great credit team in place, what should a lumber dealer do from a technology perspective to make sure their team is successful?

A: Embrace it, for starters. That is the crazy thing about credit in this industry, we do not embrace the technology and get hung up on how it has always been done. That usually points to the leader of the department. That is usually where the challenge lies. And money—pony up a few bucks to spend on current technology. Everyone ignores credit until we hit a hiccup in the economy and then all eyes are on it.

Q: Speaking of technology, many major companies have struggled with data breaches within their credit departments lately. What can a lumberyard do to make sure they're not the next news story about exposed credit card info?

A: Don't store it yourself. Outsource it to be PCI compliant. Look under your inside sales team members desk calendars and throw out all those numbers they keep under there. We all know they do it.

Q: What's the best thing to say to a customer who says they can't pay their bill on time?

A: Start with Why. Don't start with "that's okay," but start with the why and find out what is going on.

Q: What advice do you have for a current lumberyard employee looking to make the leap into a credit position?

A: Credit is not for sissies. Come on over to the team, but come prepared.

Q: You're new to the *LBM Journal* editorial team and we're excited to let our readers know that your columns will appear in each issue. What can our readers expect from your columns?

A: They can continue to expect a fresh and different perspective on all things credit (and various other random thoughts!) ■

With more than 30 years of credit management experience in the LBM industry, renowned credit expert Thea Dudley consults with companies on a wide range of credit and financial management issues. Contact her at theadudley@charter.net.



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REAL ISSUES. REAL ANSWERS.

In business, every time we make a decision, we take a risk. One of the biggest decisions a business owner can make is whether or not to add locations. On one hand, the economy is strong in most markets, so now may be an ideal time to greenfield a new location or buy an existing company. On the other hand, as one reader wrote, "I've seen many once-solid companies 'expand themselves' right out of business." With consolidations and company expansions redefining our industry's landscape, the timing is perfect for this month's question.

EXPAND OR NOT?

BY LBM JOURNAL READERS

THIS MONTH'S QUESTION came from a dealer in Missouri who's wrestling with the challenge of the best way to grow his business. He wrote: "We're trying to decide whether to expand or not. Do we take the leap and buy out some of our competition, and expand into neighboring markets, or do we just keep doing what our family has done for the past 80 years and focus on having the best lumberyard in the area? If we do move forward with expansion, we'd appreciate any lessons from those who've taken this step."

As we do each month, we built a very brief (in this case, just two questions) survey around that question, and sent it to readers who've opted in to receive our email communications. A big thank you to the 150-plus readers who took time from this busy market to weigh in and share their thoughts.

If you'd like to receive our emails, so you can participate in our surveys, drop me a note and we'll get you signed up. Also, the reader who suggests the Real Issue for that month wins an *LBM Journal* Prize Pack (polo shirt, mug, pen, cap, books, and more). 

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THE QUESTION

How would you advise this dealer? "We're trying to decide whether to expand or not. Do we take the leap and buy out some of our competition, and expand into neighboring markets, or do we just keep doing what our family has done for the past 80 years and focus on having the best lumberyard in the area? If we do move forward with expansion, we'd appreciate any lessons from those who've taken this step."

READERS' RESPONSES

"The key question to answer is why expand? Growth and change is critical to all organizations, but you could certainly grow in your current market. While we are a serial acquirer, we do so to increase shareholder value and have a process which is well developed from all the mistakes (and successes) we have had. On the other hand, if you have a team which wants and needs to grow, and you have your own market tapped out, looking to grow geographically makes sense. Our experience has led us to buy (join forces with) good, solid companies with a strong management team and then help them grow. Fixer-uppers can be rewarding, but they are a lot of work and turning around a firm with a poor reputation is tough and takes time."

"Those are not binary choices. My suggestion is to take the steps to expand into a new area and meanwhile, continue being the best lumberyard in your current area. Having done this ourselves, we are realizing many positive benefits from expansion that flow to the entire organization. Go for it!"

"Buy out the competition."

"We've never expanded, so this is not a question for us. Plus, too many variables: what can you borrow at, interest-rate wise? If you did borrow to expand, can you weather a recession (current stock is riding a 10-year wave, and is very long in the tooth.) How 'together' are your family, managers and employees?" ➤



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"We have looked at this same issue in rural settings. In most cases, we need to buy the yard at a deep discount to the asking price. There are a lot of unknowns even if it is a community 50 miles away. A friend of mine who owned a multiple-location distribution company suggested that you answer the question: 'Am I going to be good at running multiple locations?' Part of the answer is, that it isn't for everyone."

"Ask yourself these questions: Does the new location offer any benefits that your current location could capitalize on? Do members of your family have the desire and ability to operate a larger business? How do the two markets compare as far as growth? Is one falling and one growing? Are you willing to take on the stress of an expansion?"

"Expand. Reduce risk by doing a lease/purchase option on the property and work on owner financing. Depends on whether you have the right people in place to split your time to another location."

"If the expansion store can support itself with enough business without taking revenues from the original store, I would say 'go for it!' But if the area or store cannot be self-supportive, I would not do it."

"If you have the capital, strong leadership and a great manager to run it, go for it."

"We too face a similar issue. Our competition and us have both been in business for more than 100 years. They are floundering and we are growing. We made the decision not to purchase them because their time is limited. We are focused on growing in outside markets (50-mile radius or so) and maintaining our service levels and quality. Managed growth is the term we use often."

"This question has many core questions that first need to be asked, researched and debated before it can be answered. Does the company have the financial wherewithal, without taking on expensive debt or risking cash flow? Does the company currently have the management structure and support team in place to expand without adding corporate expenses? Does the company management team currently have the talent/expertise in adding locations/entering new markets? Has the new market been thoroughly researched? Is it a match to your core business model and customer demographics? Is this a financial or strategic decision? Is the logic sound? Is this a satellite location or stand-alone operation? Will this new location be an acquisition or a greenfield? How will the new market react to your brand? Will you be perceived as an outsider or a valued addition?"

"I would keep doing what you have been doing for the past 80 years and focus on continuing to be the best in the area."

"It is easier to do a good job from a single location, management-wise, but you can split inventory and not have to buy so very much with multiple locations."

"As an observer for a major manufacturer and a start-up manufacturer for over 50 years and having customers throughout the U.S. and Canada, the one important success was the quality of people in the company. If the former owner cared for his employees, you are buying a great asset. They will be just as hard-working for you as they were for the former owner. It isn't just bottom line results. When hard times come, you need the best people on your team."

"It's not an either/or question. You never, ever stop focusing on being the best lumberyard in your area. So, if you have the capital or the availability of capital, if you have an ownership and management team with the energy and will to expand the business, and you have today an operating plan that is already generating high levels of operating profit, here are a few do's and don'ts.

"Never buy a 'dog' in order to plant your company flag in a new neighborhood, a new city or a new area. I define a dog as a company that is performing poorly and/or has flaws that cannot be fixed. Things like poor access, poor visibility, poor locality, too small. Stay close enough to use existing logistics—trucking, purchasing, sales force, etc. Stay close enough where many of the customers already know you. It is better to buy your competitor than to go into what you think might be an under-served area.

"If you are a pro-oriented company, stay in your lane. If you buy an existing company, do assume that you will get a bell curve of employees from the seller—some good ones, some mediocre ones and some underwhelming ones. If you are going to greenfield, scour the marketplace for the best new lumberyard facilities built in the last 5-10 years and go see them. You don't have to re-invent the wheel. Good luck."

"We have a great economy. I would go for it."



"Buy or start another location."

"If you decide to expand, be sure to know your new market. Having a great location is the key to successful expansion."

"Stay the course. It's worked for 80 years. You would be spreading your key employees out, along with your other resources."

"Keep doing what you have done since 1922. We bought one other business years ago to buy out competition and shut them down. After a few years, we realized there was not enough available business to operate two locations in the same area. Currently we operate two stores 15 miles apart. We try to operate our business in a way that does not leave any opportunity for another operation to try to compete. Worked so far."

"Is there a trusted person to run the second yard?"

"Expand to other locations. I prefer to establish our own location and build on our reputation, unless there is a real good reason(s) to purchase an existing dealer and there is a deal to be had."

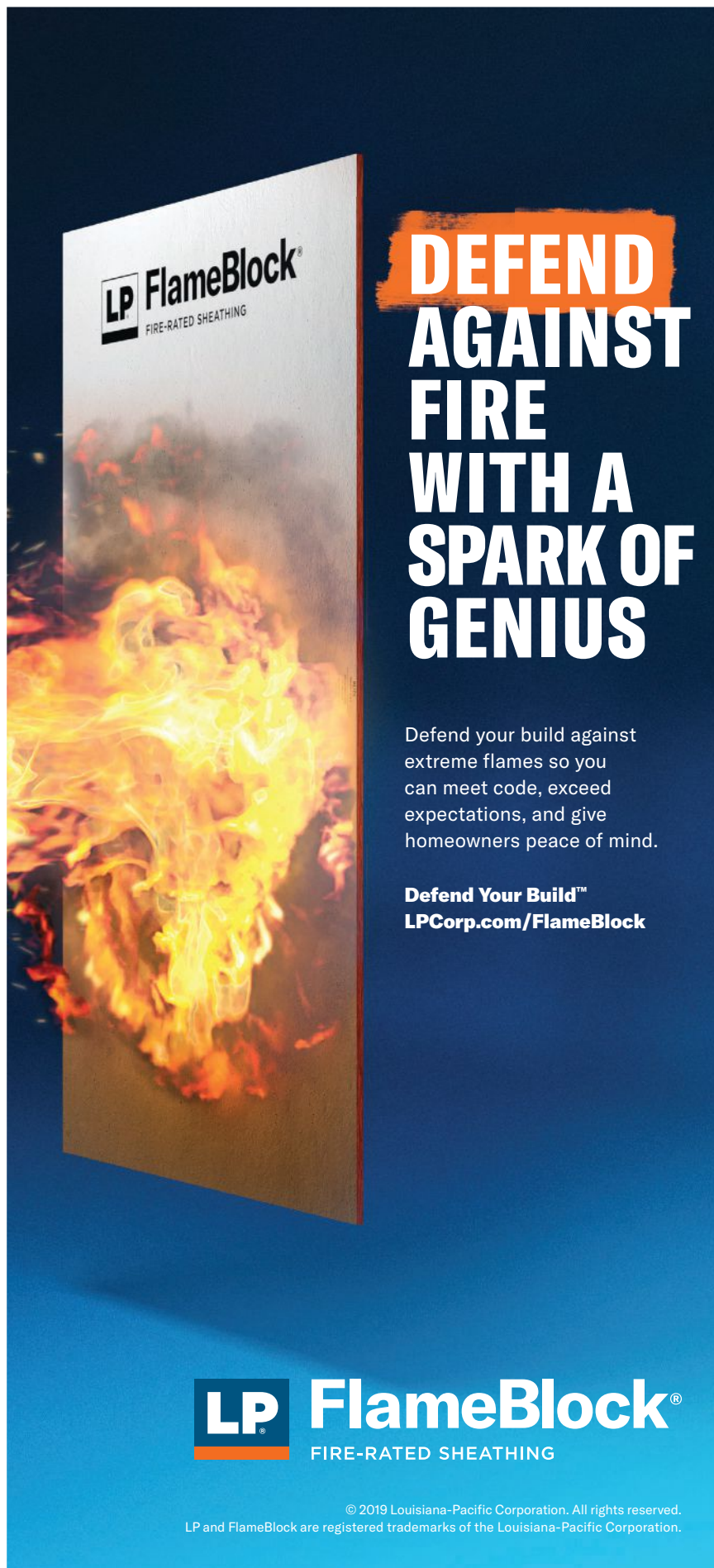
"In our market in south Louisiana, I would say no to expansion. We have bought several competitors over the last 15 years and have completed in late 2018 a consolidation into two units. This has allowed us to focus on being the best we can be and focus on growing our current customer base."

"Keep doing what works."

"If you're going to do it, make your move while the economy is strong."

"I would 'greenfield', since acquiring another company might be too pricey right now. It can also be difficult to change the culture from their company to yours. Expand and pick off the people you want."

"Expand, but be sure to only acquire somebody with a culture similar to yours and who is doing as well or better than you are." ➤

The advertisement features a large, vertical image of a white LP FlameBlock fire-rated sheathing panel. The panel is shown with a realistic fire and smoke effect at its base, suggesting its fire-resistant properties. The LP FlameBlock logo and "FIRE-RATED SHEATHING" text are visible on the upper part of the panel. To the right of the panel, the headline "DEFEND AGAINST FIRE WITH A SPARK OF GENIUS" is displayed in large, bold, white capital letters, with "DEFEND" highlighted in an orange brushstroke. Below the headline, a paragraph reads: "Defend your build against extreme flames so you can meet code, exceed expectations, and give homeowners peace of mind." Further down, the slogan "Defend Your Build™" is followed by the website "LPCorp.com/FlameBlock". At the bottom of the ad, the LP FlameBlock logo is repeated, with "FIRE-RATED SHEATHING" underneath. Fine print at the very bottom states: "© 2019 Louisiana-Pacific Corporation. All rights reserved. LP and FlameBlock are registered trademarks of the Louisiana-Pacific Corporation." data-bbox="375 45 920 953"/>

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Defend your build against extreme flames so you can meet code, exceed expectations, and give homeowners peace of mind.

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"Is your point-of-sale software capable of operating two locations? Are accounts payable and payroll going to be done at one or two locations? Who will manage the second operation? Are all of your operating procedures, employee manuals, etc. up to date and legal? Would both locations be in the same state? Different states would require different laws, taxes, etc. Even different cities often have different rules and regulations. How is purchasing going to be handled? One set of buyers at one location, or buyers at both locations? What dealer affiliations would need to be changed? Is the staff at the new location going to buy into using your co-op or buying group?"

"Our first expansion was 30 miles away, that was too close. Our third and fourth expansions were further away and worked a lot better. How close is too close for your operation? Or you could just hire some commission-based sales people in different markets and service them from your current location? Increased sales with no additional overhead."

"Buying the competition is one smart way of expanding, as long as the quality of the sales and physical operation are such that you are not spending more than what your expected return is. For example, you can buy the competition, but if they have a poor quality of sales (low margins, old receivables), then what are you really buying? Same holds for manufacturing, if I buy the competitor and the physical operation needs significant improvements to increase capacity/efficiency, then I might be better off expanding my existing operation and running it very efficiently/lean."

"If the capital is available, then expand. The best and most logical way is to buy out a competitor (if the price is right). This allows you to harness a ready-made staff who are familiar with the operation, know the customer base, are familiar with the product mix, and can continue the day-to-day flow of the operation. You can weed out the borderline mix at a later date as you become familiar with each employee."

"First, make sure your information management system (sales, inventory, purchasing, A/R, P&L, balance sheet, etc.) are fully integrated with the new location. Make sure your new location's staff follows your rules, not theirs. We made these mistakes, and it literally killed our company. If you cannot in advance prove that a new location/acquisition can exponentially grow sales and profits through market access and leveraging operational synergies, then don't do it. Make sure common sense overrules ego!"

"Expand if you can find the people."

"Consolidation is happening everywhere and is necessary for survival. Make sure that those that you acquire are already the best in their area—or be prepared to make them the best."

"Obviously if the economy continues to grow and one could find employees to help run yards, I would certainly recommend looking at more established yards that have been profitable during the years. While this will not guarantee success, a customer base from the competition along with added customers should help the process run smoothly."

"I was taught early in my career that success is not guaranteed. Here are two of 10 'Commandments' that will give you a better chance. #3, Seek changes in business, don't just accept it. #10, Develop a vision of what's to come in this world. That's your ultimate insurance of success."

"Make no mistake about it, with present economic conditions within our country, the time for expansion is now. However, with 50 years of experience in our business, I issue that statement with a warning. Make sure that you can handily manage the expansion of your business without endangering your relationships, and service to your existing account base. Needless to say, I've seen many once-solid companies 'expand themselves' right out of the business. If you honestly feel that your expansion plans will not affect your current clients, then go for it. However, make sure that your plans are 'fail-safe' before you wander into the uncertain world of expansion. Of course, you and I both know that problems that were originally beyond your wildest imagination will surface. Learn to expect the unexpected. Have overly cautious systems in place before you open to enable you to not lose a client due to your 'giant leap' into the world of growth and expansion."

"Expand, because you will max out in the same area you're in."

"Slow and steady wins the race. Keep debt down and only grow what your team can manage and pay for over a five-year period."

"Don't be greedy. If you enjoy what you are doing, are making a good living and saving some for retirement, focus on improving what you already have. My motto is, 'we make the best a little better.' We have two stores, and we strive to be the best in our area. You can get spread too thin and lose control. Is what you are doing a job, or do you truly enjoy getting up and going to work? We beat the big box stores in price and service and are successful. Do not want any more stores."

"We are not a lumberyard, but we have struggled with this question for years. If your competition isn't great, they will go out of business all on their own, no need to buy them. The question comes down to how big do you want to be? If you are happy, your customers are happy, and your employees are happy, everyone is making a paycheck, then why expand? If you want more of everything—more employees, more customers, more of the everyday headaches, then go bigger."

"If the value and synergies are there, and you can afford it, then do it."

"Take the leap and buy your well-run, good competition. You still need to focus on what has made your family business so good for over 80 years, but you also need to grow beyond your current market. Our industry continues to consolidate, and you either need to be one of the companies buying companies and consolidate, or you will likely be purchased and consolidated with another organization."

"Look at buying someone in the market you want, rather than trying to greenfield a location. Even if the company you buy is not doing well, you can get a facility and inventory on the cheap. Just remember to change their business operation. They were failing for a reason." ■

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

THE READER WHO SUGGESTED THE "REAL ISSUES" TOPIC WILL RECEIVE AN LBM JOURNAL PRIZE PACK.
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The advertisement features a large, vertical image of a TechShield Radiant Barrier product. The product is a white, textured sheet with the LP TechShield logo and 'RADIANT BARRIER' text. It is shown against a dark blue background with a bright, glowing sun or light source behind it, creating a lens flare effect. To the right of the product, the text 'DEFEND AGAINST HEAT AND HIGH BILLS' is written in large, bold, white capital letters, with 'DEFEND' highlighted in an orange brushstroke. Below this, a paragraph explains the product's benefits. At the bottom right, the slogan 'Defend Your Build™' and the website 'LPCorp.com/TechShield' are listed. The LP TechShield logo is also present at the bottom center.

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BY JAMES ANDERSON

HIGGINBOTHAM HISTORY

FAMILY COMPANY SERVES TEXAS FOR 138 YEARS

There was a time when putting your money in Higginbotham Brothers Lumber was better than putting it in a bank.

A ledger was saved from a Great Depression-era Lubbock, Texas Higginbotham location. The balance sheet read “no debt,” and it was dated 1930, Higginbotham Brothers owner Rufus Duncan says.

“The lore is that the farmers used to pay their bills into the negative because it was safer putting it with Higginbotham than in a bank,” Duncan added. “Farmers were living one harvest to the next and they needed to make sure their money stayed around.”

Smart farmers kept their money with Higginbotham for a reason. The company has now been around for 138 years, has survived world wars, the Great Depression, the Great Recession, and more.

HISTORY

Based in Comanche, Texas, Higginbotham has grown from its start as a general store, lumberyard and funeral home, to a chain of 39 full-line lumberyards stretching east to west across Texas.

“Most lumberyards way back then were also funeral homes,” Rufus says. “For us, that business is still in the family and is still going today.”

“In the family” to a Higginbotham means operated by a cousin, of which there are several. In fact, though Rufus Duncan is named after his great-grandfather, R.W. Higginbotham, one of the founders of the company, he didn’t get into the business by inheriting it directly.

Rufus was working for his father who, as a builder in the area, had started his own one-man lumberyard to keep his building materials costs down. When his dad left the building business, Rufus bought out the lumberyard, and then bought a couple more. By 1999 he had three stores. Then one of his cousins called. “He said ‘you look like the only one of us who enjoys doing this, so why don’t you buy my lumberyards?’ and so I did,” Rufus says.

That cousin and extended family had 19 stores based in Comanche, and by 1999 Rufus had found himself with a chain of 22 locations. In Lubbock, there was another Higginbotham chain run by another set of cousins and he bought that in 2002. Since then, Rufus says, he’s “bought a few, closed a few, sold some to managers.” ➤



PHOTOS BY COTTON PHOTOGRAPHY



"YOU'VE GOT TO GROW. AT ANY GIVEN TIME, YOU'RE GETTING MORE COMPETITION IN A MARKET. YOUR SALES ARE GOING TO DROP, YOUR PROFITS ARE GOING TO DROP. THE COMPETITION IS ALWAYS GETTING TOUGHER. IF YOU DON'T GROW A COMPANY, YOU'RE DEAD."

— RUFUS DUNCAN

Owner Rufus Duncan (left) and President and COO Corby Biddle.



President and COO Corby Biddle leads a team of about 350 employees spread across the 39 locations. He sees to it that each of Higginbothams' mostly smaller, rural market stores is the top independent dealer in its area, serving single-family homebuilders, custom builders, and remodelers.

OPERATIONS

To run his lumberyards, Rufus relies on Corby Biddle, an industry veteran who has been with Higginbotham Brothers for the past decade. Prior to that he spent 26 years with Foxworth Galbraith.

Corby now leads a team of about 350 employees spread across the 39 locations. He sees to it that each of Higginbothams' mostly smaller, rural market stores is the top independent dealer in its area, serving single-family homebuilders, custom builders, and remodelers. As for competition, only the Tyler, Texas location butts up with big box stores. Other Higginbotham yards face competition from independent lumberyards in their respective markets.

About 60% of the customer base for Higginbotham Brothers is made up of pro builders, Corby says. A big reason for the high retail traffic is due to the smaller markets in which the stores are located. In many of the communities the company serves, the local lumberyard serves as a hardware store, farm store, and even outdoors, hunting and fishing headquarters.

"We have some locations where we're the only game in town, so we give our managers the autonomy to carry what they want," Corby says. "If they have a niche in their

market, we allow them to bring that in. At least 20% to 25% of our markets are niche items that aren't lumber, building materials, or straight hardware." For instance, he says, a third of the company's stores are in West Texas, where many of the SKUs in the stores are products that support work in the oil fields.

Together, the locations are generating a steady increase of 6% to 8% in revenues annually. With revenues on an upward trend, the company recently opened its 39th location, in Mineola, Texas, just north of Tyler.

"The goal is to add one or two a year for the next few years, or as long as the economy holds out," Corby says.

Like many lumber dealers in today's market, Corby says labor is a big issue with his company. "Out in West Texas, if you can pass a drug test and fog a mirror you can work in the oil fields for up to six figures," he says.

Because of the competition for workers, he has found success recruiting outside of his regular pool for lumberyard help. Female employees who might be less inclined to want jobs in the oil industry are a great resource for Higginbotham. Five locations are managed by women, and Corby says that number will likely increase. Corby also works with local colleges to bring in more associates, and Higginbotham representatives attend job fairs around the state, as well as work with a handful of different recruiters.

GET TO KNOW HIGGINBOTHAM BROTHERS LUMBER

FOUNDED:	1881
OWNERSHIP:	FAMILY-OWNED
LOCATIONS:	39
SALES SOFTWARE:	EPICOR EAGLE
PURCHASING GROUP/CO-OP:	ACE, LBM ADVANTAGE, ORGILL
TOP THREE BRANDS:	LP, MARTCO, WEYCO

FUTURE

Rufus's son, Scott, is on the board of Higginbotham Brothers, and Rufus anticipates him one day owning the company. As the industry continues to evolve, Rufus doesn't want to look beyond his son's tenure as owner.

"I feel pretty certain this will make it through his generation," he says. "He's only 31, so it will definitely be a Higginbotham's for a long time."



Corby says a population boom in many of the small markets is bound to keep Higginbotham Brothers relevant for years to come.

"People are migrating from California and Nevada to this area. Large companies are moving headquarters to Texas because of tax breaks. It's a great place to be and there's a lot of opportunity here.

"I think a lot of that is going to hinge on November 2020," he adds. "What happens then will dictate the long term. Up until then I'm pretty positive about the future. I've been in this business for 40 years. We're going to have ups and downs and you've got to just prepare for them."

Rufus agrees and the two have set an aggressive approach for the future for their company. "You've got to grow. At any given time, you're getting more competition in a market.

Your sales are going to drop, your profits are going to drop. The competition is always getting tougher. If you don't grow a company, you're dead," Rufus says.

To continue to grow, and to continue to be successful, Rufus follows a simple philosophy: People. "Higginbotham is about people," he says. In taking care of his people, Rufus knows they'll take care of the company. They recently introduced an Associate Assistance Program, a company-seeded non-profit to which employees can donate tax-deferred. If an associate runs into a problem, a committee can allocate those funds toward medical expenses and so on. Recently, a manager lost a home to a fire and the funds were able to help him get started on recovering.

"We kind of do what we can to make the associates feel welcome and feel at home. It's a big family," Rufus says. ■

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IN DEPTH

SIDING

VIBRANT COLORS, LOW MAINTENANCE OPTIONS KEY
TO SIDING MARKET GROWTH.

The siding market continues to look strong for 2019 and 2020—especially in remodeling and replacement—opening up ample opportunities for dealers to capitalize on that growth. Overall siding demand is expected to grow by more than 3% annually over the next three years, according to research from The Freedonia Group. And companies that supply and produce siding products are also expecting solid growth.

“We still feel confident about the housing and siding market,” says Sean Gadd, chief marketing officer for James Hardie. “Repair and remodel is a very big segment for us, and it looks to be continuously growing. We feel good about that. We’re counting on something like 2% overall growth in single-family new, and about 3-5% in single-family repair and remodel.”

CertainTeed is also expecting growth in the remodeling market this year to keep siding demand strong.

“Experts are forecasting that the housing market is going to slow down in the coming years, but they’re seeing an uptick in renovations,” says Brian Kirn, product manager, Polymer Shakes and Shingles. “When mortgage rates go up, residents tend to lean toward renovating their current homes rather than moving and paying a higher rate on an expensive new home. With the unemployment rate at a record low, home equity is at a record high, and homeowners are willing to invest a little more into remodeling.”

Vinyl siding in particular is poised to take advantage of both rising demand for siding and the need for more affordable housing, says Steve Booz, vice

president, marketing and product development at Royal Building Products.

“Vinyl siding remains the most cost-effective product and, according to a recent study released by the Vinyl Siding Institute, the most sustainable product a builder can use,” Booz says. “So the opportunities for vinyl siding are tremendous in new homes as builders look at smaller footprints and more affordable options. Remodeling activity is predicted to remain fairly stable with mid-single digit growth which also bodes well for the dealers who focus on siding projects.”



VINYL OPTIONS GROW

While there are plenty of material options for siding, vinyl is still No. 1 in market share in North America, representing about a quarter of all siding sold.

Consumers are looking for vinyl products that offer more design and color options, says ProVia's Product Manager for Siding, Kevin Mickle.

“There’s been a real drive on multiple claddings on a house, and one of the things we’ve seen a huge surge in is vertical siding, the board and batten,” Mickle says. “What we’ve done is come up with every color in every family we have, we now offer in board and batten because people are using it so prevalently on homes.”

That’s part of a trend of vinyl products that go above and beyond the traditional look. Rustic looks that mimic wood and other materials are also growing in popularity, as homeowners look to mix styles.

“Families want to personalize their homes so they’re not just comfortable, but also have great curb appeal,” says Kara Radcliffe, director, Vinyl Siding Product Management for CertainTeed. “They are looking for a high-end, designer aesthetic. Many new builds and remodels today feature a variety of colors, textures and profiles, rather than one color, one style and done.”

An important part of that is the continued emphasis on bolder, more vibrant colors. ➤

OPPOSITE PAGE: ProVia introduced Nightfall, a deep, pure gray, this year for its HeartTech siding line.

ABOVE: Composite sidings, such as Royal Building Product's Celect Cellular Composite PVC, continue to gain popularity for builders and remodelers, combining low maintenance and the look of wood.

LEFT: Seagrass is one of five new solid colors for CertainTeed's individual 5" Sawmill shingles, which are designed to replicate the look of natural cedar without the required maintenance.

“Rich, dark colors are still in great demand,” says Ron Herrin, vice president of product management for Blue-Linx, which distributes Georgia-Pacific vinyl siding. “Dark greys, browns and especially blues are really driving the market, with consumers willing to pay for higher-end siding to achieve these hues.”

ProVia this year introduced a new gray color, Nightfall, in response to consumer demand.

“We looked at a lot of competitors and then we usually work a lot with paint companies as well, and we found what was just again a pure gray—no blues, no browns, no greens,” Mickle

says. “It’s really playing off this whole drive for the grays. It gives a great palette for people to put as a backdrop to their house.”

Royal has introduced several new colors across its vinyl and cellular lines, reflecting that desire for darker tints for not only accents but for the exterior as a whole.

“The new colors we have introduced meet these needs with shades of blues, grays and browns—colors that have enjoyed such popularity in recent years they are now considered the new neutrals,” Booz says. “These colors echo the natural environment surrounding the buildings, such as an

ocean or a mountain skyline, and are also versatile, working well with other soft neutrals and bright accent colors.”

With those dark colors comes the need for formulations that can protect those colors and keep them fresh and vibrant.

Ply Gem recently introduced Mastic SolarDefense Reflective Technology, which provides protection from harmful UV rays, with a three-layer composition which prevents color fading and heat distortion. This shield is made possible through a proprietary formulation that improves overall color and panel stability, says Dave Johnston, director of product marketing for Ply Gem Siding.

The new Mastic Western Extreme Siding was created to combat the high altitude, intense sunlight, and drastic temperature changes of the mountain region of the U.S. that can affect the longevity of dark vinyl siding.

“This siding utilizes a proprietary combination of advanced polymers, pigments and special purpose additives,” Johnston says. “Combining these materials helps reflect high levels of infrared energy while also improving resistance to heat-related damage from the sun. These materials are also incorporated into high-strength panel designs, boosting thickness and providing extra strength and durability against harsh weather and environmental conditions.”

Western Extreme is available in 20 colors, while SolarDefense is available in 10 red, grey, green, tan and blue hues. SolarDefense is also backed by the Ply Gem “No Fade, No Distortion Promise” and accompanying limited lifetime warranty.

Composite sidings, such as Celect Cellular Composite PVC, also continue to gain popularity for builders and remodelers, Booz says.

“Celect was born with innovation being the foremost aspect of the line,” he says. “No other siding has the interlocking joints to avoid seams and future maintenance. Combined with the product makeup and Kynar Aquatec color protection, Celect is a great fit for new construction and remodeling projects.”



ABOVE: Ply Gem’s new SolarDefense Reflective Technology provides protection from harmful UV rays with the help of a three-layer composition which prevents color fading and heat distortion.

RIGHT: Greys, browns and blues are the colors of G-P Vinyl Siding that are driving sales for BlueLinx.



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ALTERNATIVES GAIN MARKET SHARE

For those homeowners and builders looking for alternatives to vinyl siding, there's plenty of innovation in other siding materials as well.

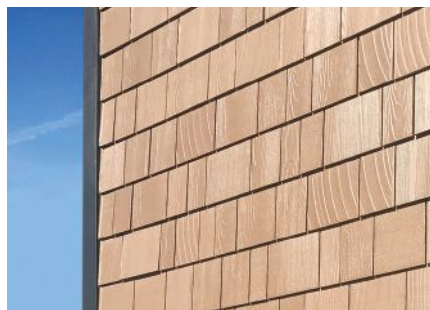
James Hardie has expanded its Aspyre Collection—introduced on the West Coast two years ago—to the entire country as of May 1. Aspyre is designed to serve the top-end of the market with a wide assortment of textures and profiles in fiber cement.

"When you go to the top of the market ... you've got to look exactly like they want to have it look," Gadd says. "So that to me is the thicker sidings, flat wall look, multiple profiles, real-looking shingle, a reveal panel that's thick ... just a variety of looks to deliver being very traditional with the heritage look, but also being able to go to the modern look that the high end customer's looking for."

A new addition to the Aspyre Collection is the Artisan Shingle, which mimics the look of natural cedar shingles with the performance of fiber cement.

Like in vinyl, new color choices are a big change for James Hardie this year. As of April, the company has reorganized its colors into two groups, a Statement Collection and a Dream Collection.

"The Statement Collection is a collection of approximately 15 colors that we have done all our research on, to say what are the top 15 colors in every



market," Gadd says. "Those are priced at a competitive number, because we're able to run those on our scale manufacturing lines. And then we've got the Dream Collection which is ... roughly 700 colors, in which if somebody wants something very specific we can offer them that."

Demand for the board and batten and reverse board and batten continues to grow as well.

"I think this twist between traditional and modern is an interesting one, and certainly we look to ensure that our products that we have currently, and new products we deliver, enable that type of design," Gadd says. "We're consistently looking at, as the market gets tighter and tighter with labor, more factory built and what does that mean, and what kind of products do we have to deliver to enable factory built, if that's where the market ends up going."

Combining an authentic wood look with lower maintenance is also a driving force behind many of the new prod-



ucts from Boral this year. "We continue to expand our line of TruExterior Siding; made with a proprietary blend of polymers and fly ash, TruExterior Siding provides a high level of dimensional stability for reduced expansion and contraction, and durability for resistance to warping, cracking, and splitting," says Product Manager Matt Michalski.

In its Versetta Stone line, Boral is adding Northern Ash, a new color that blends dark gray hues and will be available in its Ledgestone and Tight-Cut stone profiles. Boral also now offers Grayne Accessories, including paintable cellular PVC trim as well as color-coordinated J-channel, Mid-America mounting blocks, and utility vents for its Grayne engineered composite siding.

A new player in the siding market is DaVinci Roofscapes, recently acquired by Royal. The company is taking its roofing expertise to create a siding offering, says Michael Cobb, president and chief marketing officer. ➤



ABOVE LEFT: Artisan Shingle, the latest addition to the Aspyre Collection by James Hardie, captures the natural look of cedar shingles while delivering the performance of fiber cement.

ABOVE RIGHT: DaVinci's new maintenance-free composite shake siding is made with color throughout each piece and requires no painting. The tiles are recyclable and serve as an environmentally friendly alternative to real wood shakes and plastic siding.

LEFT: With the Boral Building Products Virtual Remodeler online design tool, dealers, contractors, and homeowners can upload a photo of the home or choose from a gallery of pre-loaded houses, and then make product selections from Boral's family of siding, trim, and shutter brands. Once final products are selected, the system can produce a materials list for the dealer.

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IN DEPTH SIDING

"Our low-maintenance composite shake siding resists impact, fire, mold, algae, insects, salt air and high winds," Cobb says. "And, while as attractive as real cedar, the siding will not curl, cup or split like real cedar."

Made of virgin resins, UV and thermal stabilizers, plus a highly specialized fire retardant, the siding is resistant to expansion and contraction that can happen with fluctuating weather conditions and temperatures, Cobb says.

There are several new innovations in engineered wood siding products as well, with those manufacturers seeing more demand for smooth siding and lower-maintenance options.

LP Building Solutions recently introduced LP SmartSide Smooth Trim & Siding with a smooth-texture finish.

"Because builder demand for smooth-texture siding has grown exponentially over the years as homeowners are increasingly gravitating toward the smooth aesthetic look due to its design versatility, we introduced LP SmartSide Smooth Trim & Siding with engineered strand technology to help meet that demand," says Amy Pierce, LP Building Solutions' market development manager. "In addition to its ability to accentuate a wide variety of architectural styles (whether that be traditional, historical or modern), LP SmartSide Smooth Trim & Siding offers the same qualities our customers have come to appreciate about our products," including LP's manufacturing process and warranty.

Universal Forest Products, which produces UFP-Edge siding, has seen an increase in interest in prefinished siding and trim because of their better performance and extended warranties, says Brett Collins, UFPI product and market manager.

With its offerings of UFP-Edge True, Premium Primed and SPF, Universal Forest Products now offers a good/better/best offering that addresses aesthetic and performance needs, Collins says.

Marketing prefinished siding can be an easy way for dealers to boost sales, says Mike Pidlisecky, Woodtone's vice president, sales & marketing.

"Someone is painting siding in the field; the dealers can capture that revenue by marketing prefinished siding," Pidlisecky says. "Weather delays are no longer an issue for the builder when using prefinished siding."

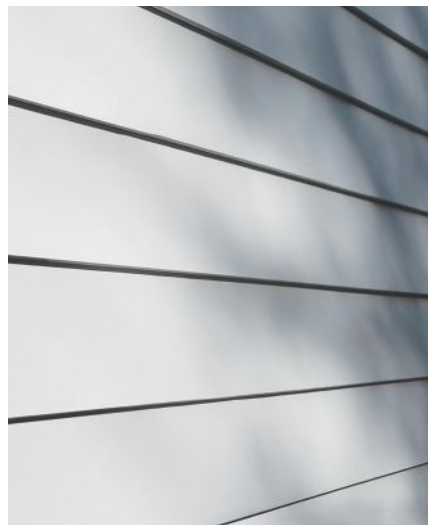
Woodtone has introduced a new coating technology for solid coat system for use on engineered wood and fiber cement, with a 30-year, no-fade warranty in partnership with Sherwin Williams.

"We are seeing builders and architects searching for better long-term exposure performance in high altitude and sun exposure areas," Pidlisecky says. There is a "continued focus on exterior performance and 'low maintenance' solutions. We are also seeing a direction toward customized color solutions as architects continue to create unique projects designed to showcase their capabilities, mixing multiple substrates on large scale projects." ➤

ABOVE: LP has introduced LP SmartSide Smooth Trim & Siding to its portfolio, with engineered wood strand technology and a smooth-texture finish.

RIGHT: In response to demand for better long-term performance in high altitude and sun exposure areas, Woodtone has introduced a new coating technology for use on engineered wood and fiber cement, back by a 30-year no-fade warranty.

BELOW: UFP-Edge prefinished boards, smooth siding and trim are engineered to offer better performance and extended warranties.



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IN DEPTH SIDING



TandoStone with TruGrit technology offers a unique texture that gives each panel a natural masonry appearance and the rough, gritty feel of real stone.

That trend of mixing materials is a perfect fit for the Tando brand, says Derby Building Products CEO Ralph Bruno.

“Our shakes and stone products complement any siding,” Bruno says. “In many cases, TandoStone is on the bottom and TandoShake goes on top, which is why we say we are the ‘hats’ and ‘shoes’ of a mixed material exterior.” New products for 2019 include TandoShake Cape Cod Perfection and TandoStone with TruGrit technology. Cape Cod Perfection is a resquared and rebuffed profile with crisp, square edges and resistance to extreme weather. It can be used for ground contact and roofline applications. TruGrit technology offers a texture that gives each panel a natural masonry appearance and the rough, gritty feel of real stone.

The company’s Beach House Shake has also been listed by Miami-Dade County as compliant and capable of

withstanding the severe weather conditions experienced throughout Florida, including its High Velocity Hurricane Zone.

EASE OF INSTALLATION

Regardless of the material, manufacturers are aiming to meet the demand for siding products that are easier to install. The continued labor shortage makes it increasingly important that products can be installed by fewer workers or less experienced teams.

Engineering product features that make life easier on the jobsite is an important responsibility for manufacturers, ProVia’s Mickle says.

“For example, our siding is very consistent, so it always holds its lock,” he says. “When I go to put a piece of siding on the house. I turn my back, pick my nails up, turn around, and the siding’s not on the ground. It’s still locked in place.” ➤

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IN DEPTH SIDING

ProVia also sends its people out to the jobsite to evaluate installation problems and see how they can be avoided in the future. For example, after finding that a window-door surround was frequently being improperly installed, the company re-engineered it to make it easier to fit.

"Then what we do is we come back and talk to our distributor, explain what the contractor did wrong," Mickle says. "We'll sit with the contractor and talk to them about that."

CertainTeed has put a strong focus on ease of installation for contractors,

with proprietary features, such as STUdfinder to ensure panels are properly and easily installed and Hammer-Tapper to enable lateral adjustment during installation. In addition, CertainTeed's Cedar Impressions panels feature a PanelThermometer that displays panel temperature to ensure precise installation.

"The easy-to-use temperature gauge increases installation accuracy by ensuring the correct distance between panels to allow for heat and freeze cycles and expansion and contraction," Radcliffe says.

Most companies also offer on-site training clinics at dealerships and other locations. Those installation clinics can also help dealers sell more by bringing contractors into the store. By combining that training with a job fair, it can also serve contractors by helping them identify potential employees. Dealers can also learn from these events, growing their product knowledge.

"We've seen great success by implementing specialized training and education events for dealers so they feel equipped to convey to their customers how LP SmartSide siding products differentiate from competitors," Pierce says. "For example, we host training events called the LP 'House Party' across the country year-round to offer onsite training. This includes a mobile truck that showcases the LP SmartSide product portfolio with installation demonstrations to provide personalized education." ▶

REGARDLESS OF THE MATERIAL, MANUFACTURERS ARE AIMING TO MEET THE DEMAND FOR SIDING PRODUCTS THAT ARE EASIER TO INSTALL. THE CONTINUED LABOR SHORTAGE MAKES IT INCREASINGLY IMPORTANT THAT PRODUCTS CAN BE INSTALLED BY FEWER WORKERS OR LESS EXPERIENCED TEAMS.

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It's important for dealers to be the go-to experts on the products they carry, DaVinci's Cobb says.

"Dealers need to stay on top of changing product offerings," he says. "Gone are the days when a dealer can lock into just one or two products and make those recommendations to their customers. New, innovative products are coming out all the time in the marketplace. Dealers who are open to those newer products, with innovative features and benefits, will best serve their customers."

BlueLinX's Herrin agreed, noting that education is key.

"They have to know all the options out there and be able to talk to different kinds of siding and know the benefits and downfalls of each material," he says. "It is not just about selling a standard lap siding anymore, you have to know all the design options so customers have choices. Consumers are savvier than ever before and will have done a lot more research before making the decision to redo the siding on their home."

On the other hand, with those increased choices, it can be more difficult for homeowners to make a decision. Interactive design tools can make it easier for customers to visualize products on a home and choose the right product. Many manufacturers now offer those solutions.

"Another great way to do this is by using interactive kiosks," CertainTeed's Kirn says. "Located in dealer's stores, the kiosks house information on all products, as well as digital design tools that create mock-ups of the product on the homeowner's house. Kiosks like our Digital Design Centers allow customers to interact with the digital tools alongside a trained professional as well as experience the products in person."

But beyond aesthetics, it's the responsibility of the dealer and contractor to make sure homeowners consider performance as well. Features such as weather resistance, warranties and maintenance costs also need to be considered, James Hardie's Gadd says.

According to a recent national survey of builders and remodelers conducted by Ply Gem, the three most important features to dealers' customers are product maintenance, performance and warranty.

"Dealers should focus on highlighting these features among siding products to help customers understand the product capabilities needed for jobs," Ply Gem's Johnston says. "For example, Ply Gem insulated vinyl siding is a premium cladding option designed for all homes, and particularly those in states with colder weather conditions. The specialized Mastic Structure Home Insulation System is backed with 1-1/4" thick polystyrene foam insulation that wraps the home's exterior envelope, increasing the wall system's R-value and boosting the thermal performance of exterior walls. This helps minimize air leakage, especially over wall studs that cannot be covered with traditional wall insulation."

It's important to understand that customers may have changing requirements, Boral's Michalski says. "A high-end builder may occasionally need a lower-priced siding; a market-rate builder may transition to custom," he says. "Understand their needs from project to project. And make sure you have that product for them. Being able to service them with the right product for the right project and being able to talk to them will make sure they come back to you and they have confidence they're always going to get the right product for each project." ■

Jonathan Sweet is a Minneapolis-based writer and editor who has covered the construction industry for both consumer and trade publications for more than 20 years.

INTERNET INFORMATION

Companies highlighted participated in this article.

Allura:
www.allurausa.com

Alside:
www.alside.com

AZEK:
www.azek.com

BlueLinX:
www.bluelinxco.com

Boral:
www.boralamerica.com

Cedar Valley:
www.cedar-valley.com

CertainTeed:
www.certainteed.com/siding

Coeur d'Alene:
www.cdawood.com

DaVinci:
www.davinciroofscapes.com

Environmental StoneWorks:
www.estoneworks.com

Georgia-Pacific:
www.gpvinylsiding.com

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

Holmes Manufacturing:
www.holmesmanufacturing.com

James Hardie:
www.jameshardie.com

LP SmartSide:
www.lpcorp.com

MiraTEC / Extrite:
www.miratecextrite.com

Nichiha:
www.nichiha.com

Ply Gem:
www.plygem.com/siding

Premier Forest Products:
www.premierforestproducts.com

ProVia:
www.provia.com

Rollex:
www.rollex.com

Roseburg Forest Products:
www.roseburg.com

Royal Building Products:
www.royalbuildingproducts.com

Style Crest:
www.stylecrestinc.com

Tando Building Products:
www.tandobp.com

TruWood Siding & Trim:
www.collinsco.com

Universal Forest Products (UFP-Edge):
www.ufpedge.com

Woodtone:
www.woodtone.com



Vinyl Siding & Accessories

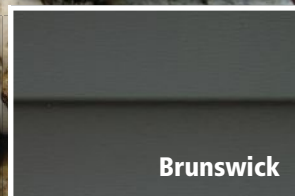
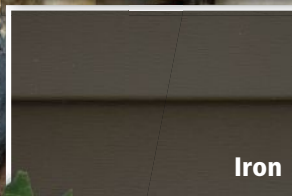
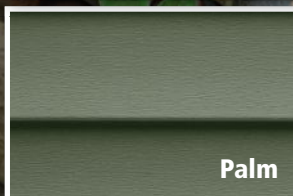
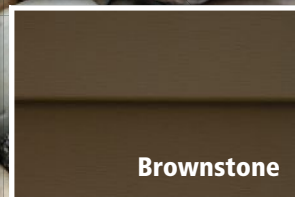
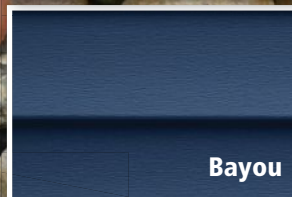
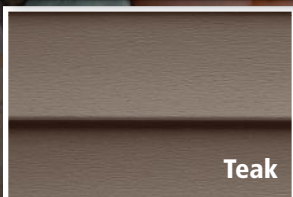
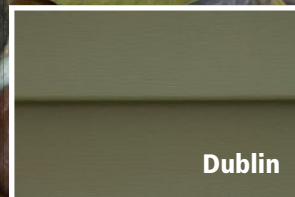
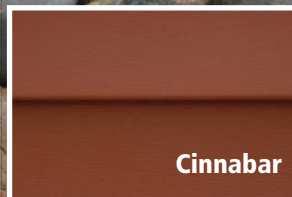
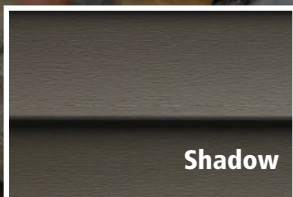
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EACH MONTH, HUNDREDS OF PRODUCTS HIT THE MARKET. HERE'S OUR PICK OF THE ONES TO WATCH.

MiTek's new ProSeries WSTS Truss/Stud screw

Available in two lengths, and designed for truss, rafter, and stud connections, the WSTS screw is developed to provide uplift resistance and lateral load resistance for the following connections: Truss-to-top-plate, rafter-to-top-plate, top-plate-to-stud, stud-to-bottom-plate. The WSTS Truss/Stud screw is tested in accordance with ICC-ES AC233 and AC13, and meets 2015 and 2018 IRC and IBC code requirements. The WSTS Truss/Stud screw offers a "reverse thread angle" on opposite ends of the screw for greater resistance to withdrawal. The WSTS Truss/Stud screw package includes an installation angle tool that makes proper installations easier. The installation angle tool is also removable so the bit can be used with or without the device. The screw comes in two lengths: 4-1/2" for stud-to-bottom plate connections, and 6" length for connections thru the double top plate. www.mitek-us.com



ProVia Grout Color Visualizer

ProVia's new Grout Color Visualizer is an online tool that enables dealers and homeowners to preview various grout color choices with selected stone styles. ProVia launched the tool to ease the burden for dealer showrooms that can't stock the number of sample boards that would be required to demonstrate all the various options. To solve this dilemma, ProVia now offers the Grout Color Visualizer, designed to take the stress and guesswork out of selecting profiles and grout colors for manufactured stone. The Grout Color Visualizer is designed to be easy to use, the company says. Dealers can bookmark the page on the ProVia website, or, for an enhanced experience, use it on the ProVia app for iPad. www.provia.com/grout-visualizer



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Choose from trending grout colors: buff, gray, brown or black



Use the built-in magnifying tool to enhance details

Mantis hidden deck fastener

The Mantis hidden deck clip system is designed to install grooved composite decking. The product is said to be easy to install for the average homeowner or professional deck builder. Built to enhance the beauty of a deck by providing a safe, fastener-free surface that makes decks look like a hardwood floor, the Mantis clip system automatically spaces the deck boards 3/16" to allow for adequate drainage. Four profiles are available to ensure a cling fit to the deck boards. The product carries a 30-year limited warranty against loose deck boards. www.panamericanscrew.com



Cedar Renditions by Royal Building Products

Royal Building Products introduces Cedar Renditions as part of its Royal Design Series, a line of premium aluminum siding. Designed to feature a streamlined, modern aesthetic, Cedar Renditions is said to offer endless design possibilities for architects, designers and remodelers of residential and light commercial projects. Cedar Renditions was previously available only in Canada. Cedar Renditions is available in a 6" profile in three traditional woodgrain colors: Amberwood, Charwood and Cedar Bark, and two premium colors: Timberline and Riverwood. Each Premium color has three distinct shades—dark, medium, light—designed to achieve a realistic and natural variegated plank look once installed. Seamless overlapping notches were developed to achieve longer length. The products are 100% recyclable and LEED compliant. Cedar Renditions siding is backed by a 25-year limited warranty. www.royalbuildingproducts.com/cedarrenditions



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PRODUCT PICKS

Atlantica Beach House Shake

Derby Building Products has introduced a new color, Atlantica, as the latest addition to its Beach House Shake product line. Atlantica was developed as a soft, silvered coastal gray tone reminiscent of cottages found in a New England village. Atlantica is the fourth color in the Beach House Shake line. Other colors include Sandcastle, Hatteras, and Pacifica. Beach House Shake products feature subtle shading variations, grain textures, and saw-cuts designed to replicate the look of natural cedar. Unlike cedar shingles, Beach House Shake products will not rot, decay, crack, or split, and are impervious to moisture and insects, the company says. Designed for easy installation, the panelized shake is lightweight and can be installed using just a hammer or nail gun, allowing for one-person installation, the company says.

www.beachhousesshake.com



Simpson Strong-Tie Timber Screw

Simpson Strong-Drive SDWS Timber SS Type 316 stainless-steel structural screws are marketed as a premium solution for construction and repair of coastal piers, boardwalks, docks and other projects that require structural fastening in extreme saltwater environments. Available in 3", 4", 5", 6", 8", 10" and 12" lengths, the SDWS Timber SS features a patented SawTooth point to eliminate the predrilling and counterboring required by lag screws while providing greater load ratings than spikes without nail-pops and their associated tripping hazards, the company says. The SDWS Timber SS 316 stainless-steel structural screw complements the Strong-Drive family of fasteners.

go.strongtie.com/sdws



Sherwin-Williams Moisture Vapor Barrier

Sherwin-Williams's new Moisture Vapor Barrier Interior Latex Primer/Sealer is designed to achieve a quick-drying coating said to help reduce the loss of moisture through walls and ceilings. The new waterborne formula combines a primer and finish into a single, cost-effective solution intended to address common moisture vapor problems that can lead to costly mold and wood damage. Moisture Vapor Barrier can be top-coated with any interior latex or alkyd product in as little as two hours, the manufacturer says. The product can be applied directly to previously-painted surfaces or bare drywall, and it's UL/GREENGUARD Gold Certified for low chemical emissions during application. www.s-w.com



Spyder Products Tarantula carbide-tipped hole saw

Spyder Products' new hole saws are said to be up to 10 times faster and provide up to 50 times more cuts than standard bi-metal hole saws. Their carbide-tipped teeth are designed to allow users to make clean cuts through even the toughest materials, including stainless steel, steel, cast iron, nail embedded wood, and cement fiber board.

The Tarantula line features Spyder's patented Rapid Core Eject arbor system that is engineered to eject cores instantly, without the need for tools. Tarantula hole saws are available in 3/4" to 4-1/4" diameters, in a six-piece kit. In addition to the six-piece kit, individual hole saws and a professional nine-piece kit will be available in the coming months. www.spyderproducts.com



Maibec Resistech engineered siding

Maibec Resistech siding has launched in the U.S. in partnership with Huttig Building Products. The Resistech siding line of products is built on LP SmartSide. Resistech textured shingle strips are said to work equally well as a primary or accent siding. Their sawn wood texture and varied groove spacing are designed to recreate the typical architectural styling of shingles. Resistech shingles are also free of visible defects, and come in strips for easier installation. Known as a predominant prefinished siding system specialist, Maibec is the largest producer of prefinished Eastern white cedar shingles in North America, the company says, and the leading Canadian manufacturer of prefinished wood siding, and a large supplier of cedar mulch for the Canadian and American markets. Maibec's Resistech siding is available in six colors: Smokey Quartz, Copper Rock, Brown Opal, Carbon Grey, Pearl Grey, and Kashmir Granite. www.maibec.com



The Grad Clip by Woodhaven

Wood Haven Inc. has introduced The Grad Clip. The new system is said to reduce install time by 50% or more for decking and siding applications. The system is designed to install faster, easier, more efficiently, and require no special tools. On decking, users are said to no longer have to be on their knees once the Grad strips are in place. No drilling at an angle or broken screws is necessary. Both Grad Clip for Siding and Soffits and the Grad Clip for Decking come complete with trim and accessories that can be custom fabricated to any design. Pre-finishing on all species is available. www.woodhavenproducts.com



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PRODUCT PICKS

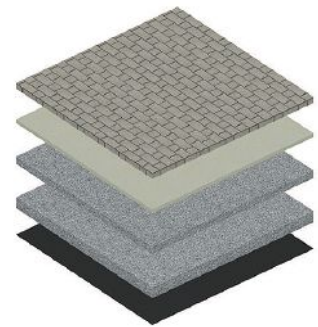
Impact 900 Series from Haas Door

Haas Door has introduced a new 900 Series impact garage door glazing options within the company's American Tradition Series. Made of durable steel, the garage doors feature four impact window polycarbonate choices: Clear, Dark Gray, Bronze and Pebble. The American Tradition Series feature an overall thickness of 2", CFC-free polyurethane insulation with a calculated R-value of 13.45. Overlay boards are added to maintain a traditional carriage house look. Available as single or double doors, with solid top section designs or several window options, the garage doors come in 13 solid color options plus four wood grain base options. Each color can be used as a base and/or overlay color to give added character to the elegant garage doors. Fifteen options of insulated glass windows are offered in the line, plus eight non-insulated options. The Series 900 brings the four additional impact window polycarbonate options to the line of Clear, Dark Gray, Bronze and Pebble. www.haasdoor.com



Oldcastle APG & BIMsmith BIM Design Tools

Oldcastle APG has expanded its BIM Design Tool Library to include three of Belgard Hardscapes lines: Moduline and Aqualine pavers and Diamond Pro Segmental Retaining Walls (SRWs); as well as several Westile rooftop pavers. According to Oldcastle APG, the availability of accurate and intelligent BIM objects from Belgard provides designers with essential product data, saving time during the design process. Each 3D model is compatible with the architectural design software, Autodesk Revit, and includes access to specifications, cut sheets, and other product data. www.bimsmith.com/belgard



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Irion-America eXcePt series caulking gun

Irion-America, manufacturer of dispensing tools and caulking gun products, has introduced the new eXcePt series product line featuring drip control caulking and sausage guns. The eXcePt series is designed for various features including a rubber-coated handle and trigger, antirust/scratch-proof barrel and built-in tip cutter. At a 19:1 thrust ratio, it is engineered to dispense materials with extreme ease and is said to be ideal for trade professionals. The adjustable drip control technology can be activated by a switch on the handle and can be turned on and off while laying a bead. Irion-America is now stocking the eXcePt series products for 310 ml or 10.5 fl. oz cartridges and sausages, and cartridges up to 600ml.

www.irion-america.com



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Princeton Forest Products

www.princetonforestproducts.com

PRODUCT PICKS

PPG MACHINECOAT WB

PPG has introduced PPG MACHINECOAT WB (waterborne) weathering stain for new commercial cedar shingles. The low volatile organic compound (low-VOC) stain is an alternative to traditional solvent-based PPG Machinecoat alkyd weathering stains. Whitish-gray when machine-applied to new cedar shingles, PPG Machinecoat WB weathering stain lightens over a six-to-nine-month period, gradually assuming the appearance of aged cedar that blends naturally into its surroundings. The faux-weathered appearance lasts until the cedar begins to age and fade naturally. PPG Machinecoat WB weathering stain is designed to provide a uniform, weathered appearance when applied to white cedar shingles and air-dries in approximately 30 minutes in ambient conditions. It also can be force-dried under suitable conditions. www.ppgmachineappliedcoatings.com



Milwaukee Rear Handle Circular Saw

Milwaukee Tool's M18 FUEL 7-1/4" Rear Handle Circular Saw is capable of making up to 570 cuts in a 2x4 per charge. The new M18 FUEL 7-1/4" Rear Handle Circular Saw combines three exclusive innovations—the POWERSTATE brushless motor, REDLITHIUM battery pack, and REDLINK PLUS intelligence. The brand-new POWERSTATE Brushless Motor delivers 5,800 RPM. A redesigned REDLINK PLUS Intelligence package contributes to maximum performance of the saw under load and prevents against overload and overheat. For added utility, the saw also features an LED work light to help make more accurate cuts and a multi-sized rafter hook for easy storage. www.milwaukeetool.com





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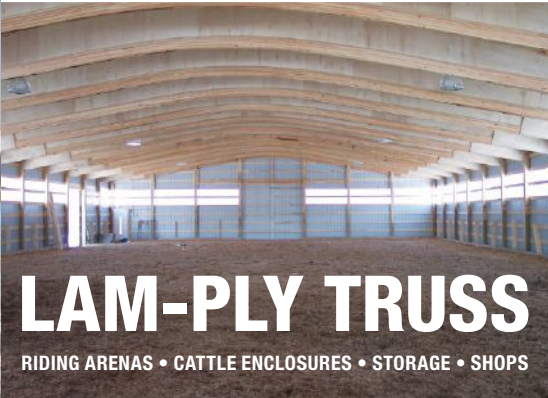
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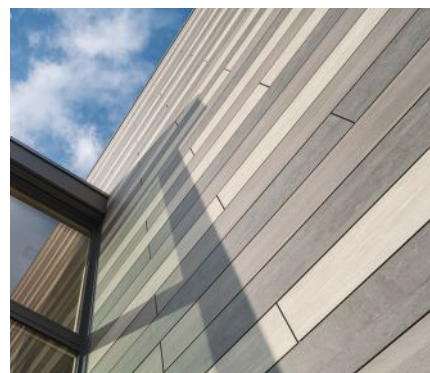
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Trespa North America from Building Material Distributors

Building Material Distributors, Inc. has partnered with Trespa North America to distribute the Trespa Pura NFC line of siding products. Trespa Pura NFC is a siding solution for the California and Nevada markets, both from a climate and design standpoint. It's designed to be versatile, durable and contemporary. The siding is crafted from up to 70% natural fibers that are impregnated with thermosetting resins and features a closed surface that ensures optimum weather resistance and high UV stability. The siding is said to not need to be painted or lacquered.

www.bmdusa.com/trespa





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Touch 'n Foam Professional Spray Foam Kits from DAP

DAP's Touch 'n Foam kits use disposable, pressurized chemical cylinders that dispense polyurethane spray foam, eliminating the need for external air compressors, pumping equipment or dry nitrogen. The 2-component foam kits from DAP are the Touch 'n Foam Pro System 200, which provides up to 200 board feet of polyurethane spray foam that, when applied, is said to dry in 60 seconds, and the Touch 'n Foam Pro System 600 comes complete with color-coded hoses, ergonomic foam applicator, and all the necessary tools to get started. The system provides up to 600 board feet of polyurethane spray foam. Designed for larger insulating projects (up to 2" fills), sealing, patching and filling applications, the System 600 is said to provide a quick, consistent flow of foam with rapid curing (60 seconds). www.touch-n-foam.com



New casement and awning products from Marvin

Marvin Modern now has more Casement and Awning products joining the Modern Multi-Slide Door and Modern Direct Glaze Window lines. The Marvin Modern line currently offers a Direct Glaze Window in rectangular and polygon shapes, a Multi-Slide Door, and casement and awning windows, which are both available in crank out and push out styles. The new Crank Out and Push Out Casements are available in sizes up to approximately 3' wide and 9' tall. The new Crank Out Awning is available in sizes up to 8' wide and 8' tall, and the Push Out Awning is available in sizes up to 4' wide and 8' tall. Boasting an industry-first, high-density fiberglass exterior and an aluminum interior, the products are designed to be durable and energy-efficient in demanding climates. All products achieve a low standard U-Factor of 0.28 with Low E2 and Argon gas. Available in a curated palette of ebony, bronze, anodized/silver, gunmetal and stone white, with the ability to split finishes on interior and exterior. www.marvin.com



Bosch Brushless Compact Tough Hammer Drill/Driver

The Bosch GSB18V-535C Hammer Drill/Driver and Bosch GSR18V-535C Drill/Driver are designed to combine advanced user control with a compact, powerful cordless tool. The tools feature Bluetooth connectivity (which connects to an optional Connectivity Tool Module) that links the tool to the free Bosch Toolbox App, which is available at the Apple App Store or the Google Play Store. The app works with a mobile device to provide enhanced tool control and detailed tool usage feedback, including battery charge status. Users can customize the tool, Bosch says, which includes changing the KickBack Control sensitivity and adjusting the time the LED remains on after trigger release. www.boschtools.com



PURPLE SoundBreak XP Ceiling

SoundBreak XP Ceiling Board is 3/4" sound-damping drywall comprised of two pieces of high-density, mold-, mildew- and moisture-resistant gypsum board, with a specially designed PURPLE paper, laminated together with a viscoelastic polymer. It installs and finishes like traditional gypsum board and achieves GREENGUARD Gold Certification for indoor air quality. The product was developed for floor-ceiling assemblies where airborne sound such as disturbing voices and structurally transmitted sound such as second floor foot traffic is a concern. www.purpleproducts.info



POINT OF LAW

THE TOP 20 CLAUSES OF SUBCONTRACTOR AGREEMENTS

WHILE LUMBERYARDS AND SUPPLIERS often primarily sell and deliver building products, sometimes they also build projects for customers and hire subcontractors (“subs”). While not as common these days, some yards (especially in smaller towns) act as a general contractor (“GC”) as well as a supplier. When acting as a GC, subs will no doubt be hired and a comprehensive subcontractor agreement should be signed. In some cases a “master” agreement can be signed with subs that are hired on a regular basis, eliminating the need for signing a new agreement on every job.

HERE ARE THE TOP 20 CLAUSES I LOOK FOR AND RECOMMEND INCLUDING IN A GC’S AGREEMENTS WITH ITS SUBS:

- 1 **Scope of Work:** Parties should always make the specifications and responsibilities clear.
- 2 **Subcontractor Review of Plans and Site Conditions:** Sub should acknowledge it has reviewed the plans and site, that it knows of no issues, and that it can perform its work for the contract price.
- 3 **Payment Terms:** Clearly state when the sub must submit payment applications, how long the GC has to make payment, and the reasons that the GC may withhold payment. Also include:
 - A. Requirements for pay applications or invoices
 - B. Timing for payment
 - C. Pay-If-Paid Clause: the sub will not be paid until the Owner pays the GC for the sub’s work
 - D. Retainage: amount and when released (typically between 5% and 10%, depending on state laws)
- 4 **Change Orders:** GC will not be obligated to pay for any extra work unless the GC signs a written Change Order *before* the extra work begins.
- 5 **Schedule:** Sub has agreed to the project schedule and understands when the work must be completed.
- 6 **Delays:** Require sub to promptly report any perceived delays or forever waive them. State that failure to promptly report the alleged delay means i) sub accepts situation and ii) they may not make a claim or demand for increased dollars.
- 7 **Termination for Convenience:** GC may terminate or fire the sub for any reason at all, at the GC’s convenience, provided that the GC pays the sub for the labor and materials contributed to the project as of the termination date.
- 8 **Insurance Requirements:** Require sub to maintain insurance as specified by the GC’s insurer. GC should verify those requirements with its insurance agent.
- 9 **List of Sub Vendors:** Sub should provide GC with a list of all of the sub’s vendors and suppliers. GC should have the right to object to them and have them replaced.
- 10 **Correction of Work/Warranty:** State time frame for sub to correct work and complete punch lists. GC can correct work if sub fails to and deduct costs from amounts due to sub.
- 11 **OSHA Compliance/Project Safety/EPA/Lead Paint:** Sub is responsible for compliance and will indemnify, defend and hold GC harmless from all issues, citations or fines.
- 12 **Substance-Free Workplace:** Consider banning tobacco products, e-cigarettes, and vaping.
- 13 **Citizenship/Authorization to Work:** Sub is responsible for all of its employees being legal to work in the USA and will defend and hold GC harmless from all citations or fines.
- 14 **Liquidated Damages:** Penalizes sub for failure to perform on time. Usually involves a daily penalty for failure to complete the project within the agreed upon schedule.
- 15 **Leaving Materials and Equipment on Site:** If the sub is terminated or leaves the project for any reason, the sub must leave all of its materials, tools, and equipment on the job site so that the GC or a replacement sub may use them.
- 16 **Proprietary Information/Non-Solicitation:** Sub agrees not to solicit GC’s customers or use GC’s information for any purpose outside of the project.
- 17 **Flow Down Requirements:** Sub is bound by all terms of the agreements between the GC and the owner. Sub should also have written contracts with any of its sub-subcontractors or other vendors that make the sub vendors bound by the terms of GC’s agreement with the sub.
- 18 **Independent Contractor Status:** Sub should meet all independent contractor criteria, and consider listing them in the agreement.
- 19 **Attorneys’ Fees:** GC can recover from sub all attorneys’ fee incurred in enforcing the agreement.
- 20 **Dispute Resolution:**
 - A. Initial informal meeting required first
 - B. Mediation next if no resolution at initial meeting
 - C. Sub must continue working while the parties try to resolve the dispute
 - D. Arbitration vs. Litigation: state method of legal action if it is ultimately necessary ■

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



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Affordable housing and GSE reform: Can Congress get anything done?

BY KEVIN MCKENNEY

OVER THE PAST SEVERAL YEARS, Congress has tried to enact legislation to reform the federal housing finance system but has not been successful. In addition, legislation to encourage investment into low-income housing was recently introduced in Congress. Despite longstanding gridlock in both chambers, housing policy remains an important issue that may have some potential for action.

The Trump Administration has made government reform a key part of its agenda. President Trump signed executive orders that implement several processes for streamlining regulations and shifting certain programs to the private sector. For example, the White House's budget requests to Congress propose to shift ENERGY STAR from the Environmental Protection Agency (EPA) to the private sector or at least impose user fees on manufacturers. This approach is also applied to housing finance reform. Both Freddie and Fannie have been under conservatorship since 2008, and the White House recently released a proposal to reform these GSEs (Government-Sponsored Enterprises). The proposal would allow the agencies and competitors to have an explicit guarantee on mortgage-backed securities that are "only exposed in limited, exigent circumstances" and would be "on-budget and fully paid-for."

As part of the reform-minded approach of the Administration, these GSEs could undergo a transition into fully private entities through a large public offering. A proposal from the White House is expected at any time, which the Departments of Housing and Urban Development (HUD) and the Treasury Department are tasked with drafting. Treasury will detail the plans for GSEs while HUD lays out a plan for the housing finance agencies that it oversees.

In Congress, Republicans and Democrats are divided on how to approach the issue. In the Republican-controlled Senate, Sen. Mike Crapo (R-ID), chair of the Banking Committee, released a proposal in February which would turn Fannie and Freddie into private mortgage guarantors—competing with other private guarantors—while allowing for Ginnie Mae to provide a government backstop. While House Financial Services Chairwoman Maxine Waters (D-CA) has been slower to release details about a plan for her committee, she recently remarked that "it is time for Congress to come to a solution on the long-term status of GSEs" and highlighted several principles that should underlie any reform proposal, including maintaining access

to the 30-year fixed-rate mortgage, ensuring that sufficient private capital is in place to protect taxpayers and maintaining credit access for borrowers. She added that "the inclusion of small financial institutions must be a critical part of any conversations on GSE reform."

Also on housing policy, legislation was recently introduced that would address the nation's shortage of affordable housing by protecting, expanding and strengthening the Low-Income Housing Tax Credit (LIHTC). Created by the Tax Reform Act of 1986, the LIHTC program gives state and local LIHTC-allocating agencies the equivalent of nearly \$8 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households.

The credit is meant to subsidize either 30% or 70% of the low-income unit costs in a project. The 30% subsidy, which is known as the 4% tax credit, covers new construction that uses other subsidies or the acquisition cost of existing structures. The 70% subsidy, or 9% tax credit, supports new construction without any additional subsidies. Congress permanently enacted a minimum 9% credit rate floor in 2015 with bipartisan support, however, the floating 4% credit rate still limits the equity available to build affordable rental homes. Establishing a minimum 4% credit rate will allow for more subsidies to build affordable housing.

The bipartisan legislation recently introduced in both houses of Congress by a bipartisan group of lawmakers increase investment in affordable housing and provide more resources and stronger protections for at-risk groups. They would enhance the 4% credit and multifamily housing bond portion of the program, streamline requirements and provide states with additional flexibility, facilitate housing credit development in challenging markets like rural and Native American communities, increase LIHTC's ability to serve low-income tenants and better support the preservation of existing affordable housing.

The goal is to stimulate construction by increasing the amount of credit used to build affordable units by 50%, which is estimated to create 384,000 more homes in the next decade. The Act would also stabilize the value of the tax credit at 4%, eliminating uncertainty for developers juggling additional acquisition costs and other subsidies. NLBMDA supports the LIHTC as an effective means to expand the supply of affordable housing and promote job creation. ■

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

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Susan has headed up your company's operations for nearly 10 years. When it comes to keeping things running smoothly, and managing tough situations before they escalate into crises, there's no one better. Plus, she's one of those highly productive people who somehow finds ways to squeeze more work into each day. As your company has grown over the past decade, Susan's job has grown with it—in both complexity and volume. When your company recently converted to a new software platform, she insisted on overseeing the conversion process and employee training herself. Not only has she not taken as much as a week off in the last two years, she's now averaging well over 60 hours per week.

Nate began working with your company sweeping floors and stocking shelves in the mid-1990s and has spent the past five years as your warehouse manager. His job, like Susan's, has continued to get bigger and more complicated as your sales volume has increased. Your one warehouse is still only open five days a week, but during that time, there's much more material coming in, more going out. To his credit, Nate has stepped up to this logistical challenge and has created ways to keep your drivers delivering on-time, and in-full. As with Susan, that accomplishment has come at a price—with Nate consistently working at least 12-hours a day.

Since nothing happens without your people, and you care about them as individuals, you make a sincere effort to make sure they are happy and healthy. That's not always easy, especially when it comes to Nate and Susan. When you've suggested working fewer hours, and taking more time for themselves, they each push back and insist they can do more. When you've talked about hiring some people to take over some of their duties, they both state that training someone new would take more time than doing it themselves. Plus, if there's money for new staffers, how about add that to their paychecks? You've done that before, why not just keep doing it?

The reason is that they're both beginning to show signs of employee burnout, like being more sensitive to feedback, a sense that they're exhausted, and some disengagement from their colleagues. You want to do something before they truly do burn out...but what?



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- 1 LIMIT HOURS.** Put a hard limit on the number of hours that salaried people can work per week. Track it and enforce it.
- 2 LET IT BE.** Susan and Nate are both grownups, and they know their limits. Since both insist that they're fine and want more to do, take them at their word.
- 3 REWARD.** Reward team members who continually push themselves to take on more by rewarding them with more money and more responsibility.
- 4 HIRE!** It's your job to take care of your people. If people are working an unhealthy number of hours, then it's up to you to lighten their load—whether they agree or not.

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